Student Number _____

ABBOTSLEIGH

2023

TRIAL HIGHER SCHOOL CERTIFICATE

Economics

General Instructions

- Write your Student Number at the top of this page.
- Write using black pen.
- Board approved calculators can be used.

TOTAL MARKS – 100
WEIGHTING - 30%
TIME ALLOWED - 3 hours and 5 minutes reading time

SECTION I - 20 marks
- Attempt Questions 1 – 20
- Allow about 35 minutes for this section

SECTION II - 40 marks
- Attempt Questions 21 - 24
- Allow about 1 hour 15 minutes for this section

SECTION III - 20 marks
- Attempt Question 25 **or** 26
- Allow about 35 minutes for this section

SECTION IV - 20 marks
- Attempt Question 27 **or** 28
- Allow about 35 minutes for this section

Section I
20 marks
Attempt Questions 1-20
Allow about 35 minutes

Use the Multiple Choice Answer Sheet provided.

Select the alternative A, B, C, or D that best answers the question. Fill in the response oval completely.

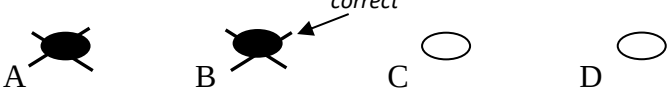
Sample 2 + 4 = (A) 2 (B) 6 (C) 8 (D) 9

A ○ B ● C ○ D ○

If you think you have made a mistake, put a cross through the incorrect answer and fill in the new answer.

A ● B ⊗ C ○ D ○

If you have changed your mind and have crossed out what you consider to be the correct answer, then indicate this by writing the word *correct* and drawing an arrow as follows:

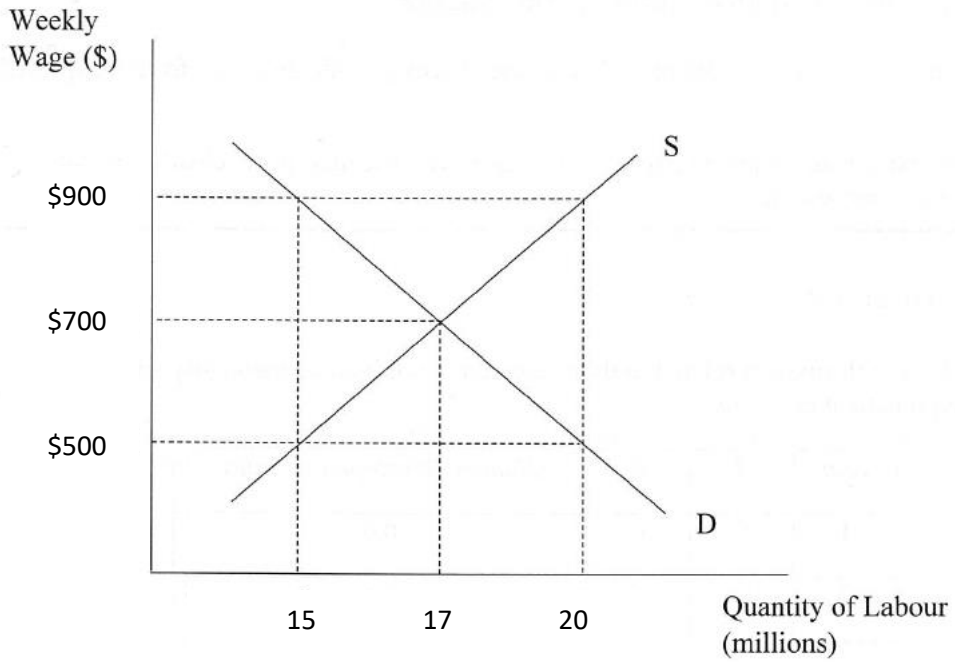


---

1. Which of the following is most likely to lead to an increase in free trade?
   a) An increase in subsidies and a decrease in tariffs
   b) A decrease in a quota and an increase in local content rules
   c) A decrease in tariffs and an increase in a quota
   d) An increase in tariffs and a decrease in subsidies

2. If there was an increase in subsidies paid by the Chinese government to their domestic producers, what would be the impact on Australian exporters?
   a) Australian exporter revenue increases and export volumes rise
   b) Australian exporter revenue increases and export volumes fall
   c) Australia exporter revenue decreases and export volumes rise
   d) Australian exporter revenue decreases and export volumes fall

3. The following diagram shows the market for labour in an economy with a working age population of 25 million. The government decides to introduce a minimum wage of $900 per week.



What are the unemployment and participation rates in this economy?

	Unemployment rate (%)	**Participation rate (%)**
a)	10	75
b)	10	80
c)	25	75
d)	25	80

4. Why can it be argued that secondary education is NOT a public good?
    a) Students can be prevented from attending school
    b) Effective secondary education has positive externalities
    c) Not all secondary schools are provided by the government
    d) Secondary schools have negative externalities

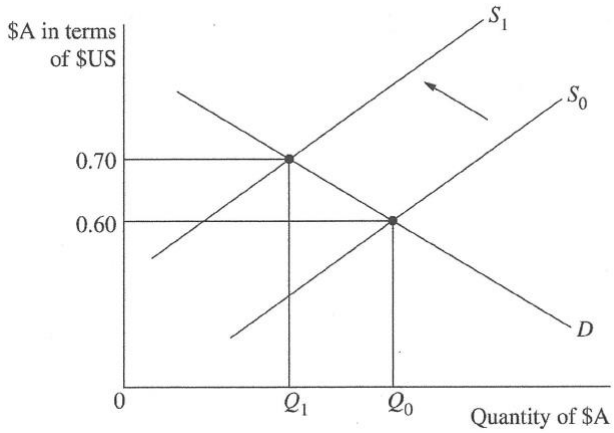
5. The following table includes data for a hypothetical economy.

Year	Nominal GDP ($b)	CPI
1	1500	100
2	1700	107
3	1900	115

What is the growth rate of real GDP in Year 3?

a) 2.5%
b) 4.0%
c) 5.9%
d) 10.1%

6. The following diagram shows demand and supply of the $A in foreign exchange markets.



What is the most likely reasons for the shift in the supply curve from S_0 to S_1?

a) An increase in Chinese economic growth
b) An increase in Australian economic growth
c) An increase in the profitability of Chinese companies
d) A decrease in the profitability of Australian companies

7. The following table shows data for a hypothetical economy with a floating exchange rate.

Balance of payments	**$ billion**
Goods debits	50
Net services	5
Financial account	-12
Net primary income	-10
Goods credits	?
Net secondary income	-2
Capital account	-1

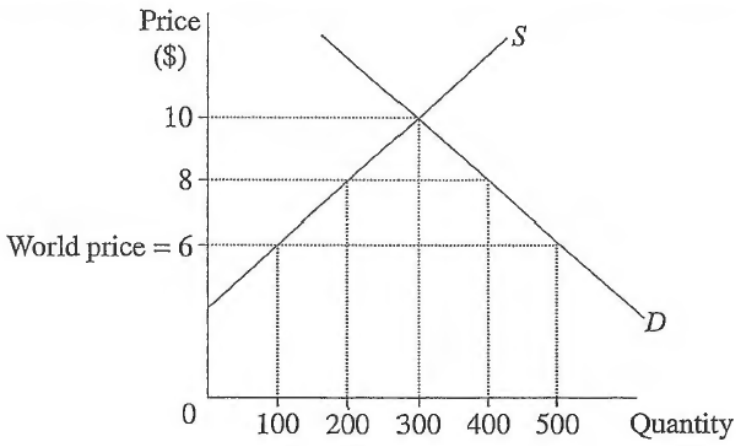
What is the value of the **balance of goods and services (BOGS)** for this economy?

a) $20 billion
b) $25 billion
c) $50 billion
d) $70 billion

8. In which of the following situations are the net foreign liabilities of a country most likely to fall?

a) The country runs a current account deficit and its currency appreciates
b) The country runs a current account deficit and its currency depreciates
c) The country runs a current account surplus and its currency appreciates
d) The country runs a current account surplus and its currency depreciates

9. The following diagram shows domestic demand and supply curves for a hypothetical economy.



What is the size of the quota that would have the same effect on the price of this good in this economy as a tariff of $2?

a) 100 units
b) 200 units
c) 300 units
d) 400 units

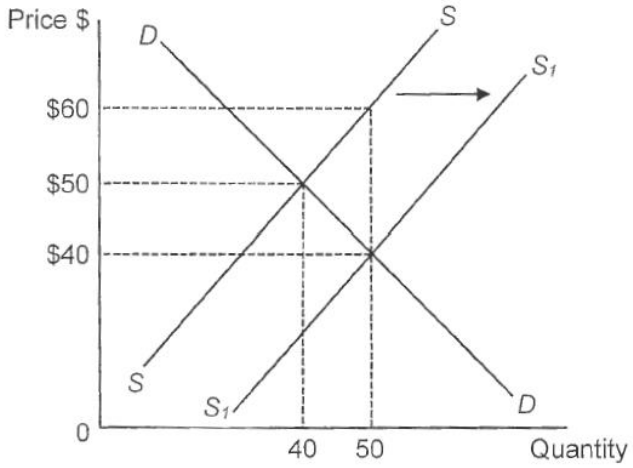
10. If the RBA felt that the $A had depreciated too rapidly and wanted to reverse the decline, which of the following actions is it most likely to implement?

a) Buy $US in foreign exchange markets and increase the cash rate
b) Buy $A in foreign exchange markets and increase the cash rate
c) Sell $US in foreign exchange markets and cut the cash rate
d) Sell $A in foreign exchange markets and cut the cash rate

11. Which of the following organisations is most likely to provide low interest rate financing to build hospitals in a developing country?

    a) World Bank
    b) International Monetary Fund
    c) OECD
    d) World Trade Organisation

12. The following diagram shows the impact of a subsidy on a hypothetical economy.



What is the total cost of the subsidy to the government?

    a) $10
    b) $20
    c) $400
    d) $1000

13. If there was to be a sudden increase in demand for exchange settlement funds (ES funds) by the banking sector, how would the RBA respond if it wanted to keep the cash rate constant?
    a) Buy government bonds in the repo market to increase the supply of ES funds
    b) Sell government bonds in the repo market to increase the supply of ES funds
    c) Buy government bonds in the repo market to reduce the supply of ES funds
    d) Sell government bonds in the repo market to reduce the supply of ES funds

14. How would a carbon tax reduce the negative externalities associated with using fossil fuels to produce energy?
    a) By increasing the social costs associated with production and increasing the equilibrium price
    b) By reducing the social costs associated with production and decreasing the equilibrium price
    c) By increasing the private costs associated with production and increasing the equilibrium price
    d) By increasing the social costs associated with production and decreasing the equilibrium price

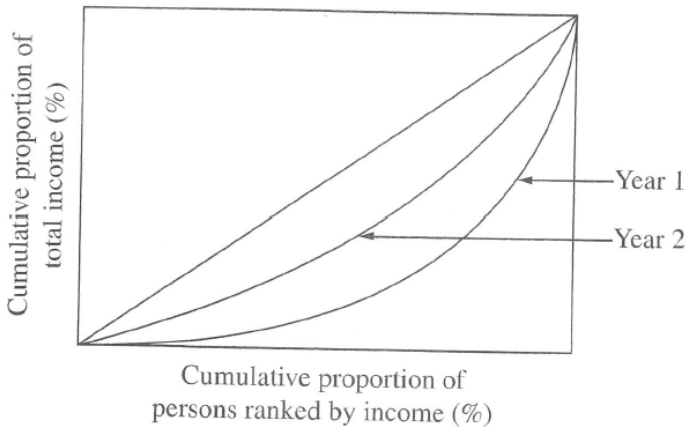
15. Which of the following is a disadvantage of a fixed exchange rate?
    a) Foreign reserves are required to prevent a rise in the exchange rate
    b) Foreign reserves are required to prevent a fall in the exchange rate
    c) Fixed exchange rates are more volatile than floating exchange rates
    d) Floating exchange rates are more volatile than fixed exchange rates

16. If the $A/$US exchange rate is 0.60, how many $A will $US3000 be able to purchase?
    a) $A1200
    b) $A1800
    c) $A5000
    d) $A9000

17. Which of the following objectives can most easily be achieved simultaneously with increased economic growth?
    a) Reduced inflation
    b) Reduced unemployment
    c) Decreased carbon emissions
    d) Improved external stability

18. Which of the following is an example of a multilateral FTA of which Australia is a member?
    a) EU
    b) ChAFTA
    c) AANZFTA
    d) USMCA

19. The following diagram shows the distribution of income in an economy over two consecutive years.



Which of the following policies is most likely to have led to this change?

a) An increase in the highest marginal tax rate
b) A decrease in the tax-free threshold
c) A decrease in pension payments
d) A decrease in capital gains tax

20. The following table shows data for a hypothetical economy.

Year	Export price index	Import price index
1	100	100
2	115	110
3	110	95

Which of the following shows the value of the terms of trade in Year 3 and the trend in the terms of trade between Years 2 and 3?

	Terms of trade in Year 3	Trend in terms of trade
a)	104.5	Falling
b)	104.5	Rising
c)	115.8	Falling
d)	115.8	Rising

END OF SECTION I

This document is available on studocu

Section II
40 marks
Attempt Questions 21–24
Allow about 1 hour and 15 minutes for this section

- Answer the questions in the spaces provided. These spaces provide guidance for the expected length of response.
- Extra writing space is available at the end of the booklet. If you use this space, clearly indicate what question you are answering.

Question 21 (10 marks)

a) Define *ecologically sustainable development.* (1 marks)

……

……

b) For an economy other than Australia, describe ONE impact of globalisation on environmental sustainability and ONE strategy the country has used to address it. (4 marks)

……

……

……

……

……

……

……

……

……

……

……

c) Explain how market based policies and international agreements can be used to address climate change in Australia. (5 marks)

……

……

……

……

……

……

……

……

……

……

……

……

……

……

……

……

……

……

……

……

……

This document is available on studocu

Question 22 (10 marks)

a) Identify TWO measures of external stability. (2 marks)

……..

……..…

b) With reference to the two measures identified in part (a) above, explain why they have changed over the past decade in Australia. (4 marks)

……

……

……

……

……

……

……

……

……

……

……

……

……

……

……

c) Discuss how a sustained surplus in Australia's current account could affect economic performance. (4 marks)

……

……

……

……

……

……

……

……

……

……

……

……

……

……

……

……

……

……

Question 23 (10 marks)

a) Distinguish between *subsidies* and *local content rules*. (2 marks)

……

……

……

……

……

b) Outline TWO impacts of decreased subsidies on the government's budget. (2 marks)

……

……

……

……

……

……

……

……

c) Analyse the implications for Australia of an increase in protectionist policies imposed by other countries to protect their domestic markets. (6 marks)

……

……

……

……

……

……

……

……

……

……

……

……

……

……

……

……

……

……

……

Question 24 (10 marks)

a) Outline the role of the IMF in the global economy. (2 marks)

……

……

……

……

b) Explain how an increase in $US interest rates can affect Australia's exchange rate and current account balance. (4 marks)

……

……

……

……

……

……

……

……

……

……

……

……

……

……

c) Explain the process by which the RBA tightens monetary policy. (4 marks)

……

……

……

……

……

……

……

……

……

……

……

……

……

……

……

……

……

……

END OF SECTION II

Section II Extra writing space

If you use this space, clearly indicate what question you are answering

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

Section II Extra writing space

If you use this space, clearly indicate what question you are answering

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

Section II Extra writing space

If you use this space, clearly indicate what question you are answering

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

Section III

20 marks
Attempt EITHER Question 25 OR Question 26
Allow about 35 minutes for this section

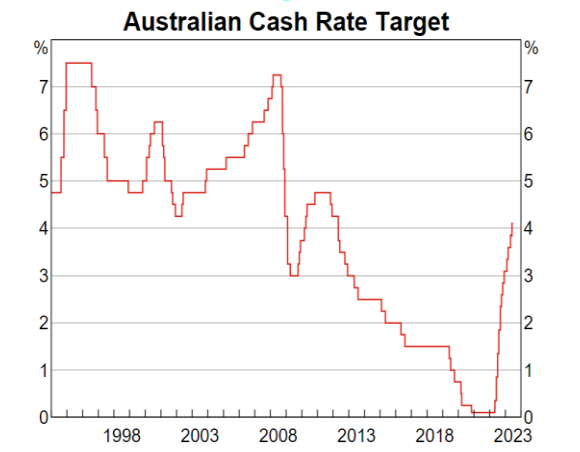
Answer the question in a SEPARATE writing booklet. Extra writing booklets are available.

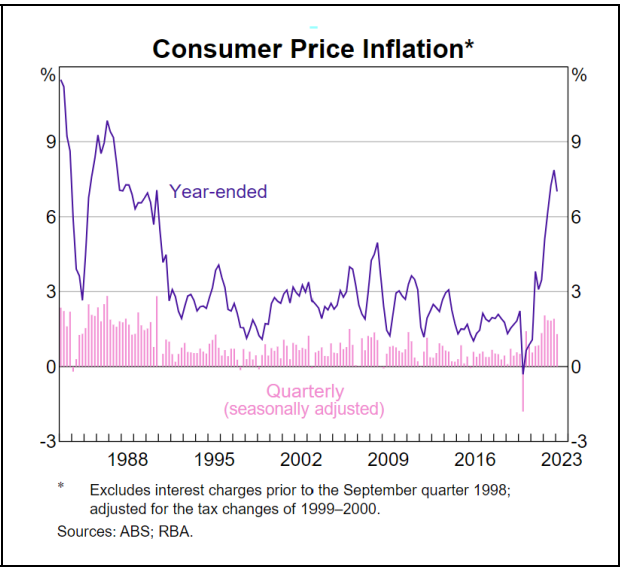
In your answer you will be assessed on how well you:

- demonstrate knowledge and understanding relevant to the question
- use the information provided
- apply relevant economic terms, concepts, relationships and theory
- present a sustained, logical and cohesive response

Question 25 (20 marks)

Evaluate the effectiveness of Australia's monetary policy over the past decade.





"The RBA's charter commits the bank to control inflation, full employment and policies which promote 'the economic prosperity and welfare of the people of Australia'.

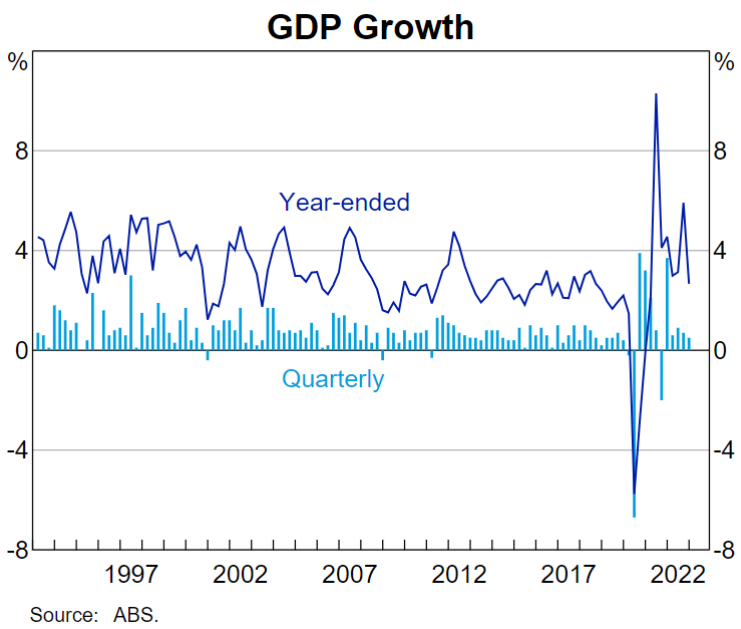
A criticism of the bank has been in its failure to hold inflation in its 2-3 per cent target band. It has been under and above the band for almost all of the past seven years…"

Source: SMH, Strip RBA board of rate-setting power: review, 9/11/22

OR

Question 26 (20 marks)

Analyse the domestic and global factors that have caused changes in Australia's rate of economic growth over the past decade.



"Globalisation has lifted hundreds of millions of people out of poverty, helped drive global economic growth and delivered affordable goods and services worldwide. By having the policy settings to benefit from trade, investment and skilled migration, Australia's economy is stronger and our standard of living higher."

Source: 2017 Australian Government Foreign Policy White Paper

Section IV

20 marks
Attempt EITHER Question 27 OR Question 28
Allow about 35 minutes for this section

Answer the question in a SEPARATE writing booklet. Extra writing booklets are available.

In your answer you will be assessed on how well you;

- demonstrate knowledge and understanding relevant to the question
- apply relevant economic information, terms, concepts, relationships and theory
- present a sustained, logical, and cohesive response

Question 27 (20 marks)

Analyse the causes and effects of an unequal distribution of income and wealth in Australia.

OR

Question 28 (20 marks)

Analyse the domestic and global factors that have affected inflation in Australia over the past decade.

END OF EXAMINATION

Student Number _____

ABBOTSLEIGH

2023

TRIAL HIGHER SCHOOL CERTIFICATE

MARKING GUIDELINES

Economics

General Instructions

- Write your Student Number at the top of this page.
- Write using black pen.
- Board approved calculators can be used.

TOTAL MARKS – 100
WEIGHTING - 30%
TIME ALLOWED - 3 hours and 5 minutes reading time

SECTION I - 20 marks
- Attempt Questions 1 – 20
- Allow about 35 minutes for this section

SECTION II - 40 marks
- Attempt Questions 21 - 24
- Allow about 1 hour 15 minutes for this section

SECTION III - 20 marks
- Attempt Question 25 **or** 26
- Allow about 35 minutes for this section

SECTION IV - 20 marks
- Attempt Question 27 **or** 28
- Allow about 35 minutes for this section

Section I
20 marks
Attempt Questions 1-20
Allow about 35 minutes

Use the Multiple Choice Answer Sheet provided.

Select the alternative A, B, C, or D that best answers the question. Fill in the response oval completely.

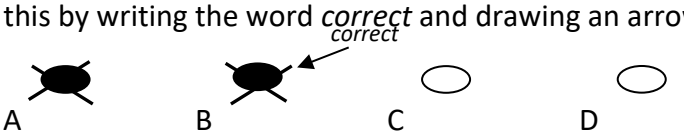
Sample 2 + 4 = (A) 2 (B) 6 (C) 8 (D) 9

A ○ B ● C ○ D ○

If you think you have made a mistake, put a cross through the incorrect answer and fill in the new answer.

A ● B ⊗ C ○ D ○

If you have changed your mind and have crossed out what you consider to be the correct answer, then indicate this by writing the word *correct* and drawing an arrow as follows:

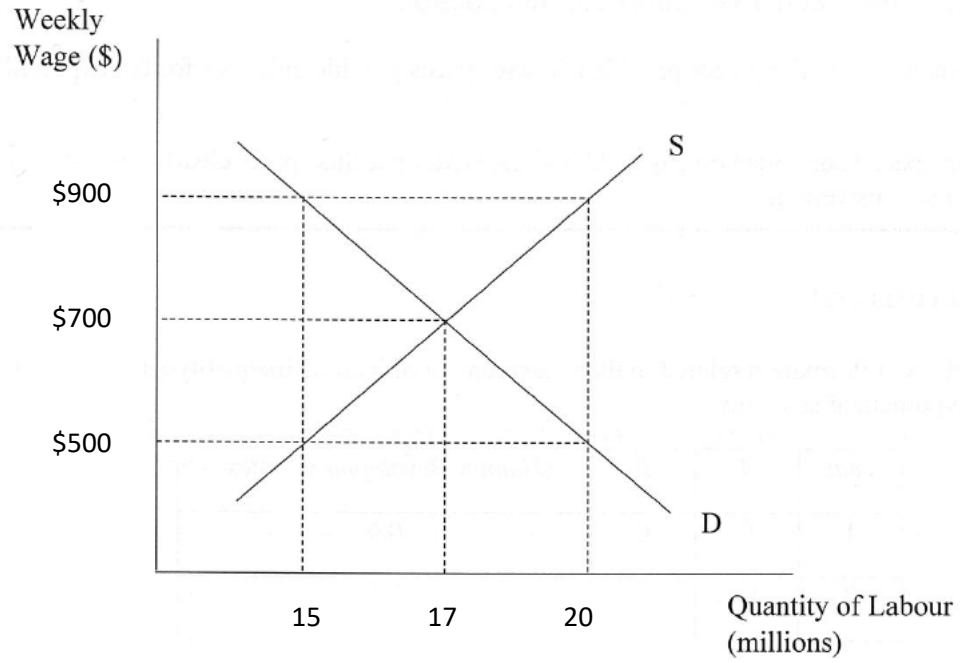


---

1. Which of the following is most likely to lead to an increase in free trade?
   a) An increase in subsidies and a decrease in tariffs
   b) A decrease in a quota and an increase in local content rules
   c) A decrease in tariffs and an increase in a quota
   d) An increase in tariffs and a decrease in subsidies

2. If there was an increase in subsidies paid by the Chinese government to their domestic producers, what would be the impact on Australian exporters?
   a) Australian exporter revenue increases and export volumes rise
   b) Australian exporter revenue increases and export volumes fall
   c) Australia exporter revenue decreases and export volumes rise
   d) Australian exporter revenue decreases and export volumes fall

3. The following diagram shows the market for labour in an economy with a working age population of 25 million. The government decides to introduce a minimum wage of $900 per week.



What are the unemployment and participation rates in this economy?

	Unemployment rate (%)	**Participation rate (%)**
a)	10	75
b)	10	80
c)	25	75
d)	25	80

4. Why can it be argued that secondary education is NOT a public good?

a) Students can be prevented from attending school

b) Effective secondary education has positive externalities

c) Not all secondary schools are provided by the government

d) Secondary schools have negative externalities

5. The following table includes data for a hypothetical economy.

Year	Nominal GDP ($b)	CPI
1	1500	100
2	1700	107
3	1900	115

What is the growth rate of real GDP in Year 3?

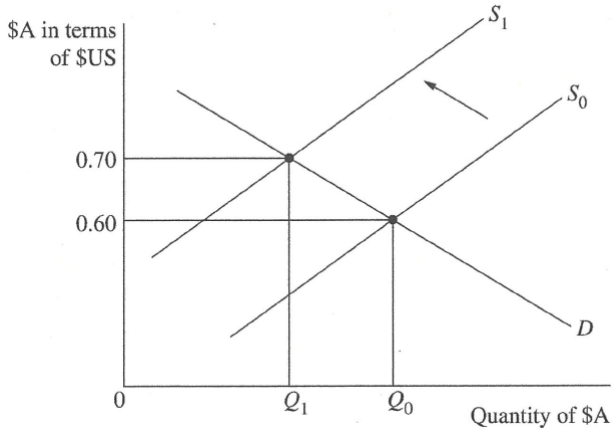
a) 2.5%

b) 4.0%

c) 5.9%

d) 10.1%

6. The following diagram shows demand and supply of the $A in foreign exchange markets.



What is the most likely reasons for the shift in the supply curve from S_0 to S_1?

a) An increase in Chinese economic growth

b) An increase in Australian economic growth

c) An increase in the profitability of Chinese companies

d) A decrease in the profitability of Australian companies

7. The following table shows data for a hypothetical economy with a floating exchange rate.

Balance of payments	**$ billion**
Goods debits	50
Net services	5
Financial account	-12
Net primary income	-10
Goods credits	?
Net secondary income	-2
Capital account	-1

What is the value of the **balance of goods and services (BOGS)** for this economy?

a) $20 billion

b) $25 billion

c) $50 billion

d) $70 billion

8. In which of the following situations are the net foreign liabilities of a country most likely to fall?

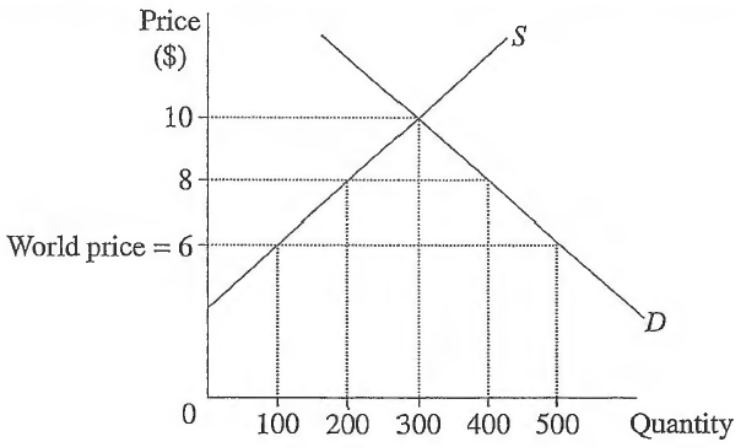
a) The country runs a current account deficit and its currency appreciates

b) The country runs a current account deficit and its currency depreciates

c) The country runs a current account surplus and its currency appreciates

d) The country runs a current account surplus and its currency depreciates

9. The following diagram shows domestic demand and supply curves for a hypothetical economy.



What is the size of the quota that would have the same effect on the price of this good in this economy as a tariff of $2?

a) 100 units
b) 200 units
c) 300 units
d) 400 units

10. If the RBA felt that the $A had depreciated too rapidly and wanted to reverse the decline, which of the following actions is it most likely to implement?

a) Buy $US in foreign exchange markets and increase the cash rate
b) Buy $A in foreign exchange markets and increase the cash rate
c) Sell $US in foreign exchange markets and cut the cash rate
d) Sell $A in foreign exchange markets and cut the cash rate

11. Which of the following organisations is most likely to provide low interest rate financing to build hospitals in a developing country?

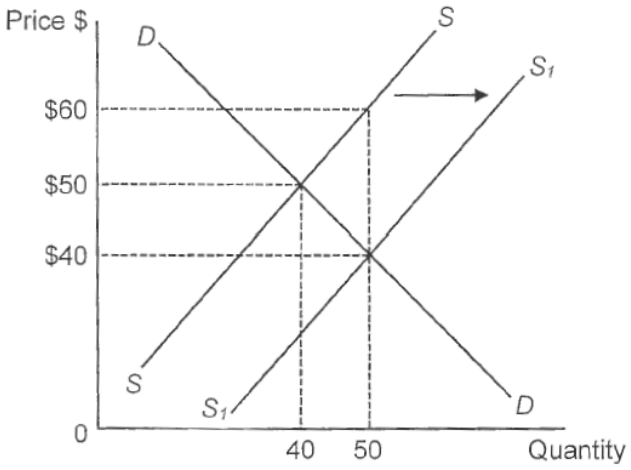
a) World Bank

b) International Monetary Fund

c) OECD

d) World Trade Organisation

12. The following diagram shows the impact of a subsidy on a hypothetical economy.



What is the total cost of the subsidy to the government?

a) $10

b) $20

c) $400

d) $1000

13. If there was to be a sudden increase in demand for exchange settlement funds (ES funds) by the banking sector, how would the RBA respond if it wanted to keep the cash rate constant?

    a) Buy government bonds in the repo market to increase the supply of ES funds
    b) Sell government bonds in the repo market to increase the supply of ES funds
    c) Buy government bonds in the repo market to reduce the supply of ES funds
    d) Sell government bonds in the repo market to reduce the supply of ES funds

14. How would a carbon tax reduce the negative externalities associated with using fossil fuels to produce energy?

    a) By increasing the social costs associated with production and increasing the equilibrium price
    b) By reducing the social costs associated with production and decreasing the equilibrium price
    c) By increasing the private costs associated with production and increasing the equilibrium price
    d) By increasing the social costs associated with production and decreasing the equilibrium price

15. Which of the following is a disadvantage of a fixed exchange rate?

    a) Foreign reserves are required to prevent a rise in the exchange rate
    b) Foreign reserves are required to prevent a fall in the exchange rate
    c) Fixed exchange rates are more volatile than floating exchange rates
    d) Floating exchange rates are more volatile than fixed exchange rates

16. If the $A/$US exchange rate is 0.60, how many $A will $US3000 be able to purchase?

    a) $A1200
    b) $A1800
    c) $A5000
    d) $A9000

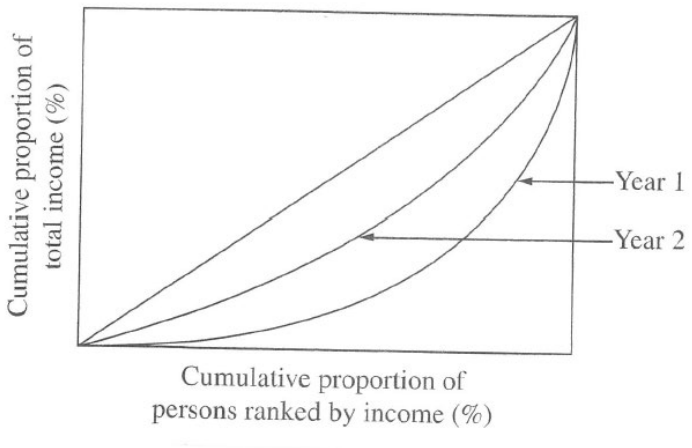
17. Which of the following objectives can most easily be achieved simultaneously with increased economic growth?

    a) Reduced inflation
    b) Reduced unemployment
    c) Decreased carbon emissions
    d) Improved external stability

18. Which of the following is an example of a multilateral FTA of which Australia is a member?

    a) EU
    b) ChAFTA
    c) AANZFTA
    d) USMCA

19. The following diagram shows the distribution of income in an economy over two consecutive years.



Which of the following policies is most likely to have led to this change?

a) An increase in the highest marginal tax rate

b) A decrease in the tax-free threshold

c) A decrease in pension payments

d) A decrease in capital gains tax

20. The following table shows data for a hypothetical economy.

Year	Export price index	Import price index
1	100	100
2	115	110
3	110	95

Which of the following shows the value of the terms of trade in Year 3 and the trend in the terms of trade between Years 2 and 3?

	Terms of trade in Year 3	Trend in terms of trade
a)	104.5	Falling
b)	104.5	Rising
c)	115.8	Falling
d)	115.8	Rising

END OF SECTION I

Section II
40 marks

Question 21 (10 marks)

a) Define *ecologically sustainable development.* (1 marks)

Criteria	Marks
Student clearly defines ecologically sustainable development	1

Suggested answer: Ecologically sustainable development is development that meets the needs of present generations while not compromising the ability of future generations to also meet their needs.

b) For an economy other than Australia, describe ONE impact of globalisation on environmental sustainability and ONE strategy the country has used to address it. (4 marks)

Criteria	Marks
Student clearly describes one impact of globalisation on environmental sustainability and one strategy the country has used to address it	4
Student broadly describes one impact of globalisation on environmental sustainability and one strategy the country has used to address it	2-3
Student sketches an impact of globalisation on environmental sustainability or a strategy that has addressed it	1

Possible answers: impact – climate change, air pollution, contaminated water, deforestation, loss of wetlands, water shortages; strategy – development of hydro, introduction of emissions trading scheme, banning dirty coal imports, signing Paris Agreement

c) Explain how market based policies and international agreements can be used to address climate change in Australia. (5 marks)

Criteria	**Marks**
Student clearly explains how market based policies and international agreements can be used to address climate change in Australia	4-5
Student broadly describes market based policies and international agreements that can be used to address climate change in Australia	2-3
Student sketches how policies or international agreements can be used to address climate change in Australia	1

Possible answers: Market based policies – carbon tax, emissions trading scheme, subsidies for renewable energy, EV subsidies, increase fuel excise, subsidies for public transport; international agreements – Paris Agreement/Kyoto Protocol commitments to solve international coordination issues

Question 22 (10 marks)

a) Identify TWO measures of external stability. (2 marks)

Criteria	Marks
Student identifies two measures of external stability	2
Student identifies one measure of external stability	1

Possible answers: CA/GDP, NFL/GDP, NFD/GDP, debt service ratio, international credit rating, exchange rate, terms of trade, international competitiveness

b) With reference to the two measures identified in part (a) above, explain why they have changed over the past decade in Australia. (4 marks)

Criteria	Marks
Student clearly explains why the measures of external stability have changed and includes relevant data	4
Student broadly describes how the measures of external stability have changed and may not include relevant data	2-3
Student sketches changes in external stability	1

Possible answers: Shift in investment/savings gap, rise in ToT, Russian invasion of Ukraine, changes in global and/or domestic interest rates

c) Discuss how a sustained surplus in Australia's current account could affect economic performance. (4 marks)

Criteria	**Marks**
Student describes both positive and negative effects of sustained CAS on Australia's economic performance with supporting data	4
Student describes effects of sustained CAS on Australia's economic performance; may not include supporting data	2-3
Student sketches effects of CAS	1

Possible answers: Positive effects – falling NFL, lower servicing costs of NFL, smaller NPY deficit, less reliance on foreign investors, increased economic growth from higher exports; Negative effects – lower investment spending, slower economic growth due to lower levels of investment

Question 23 (10 marks)

a) Distinguish between *subsidies* and *local content rules*. (2 marks)

Criteria	Marks
Student clearly distinguishes between subsidies and local content rules	2
Student broadly distinguishes between subsidies and local content rules	1

Possible answer: Subsidies are payments to domestic producers to lower their costs of production whereas local content rules are requirements set by a government for certain industries, stipulating a minimum percentage of a product or service that must be produced locally.

b) Outline TWO impacts of decreased subsidies on the government's budget. (2 marks)

Criteria	Marks
Student outlines two impacts of decreased subsidies on the government's budget	2
Student outlines one impact of decreased subsidies on the government's budget	1

Possible answer: reduce government spending and so push budget towards surplus; result in lower tax revenue from previously subsidised firms; result in increase spending on unemployment or education and training for workers that lose jobs in previously subsidised industry

c) Analyse the implications for Australia of an increase in protectionist policies imposed by other countries to protect their domestic markets. (6 marks)

Criteria	**Marks**
Student clearly analyses the implication of increased global protection on Australia; examines effect of different types of protection and includes supporting data	6
Student broadly analyses the implication of increased global protection on Australia; may not examine effect of different types of protection or include supporting data	4-5
Student broadly describes impact of protection	2-3
Student sketches ideas relevant to protection	1

Possible answers: Lower export revenue for Australian producers – impact on employment and profitability; impact on consumers (differs whether protection is in form of subsidies or tariffs/quotas); impact on Australian government (lower tax revenue from exporters, more spending on unemployment benefits or education and training); refers to effect of Chinese tariffs on Australia or US/China trade war

Question 24 (10 marks)

a) Outline the role of the IMF in the global economy. (2 marks)

Criteria	Marks
Student clearly outlines the role of the IMF in the global economy	2
Student broadly outlines the role of the IMF in the global economy	1

Possible answer: The IMF was created to foster global monetary cooperation and to provide a platform for dialogue and consultation on international monetary issues. The IMF provides temporary financial assistance to countries to help ease balance of payments adjustment. This is typically in the form of loans that come with policy conditions aimed at addressing economic vulnerabilities.

b) Explain how an increase in $US interest rates can affect Australia's exchange rate and current account balance. (4 marks)

Criteria	Marks
Student clearly explains how increases in $US interest rates can affect both Australia's exchange rate and CA balance with data to support	4
Student broadly explains how increases in $US interest rates can affect Australia's exchange rate and/or CA balance; may not support with data	2-3
Student sketches effects of increase in $US interest rates	1

Possible answer: Increases in $US interest rates lead to capital outflows from Australia, which results in increased supply and/or decreased demand for the $A and so leads to a depreciation. Higher $US interest rates lead to higher servicing costs of $US debt, which increases the size of the NPY deficit and so reduces the size of the CA surplus. Could also refer to:

- effect on KFA – high $US rates lead to capital outflows, so higher KFAD or push CA towards surplus
- effect of depreciation on the CA through effect on net exports/NPY etc

c) Explain the process by which the RBA tightens monetary policy. (4 marks)

Criteria	Marks
Student clearly explains how the RBA increases the cash rate with an explanation of shifting the interest rate corridor; includes relevant data to support	4
Student broadly explains how the RBA increases the cash rate with reference to shifting the interest rate corridor; may not include relevant data to support	2-3
Student sketches aspects of changing monetary policy	1

Possible answers: announcement effect of policy change; shifting interest rate corridor (+0.25% and -0.1%) with explanation as to how this causes cash rate to change; buying/selling AGS in repo market to maintain supply of ES funds at level consistent with achieving cash rate target; could refer to quantitative tightening/forward guidance

END OF SECTION II

Section III

Question 25 (20 marks)

Evaluate the effectiveness of Australia's monetary policy over the past decade.

Criteria	Mark
• Integrates relevant economic terms, concepts, relationships and theories • Integrates both the data and quote from the stimulus into response • Provides a sustained, logical and cohesive response • Demonstrates a clear and comprehensive understanding of how monetary policy has influenced the RBA's goals over the last decade • Demonstrates a clear and comprehensive understanding of the limitations of monetary policy in Australia • Makes a well-informed judgment about the effectiveness of monetary policy in achieving the RBA's goals over the past decade	17-20
• Applies relevant economic terms, concepts, relationships and theories • Includes either the data or quote from the stimulus into response • Provides a logical and cohesive response • Demonstrates a sound understanding of how monetary policy has influenced the RBA's goals over the last decade • Demonstrates a sound understanding of the limitations of monetary policy in Australia • Makes a judgment about the effectiveness of monetary policy in achieving the RBA's goals with some supporting evidence	13-16
• Uses economic terms and concepts, and shows some relationships • May not include stimulus • Develops a coherent response • Outlines how monetary policy has influenced the RBA's goals over the last decade • Outlines some understanding of the limitations of monetary policy in Australia • Makes a judgment about the effectiveness of monetary policy in achieving the RBA's goals	9-12
• Develops a generalised response • Uses some economic terms or concepts • Sketches aspects of monetary policy's influence on the economy • Sketches some limitations of monetary policy • No evaluation of monetary policy	5-8
• Presents a limited response • May attempt to use some economic terms • Attempts to address some aspects of monetary policy	1-4

Answers could include:

- Definition of monetary policy
- Description of RBA's goals for monetary policy – three objectives in RBA Act and inflation target
- Description of the RBA's monetary policy tools – cash rate and unconventional monetary policy
- Monetary policy transmission mechanism (include AD/AS or Keynesian Cross diagram)
    - Effect on AD – S/I incentives, cashflow effect, asset price effect and exchange rate effect and so influence demand inflation
    - Effect on imported inflation from exchange rate effect
    - Effect on inflationary expectations by influencing expected future path of interest rates
    - Unconventional policy – quantitative easing, TFF, forward guidance, extended liquidity operations
- Comparison of inflation outcomes with RBA inflation target
- Comparison of unemployment/economic growth outcomes with goals set in RBA Act
- Analysis of limitations of monetary policy
    - Time lags – implementation vs transmission
    - Global influences – rising global ($US) interest rates dampening exchange rate effect
    - Political constraints – role of RBA review to influence policy outcomes
    - Zero lower bound
    - Blunt tool
    - Distributional effects
    - Limited passthrough of cash rate changes

Question 26 (20 marks)

Analyse the domestic and global factors that have caused changes in Australia's rate of economic growth over the past decade.

Criteria	Mark
• Integrates relevant economic terms, concepts, relationships and theories • Integrates both the data and quote from the stimulus into response • Provides a sustained, logical and cohesive response • Demonstrates a clear and comprehensive understanding of the domestic factors that have caused changes in Australia's economic growth over the past decade • Demonstrates a clear and comprehensive understanding of the global factors that have caused changes in Australia's economic growth over the past decade	17-20
• Applies relevant economic terms, concepts, relationships and theories • Includes either the data or quote from the stimulus into response • Provides a logical and cohesive response • Demonstrates a sound understanding of the domestic factors that have caused changes in Australia's economic growth over the past decade • Demonstrates a sound understanding of the global factors that have caused changes in Australia's economic growth over the past decade	13-16
• Uses economic terms and concepts, and shows some relationships • May not include stimulus • Develops a coherent response • Outlines some of the domestic factors that have affected Australia's economic growth • Outlines some of the global factors that have affected Australia's economic growth	9-12
• Develops a generalised response • Uses some economic terms or concepts • Sketches aspects of global or domestic factors that affect economic growth	5-8
• Presents a limited response • May attempt to use some economic terms • Attempts to address some aspects of economic growth	1-4

Answers could include:

- Definition of economic growth
- Description of measurement of economic growth
- Explanations of AD and AS
- Use of AD/AS or Keynesian Cross diagram
- Domestic factors could include – end of mining investment boom, shifts in savings behaviour, fiscal policy stance, monetary policy stance, health measures imposed during Covid, effect of migration restrictions on AS, lack of significant microeconomic reform
- Global factors could include – shifts in ToT, global/China business cycles, Russian invasion of Ukraine, exchange rate movements, changes in global interest rates, Covid, Brazil mine disaster

Section IV

Question 27 (20 marks)

Analyse the causes and effects of an unequal distribution of income and wealth in Australia.

Criteria	Mark
• Integrates relevant economic terms, concepts, relationships, data and theories • Provides a sustained, logical and cohesive response • Demonstrates a clear and comprehensive understanding of causes of an unequal distribution of income and wealth in Australia • Demonstrates a clear and comprehensive understanding of the effects of an unequal distribution of income and wealth in Australia	17-20
• Applies relevant economic terms, concepts, relationships, data and theories • Provides a logical and cohesive response • Demonstrates a sound understanding of causes of an unequal distribution of income and wealth in Australia • Demonstrates a sound understanding of the effects of an unequal distribution of income and wealth in Australia	13-16
• Uses economic terms and concepts, and shows some relationships • Develops a coherent response • Outlines some causes of an unequal distribution of income and wealth in Australia • Outlines some effects of an unequal distribution of income and wealth in Australia	9-12
• Develops a generalised response • Uses some economic terms or concepts • Sketches some causes of an unequal distribution of income or wealth in Australia • Sketches some effects of an unequal distribution of income or wealth in Australia	5-8
• Presents a limited response • May attempt to use some economic terms • Attempts to address the issue of the distribution of income or wealth	1-4

Answers could include:

- Measurement of inequality (Lorenz Curve, Gini coefficient)
- Explanation of difference between income and wealth
- Trends in distribution of income and wealth
- Causes could include:
    - Age
    - Education
    - Gender
    - Occupation
    - Ethnic and cultural background
    - Family structure
    - Geography
    - Globalisation
    - Automation
    - Decreased power of unions
- Effects could include:
    - Economic costs – reduce utility, reduce economic growth, conspicuous consumption, poverty and social problems, increased cost of welfare support
    - Social costs – class divisions, poverty, health
    - Economic benefits – increased education and skills, incentives to work harder and longer, greater geographical mobility of labour force, encourage entrepreneurship, higher savings and so provide finance investment domestically

Question 28 (20 marks)

Analyse the domestic and global factors that have affected inflation in Australia over the past decade.

Criteria	Mark
• Integrates relevant economic terms, concepts, relationships, data and theories • Provides a sustained, logical and cohesive response • Demonstrates a clear and comprehensive understanding of the domestic factors that have affected inflation in Australia over the past decade • Demonstrates a clear and comprehensive understanding of the global factors that have affected inflation in Australia over the past decade	17-20
• Applies relevant economic terms, concepts, relationships, data and theories • Provides a logical and cohesive response • Demonstrates a sound understanding of the domestic factors that have affected inflation in Australia over the past decade • Demonstrates a sound understanding of the global factors that have affected inflation in Australia over the past decade	13-16
• Uses economic terms and concepts, and shows some relationships • Develops a coherent response • Outlines some domestic factors that have affected inflation in Australia • Outlines some global factors that have affected inflation in Australia	9-12
• Develops a generalised response • Uses some economic terms or concepts • Sketches some domestic or global factors that have affected inflation in Australia	5-8
• Presents a limited response • May attempt to use some economic terms • Attempts to address the issue of inflation	1-4

Answers could include:

- Definition of inflation
- Explanation as to how inflation is measured – headline and underlying
- Description of trends in inflation in Australia
- Domestic factors affecting inflation – end of mining investment boom, shifts in savings behaviour, fiscal policy stance, monetary policy stance, health measures imposed during Covid
- Global factors affecting inflation - shifts in ToT, global/China business cycles, Russian invasion of Ukraine, exchange rate movements, changes in global interest rates, Covid
- Linking each domestic/global factor to cause of inflation (demand, cost, imported or inflationary expectations)
- Include AD/AS or Keynesian Cross diagram to help explain different causes of inflation