STUDENT NUMBER:	
TEACHER:	

BAULKHAM HILLS HIGH SCHOOL

HIGHER SCHOOL CERTIFICATE

2025 **TRIAL HSC EXAMINATION**

Economics

General Instructions

- Reading time – 5 minutes
- Working time – 3 hours
- Write using black pen
- Calculators approved by NESA may be used
- Write your Student Number and teacher's name in the spaces provided

Total marks: 100

Section I – 20 marks (pages 2–9)

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

Section II – 40 marks (pages 10–20)

- Attempt Questions 21–24
- Allow about 1 hour and 15 minutes for this section

Section III – 20 marks (pages 21–23)

- Attempt Question 25 or Question 26
- Allow about 35 minutes for this section

Section IV – 20 marks (page 24)

- Attempt Question 27 or Question 28
- Allow about 35 minutes for this section

Questions	Marks
Multiple Choice Q1-20	/ 20
Short Answer Q21	/ 10
Short Answer Q22	/ 10
Short Answer Q23	/ 10
Short Answer Q24	/ 10
Extended Response Q25 or Q26	/ 20
Extended Response Q27 or Q28	/ 20
TOTAL	**/ 100**

Section I

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

Use the multiple-choice answer sheet for Questions 1–20.

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1 Which of the following would move the Lorenz curve to the right?

A. Subsidised childcare

B. Lower regressive taxes

C. An increase in transfer payments

D. A decrease in the highest marginal tax rate

2 The following table shows data for consumption and national income for a hypothetical economy.

Year	*Consumption (C)* *$ millions*	*National income (Y)* *$ millions*
1	500	2000
2	1000	3000

Assume the government of this hypothetical economy wants the national income to rise to $4 500 million in Year 3 by giving tax incentives to businesses for investment.

By how much would business investment have to increase?

A. $250 million

B. $500 million

C. $750 million

D. $1500 million

3 Which of the following has occurred due to an increase in the international division of labour?

A. A decrease in gross world product

B. Transnational corporations reducing investment

C. A decline in workers' financial remittances

D. A loss of skilled labour from developing countries

4 A government introduces legislation requiring businesses to make goods and services using inputs from the domestic market.

What type of protection does this best reflect?

A. Tariffs

B. Quotas

C. Export incentives

D. Local content rules

5 The table shows changes in the Consumer Price Index for a hypothetical economy.

Year	*Consumer Price Index (CPI)*
1	100
2	107
3	112

What is the inflation rate in Year 3?

A. 7.1%

B. 11.2%

C. 4.7%

D. 12%

6 A government decreases the marginal tax rate on taxable incomes over $150 000.

All other things being equal (*ceteris paribus*), which of the following is most likely to occur?

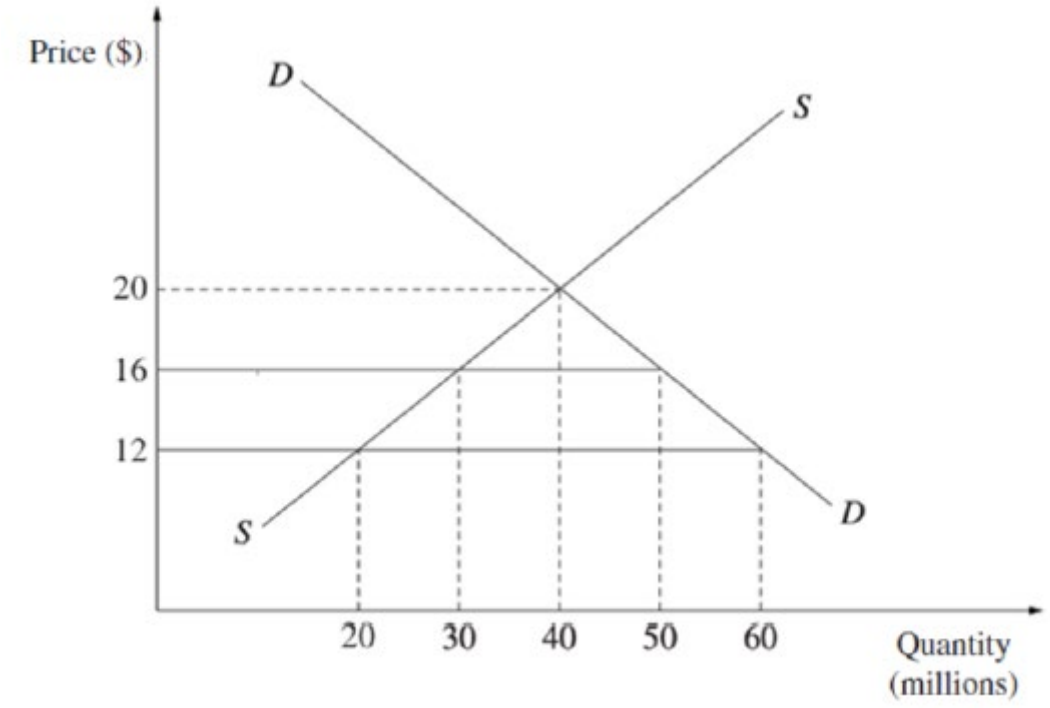
A. An increase in the level of savings and an increase in the Gini coefficient

B. A decrease in the level of savings and a decrease in the Gini coefficient

C. A decrease in the level of savings and an increase in the Gini coefficient

D. An increase in the level of savings and a decrease in the Gini coefficient

7 The diagram shows the demand and supply of Juventus jerseys in Australia. The world price is $12.



What is the size of the subsidy that would achieve the same level of protection as a $4 tariff?

A. $4

B. $8

C. $12

D. $16

8 A hypothetical economy shows low levels of integration with the global economy. The economy is primarily agrarian, has a high population growth rate and low economic development.

This economy is most likely an example of which type of economy?

A. Developing economy

B. Emerging economy

C. Advanced economy

D. Transition economy

9 The table below shows exchange rate movements for the Australian economy and the United States economy. The RBA believes the movement from Year 1 to Year 2 is excessive and wishes to reverse it.

Year	*Australian dollar AUD*	*US dollar USD*
1	$1.00	$0.60
2	$1.20	$1.00

All other things being equal (*ceteris paribus*), which of the following actions should the RBA take?

	Monetary Policy decision	*Interventions in the foreign exchange market*
A.	Decrease the cash rate	Sell foreign currency
B.	Decrease the cash rate	Buy foreign currency
C.	Increase the cash rate	Sell AUD
D.	Increase the cash rate	Buy AUD

10 Which of the following best describes an advantage of a centralised and decentralised wage determination system?

	Centralised wage determination	*Decentralised wage determination*
A.	Greater efficiency in the allocation of resources	Reduced cost of inflation
B.	Increased equality in the distribution of income	Increased productivity
C.	Increased labour multiskilling	Increased employee bargaining power
D.	Increase technical efficiency	Wage indexation

11 The cyclical component of a budget deficit has changed from $11.2 billion in Year 1 to $14.3 billion in Year 2.

Which of the following is most likely to have caused this?

A. Improved terms of trade

B. Decreased transfer payments

C. Decreased domestic employment

D. Increased competitiveness of domestic industries

12 A group of regional economies has developed a common trade policy.

Which of the following is this an example of?

A. Monetary union

B. Bilateral agreement

C. Multilateral agreement

D. Government economic forum

13 A government introduces legislation to achieve a reduction in household waste.

This is an example of which environmental management tool?

A. Targets

B. Regulation

C. Market based policy

D. International agreements

14 Which of the following is NOT a Human Development Index (HDI) indicator?

A. Life expectancy at birth

B. Gross National Income (GNI) per capita

C. Mean years of schooling completed

D. Gross Domestic Product (GDP)

15 Australian investors have earned increased dividend income from foreign investments.

Which of the following describes the impact of this on the Australian dollar (AUD) and the net primary income component of Australia's Balance of Payments?

	Impact on AUD	*Effect on net primary income*
A.	Appreciation	Improvement
B.	Appreciation	Deterioration
C.	Depreciation	Improvement
D.	Depreciation	Deterioration

16 The government of a hypothetical economy has decided to increase childcare subsidies.

Which of the following most correctly identifies the reasons for doing this?

A. To increase a positive externality and decrease the cost of childcare

B. To increase a positive externality and increase the cost of childcare

C. To increase a negative externality and increase the cost of childcare

D. To increase a negative externality and decrease the cost of childcare

17 A hypothetical economy is considering increasing it's minimum wage at a rate higher than the rate of inflation.

Which of the following is the most likely effect of this?

	Economy's marginal propensity to consume (MPC)	*Economy's international competitiveness*
A.	Decrease	Improve
B.	Decrease	Worsen
C.	Increase	Improve
D.	Increase	Worsen

18 The table shows data for a hypothetical economy, Juveland.

Working age population	30 million
Labour force	23 million
Unemployed	2.76 million

What is the unemployment rate for Juveland?

A. 9.2%

B. 10%

C. 12%

D. 12.5%

19 The table shows data for a hypothetical economy.

Year	*Nominal gross domestic product ($bn)*	*Consumer price index (CPI)*
1	2000	100
2	2240	107

What is the real economic growth rate for this economy in Year 2?

A. 11.2%

B. 7%

C. 4.7%

D. 0%

20 Which of the following combinations of government policy would be most appropriate for an economy operating at full employment and an economy operating at an unemployment rate above full employment?

	Economy at full employment	*Economy with unemployment above full employment*
A.	Increased income tax cuts	Increased spending on training programs
B.	Increase income tax thresholds	Decreased funding for employment services
C.	Decreased spending on training programs	Increased income tax thresholds
D.	Increased funding for employment services	Increased income tax cuts

End of Section I

STUDENT NUMBER:	
TEACHER:	

2025 **TRIAL HSC EXAMINATION**

Economics

Section II Answer Booklet

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

Instructions

- Write your Student Number and teacher's name at the top of this page.
- Answer the question in the spaces provided. These spaces provide guidance for the expected length of your response.
- Extra writing space is provided on pages 19–20.
  If you use this space, clearly indicate which question you are answering.

Please turn over

Question 21 (10 marks)

(a) Distinguish between frictional unemployment and seasonal unemployment. **2**

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(b) Explain the relationship between the casualisation of the Australian workforce and the labour force underutilisation rate. **3**

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Question 21 continues on page 12

(c) A country's economy has an unemployment rate of 4.1% and a non-accelerating inflation rate of unemployment of 4.5%.

Analyse the implications of these economic indicators on inflation and government policy. **5**

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End of Question 21

Question 22 (10 marks)

(a) Outline ONE factor affecting the supply of the Australian dollar. **2**

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(b) The cash rate of a hypothetical economy has decreased relative to the cash rate of other economies.

Explain how this could impact the international competitiveness of exports in the hypothetical economy. **3**

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Question 22 continues on page 14

(c) Discuss the effects of fluctuations of the Australian dollar on cyclical unemployment in the Australian economy. **5**

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End of Question 22

Question 23 (10 marks)

(a) Outline what is *market failure*. **2**

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(b) Explain why a public library may not be considered a *public good*. **3**

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Question 23 continues on page 16

(c) Discuss the effects of global efforts to shift from non-renewable to renewable sources on the Australian economy. **5**

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End of Question 23

Question 24 (10 marks)

(a) Distinguish between *aggregate demand* and *aggregate supply*. **2**

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(b) Using ONE example from the Australian economy, explain how deregulation has increased aggregate supply. **4**

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Question 24 continues on page 18

(c) Explain TWO limitations of using microeconomic reform to improve economic growth. **4**

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End of Question 24

Section II extra writing space

If you use this space, clearly indicate which question you are answering.

Section II extra writing space

If you use this space, clearly indicate which question you are answering.

Economics

Section III

20 Marks
Attempt either Question 25 or Question 26
Allow about 35 minutes for this section

Answer the question in the Section III Writing Booklet. Extra writing booklets are available. Clearly state the question attempted and complete your Student Number and teacher's name.

Your answer will be assessed on how well you:

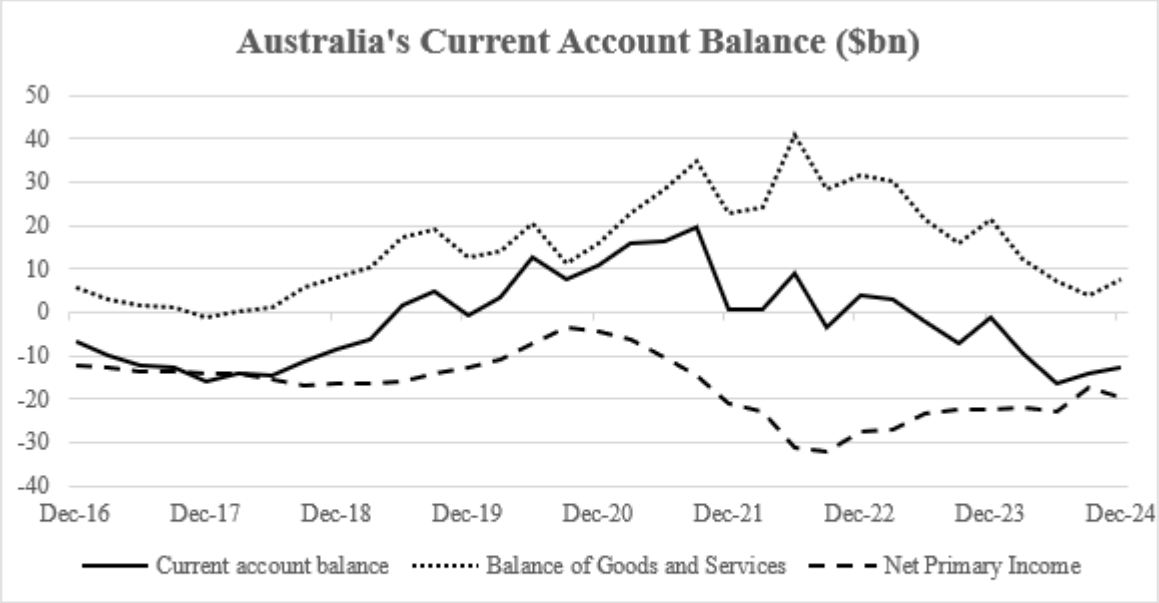
- demonstrate knowledge and understanding relevant to the question
- use the information provided
- apply relevant economic terms, concepts, relationships and theory
- present a sustained, logical and cohesive response

Please turn over

Question 25 (20 marks)

Assess the impact of recent changes to Australia's trade and financial flows on its current account.

> In recent years, net long-term debt liabilities have fallen as banks gained access to low-cost domestic funding, credit growth declined, and interest rates increased (which reduces the value of debt). Australia's net foreign equity liabilities have also declined markedly in recent years. Since 2013, Australia has had a net foreign equity asset position – Australian residents own more equity in foreign companies than non-residents own in Australian companies.
>
> *Reserve Bank of Australia, April 2024*



Source: ABS Balance of Payments and International Investment Position, Current Account balance (a), main aggregates December 2024

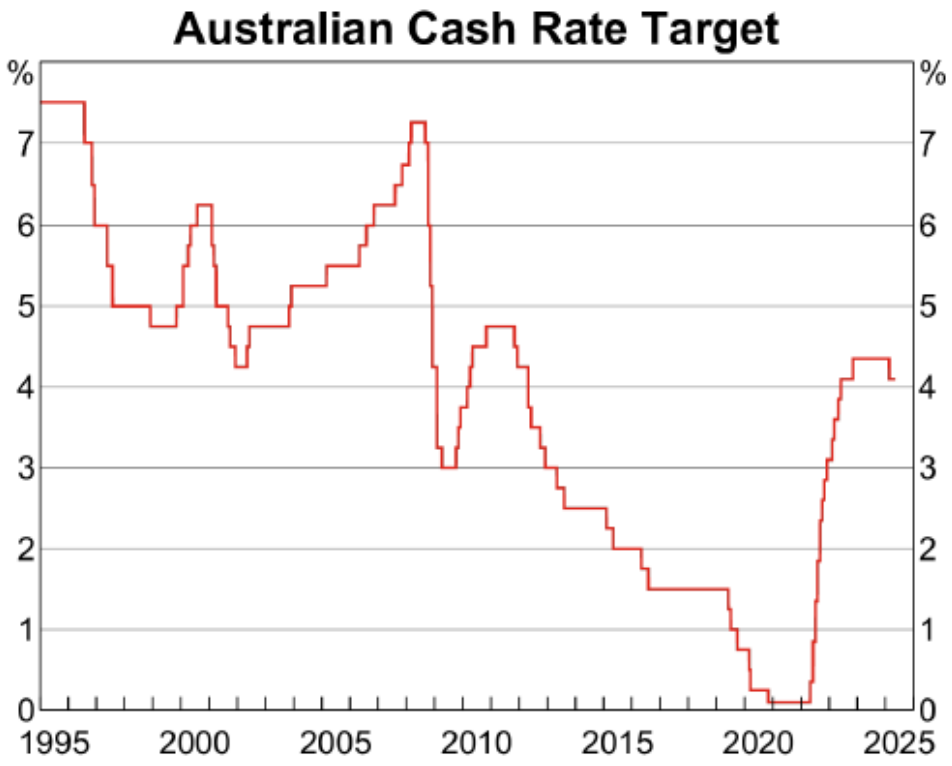
OR

Question 26 (20 marks)

Assess economic policies that can be used to achieve economic growth and full employment in Australia.

> As the name suggests,[the NAIRU] is the minimum level of unemployment that is not expected to trigger supply constraints and inflation in the near term.Treasury estimates the NAIRU to be around 4¼ per cent but acknowledges there's significant uncertainty around it and it changes over time alongside the structure of our economy and the skills of the workforce…
>
> There's much that can be done to deal with structural issues that cause unemployment – from helping people acquire new skills or find affordable childcare to making it easier to find housing in areas where jobs are available.

Source: Treasury, July 2023. Full employment debate welcome and overdue



Source: Reserve Bank of Australia, June 2025

Please turn over

Section IV

20 Marks
Attempt either Question 27 or Question 28
Allow about 35 minutes for this section

Answer the question in the Section IV Writing Booklet. Extra writing booklets are available. Clearly state the question attempted and complete your Student Number and teacher's name.

Your answer will be assessed on how well you:

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

Question 27 (20 marks)

Discuss the impacts of international organisations and government economic forums on both the Australian economy and an economy other than Australia.

OR

Question 28 (20 marks)

Discuss the effectiveness of Australia's labour market policies in achieving Australia's economic objectives.

End of paper

STUDENT NUMBER:	
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2025 TRIAL HSC EXAMINATION

Economics

Section I – Answer Sheet

20 marks

Attempt Questions 1–20

Allow about 35 minutes for this section

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 across through the incorrect answer and fill in the new answer.

A○ B⊗ C○ D○

If you change 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:

correct ↙

A⊗ B⊗ C○ D○

1.	A○	B○	C○	D○	**11.**	A○	B○	C○	D○
2.	A○	B○	C○	D○	**12.**	A○	B○	C○	D○
3.	A○	B○	C○	D○	**13.**	A○	B○	C○	D○
4.	A○	B○	C○	D○	**14.**	A○	B○	C○	D○
5.	A○	B○	C○	D○	**15.**	A○	B○	C○	D○
6.	A○	B○	C○	D○	**16.**	A○	B○	C○	D○
7.	A○	B○	C○	D○	**17.**	A○	B○	C○	D○
8.	A○	B○	C○	D○	**18.**	A○	B○	C○	D○
9.	A○	B○	C○	D○	**19.**	A○	B○	C○	D○
10.	A○	B○	C○	D○	**20.**	A○	B○	C○	D○

STUDENT NUMBER:	
TEACHER:	

BAULKHAM HILLS HIGH SCHOOL

HIGHER SCHOOL CERTIFICATE

2025 **TRIAL HSC EXAMINATION**

Economics – Marking Criteria

Section I

1	D	11	C
2	C	12	C
3	D	13	B
4	D	14	D
5	C	15	A
6	A	16	A
7	B	17	D
8	A	18	C
9	B	19	C
10	B	20	D

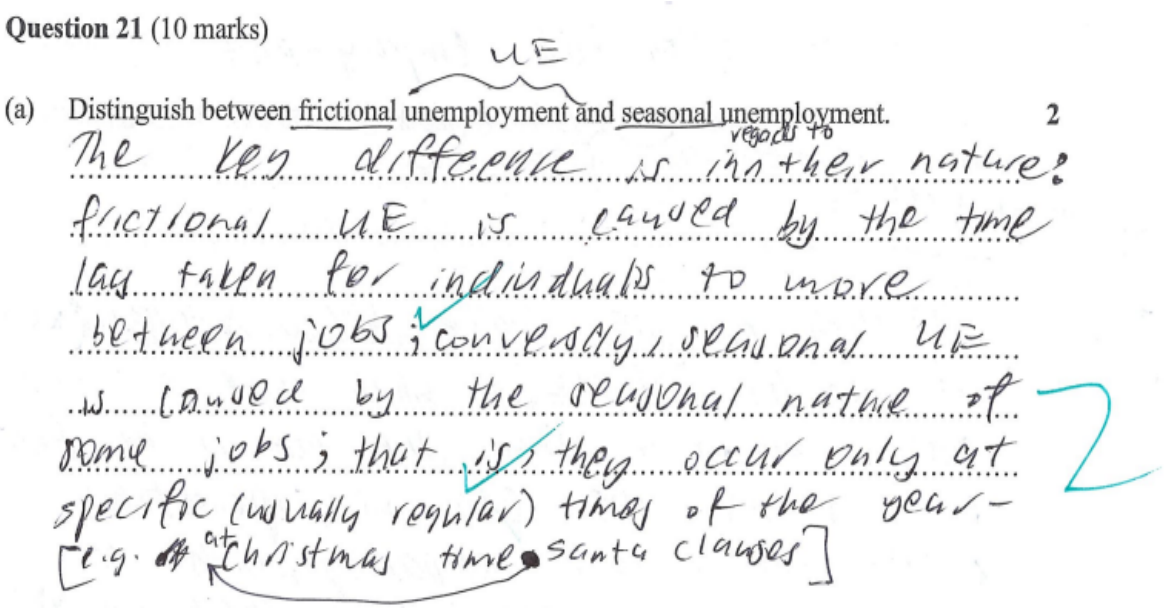
Section II

Q21 a) Distinguish between frictional and seasonal unemployment.

Criteria	Mark
• Demonstrates a clear understanding of the difference between frictional unemployment and seasonal unemployment	2
• Provides some relevant information	1

Answers may include:

- **Frictional unemployment** – occurs when people are in-between jobs such as people leaving one job to seek a higher paying career job
- **Seasonal unemployment** – individuals become unemployed in certain industries or regions where demand for labour is lower at certain times of the year such as the end of fruit growing season in Queensland



Question 21 (10 marks)

(a) Distinguish between frictional unemployment and seasonal unemployment. 2

UE

The key difference as regards to in their nature: frictional UE is caused by the time lag taken for individuals to move between jobs; conversely, seasonal UE is caused by the seasonal nature of some jobs; that is, they occur only at specific (usually regular) times of the year – [e.g. at Christmas time Santa clauses]

2

21 b) Explain the relationship between the casualisation of the Australian workforce and the labour force underutilisation rate.

Criteria	Mark
• Provides a clear explanation of the relationship between the casualisation of the Australian workforce and the labour force underutilisation rate	**3**
• Demonstrates some understanding of the relationship between the casualisation of the Australian workforce and the labour force underutilisation rate	**2**
• Provides some relevant information	**1**

Answers may include:

- Casualisation of the workforce - the shift from full-time, permanent employment to casual and contract positions → leads to higher underemployment
- Labour force underutilisation rate – unemployment rate + underemployment rate

(b) Explain the relationship between the casualisation of the Australian workforce and the labour force underutilisation rate. 3

The casualisation of the Aust workforce refers to the ↑'d prevalence of casual working arrangements in the labour market, which has ↑'d (by ~7.93%) since 2003. This has had the effect of ↑ing the incidence of cases where individuals - though employed wish to work longer hours (and are ∴ underemployed). Since there are now less people proportionally working full-time. Consequently, the labour force underutilisation rate - which measures both unemployment & underemployment. has steadily increased in recent years, by an average of 0.3% YoY since 1997. Thus, the relationship between the 2 is that as casualisation has ↑'d, LF underutilisation has also increased consequently.

Question 21 continues on page 12

3

21 c) A country's economy has an unemployment rate of 4.1% and a non-accelerating inflation rate of unemployment of 4.5%.

Analyse the implications of these economic indicators on inflation and government policy.

Criteria	Mark
• Demonstrates a comprehensive understanding of the impact of these economic indicators on inflation and government policy	5
• Demonstrates a sound understanding of the impact of these economic indicators on inflation and government policy	4
• Demonstrates some understanding of the impact of these economic indicators on inflation and/or government policy	3
• Describes some aspects of inflation and/or government policy	2
• Provides some relevant information	1

Answers may include:

- NAIRU: lack of cyclical unemployment; consists of structural and frictional unemployment
- Unemployment rate is below NAIRU: supply constraints in the labour market; firms will have to increase wages to attract qualified workers from other firms, leading to higher cost push inflation
- Inflation: predominantly cost push inflation as wage pressure increases – this will increase cost of production, causing firms to lower demand for labour. This will increase unemployment rate back to NAIRU but at higher inflation rate
- Government policy:
    - Macroeconomic policy: although NAIRU affects AS, tight MP and contractionary FP will help in the ST to reduce demand pull inflation
    - Microeconomic policy: however, the government in the long term will need to aim at improving structural and frictional unemployment in order to shift NAIRU downwards. This could be through programs that improve education, skills and training as part of labour market policies

Question 21 (continued)



(c) A country's economy has an unemployment rate of 4.1% and a non-accelerating inflation rate of unemployment of 4.5%. (NAIRU)

Analyse the implications of these economic indicators on inflation and government policy. 5

Since the unemployment rate (4.1%) is below the NAIRU (4.5%), the economy is experiencing capacity constraints as firms attempt to employ ~~labour to~~ inefficient resources (such as unproductive workers who are structurally unemployed) to meet AD (C+I+G+X-M) which is outpacing AS. Consequently, an implication is that firms experience increased costs of production due to the use of inefficient resources (less output with same amount of inputs) which results in cost-push inflation as they pass on higher costs to consumers to remain profitable. Another implication is that in the long-run firms will stop using inefficient resources resulting in them making workers redundant. This causes the unemployment rate to revert to NAIRU at higher rate of inflation.

5

End of Question 21

Governments will have to implement labour market policies (eg retraining programs, job-matching services) to reduce the level of structural, frictional, hardcore unemployment so that the NAIRU is lowered. This will improve qty of labour, thus increasing AS to allow for non-inflation economic growth. Another implication is the use of contractionary macroeconomic policy to ↓AD & demand for labour to ↑UR to NAIRU.

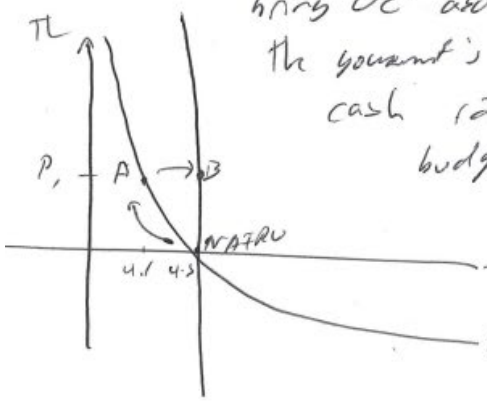
(c) A country's economy has an unemployment rate of 4.1% and a non-accelerating inflation rate of unemployment of 4.5%.

Analyse the implications of these economic indicators on inflation and government policy. **5**

5

As the UE rate is below the NAIRU, this means that the economy is operating above the productive capacity and employing structural, frictional and seasonally UE individuals, who will not have a net benefit on production costs due to lower ability and suitability to work and training costs of new labours. As businesses lay off this labour as the increase production costs will not the same increase in output. The UE rate will revert to the NAIRU as shown in the diagram for Point A to B. However, the implication of this is greater inflation as the cost push inflation from rising production cost and demand pull inflation from greater incomes will lead to elevated inflation at P_1. This was shown in the December quarter when UE reached 3.5% in Dec 2022 due to unsustainable quarterly growth of 2.1% in 2022, leading to inflation rising to 7.8% in Q4 202

The implications on government policy is in need contractionary macroeconomic policy and increased microeconomic policy, to both reduce the NAIRU and bring UE above the NAIRU. This was shown by the government's response in 2023, with the policy cash rate rising to 4.35%, and a budget surplus contracting stance of 0.9% in 2022-2023, UE as well as increased micro policy such as the $1.98bn turbocharge to VET training and funding of 500,000 additional Fee-Free TAFE spots.



End of Question 21

-12-

Q22 a) Outline ONE factor affecting the supply of the Australian dollar.

Criteria	Mark
• Sketches in general terms one factor affecting the supply of the Australian dollar	2
• Provides some relevant information	1

Answers may include:

- Increased volume of imports
- Higher import prices
- Speculative investment outflow
- Intervention by RBA to dirty the float
- Australians borrowing from overseas – this will increase foreign direct investment debits

(a) Outline ONE factor affecting the supply of the Australian dollar. 2

Consumer tastes & preferences of Aust consumers for foreign imports, eg since if Aust consumers ↑ their preferences & demand for foreign-made products (eg: German vehicles), then they would need to pay the foreign firms in their (foreign) currency, hence exchanging AUD for foreign currencies, thus ↑ing the supply of AUD in the forex markets.

2

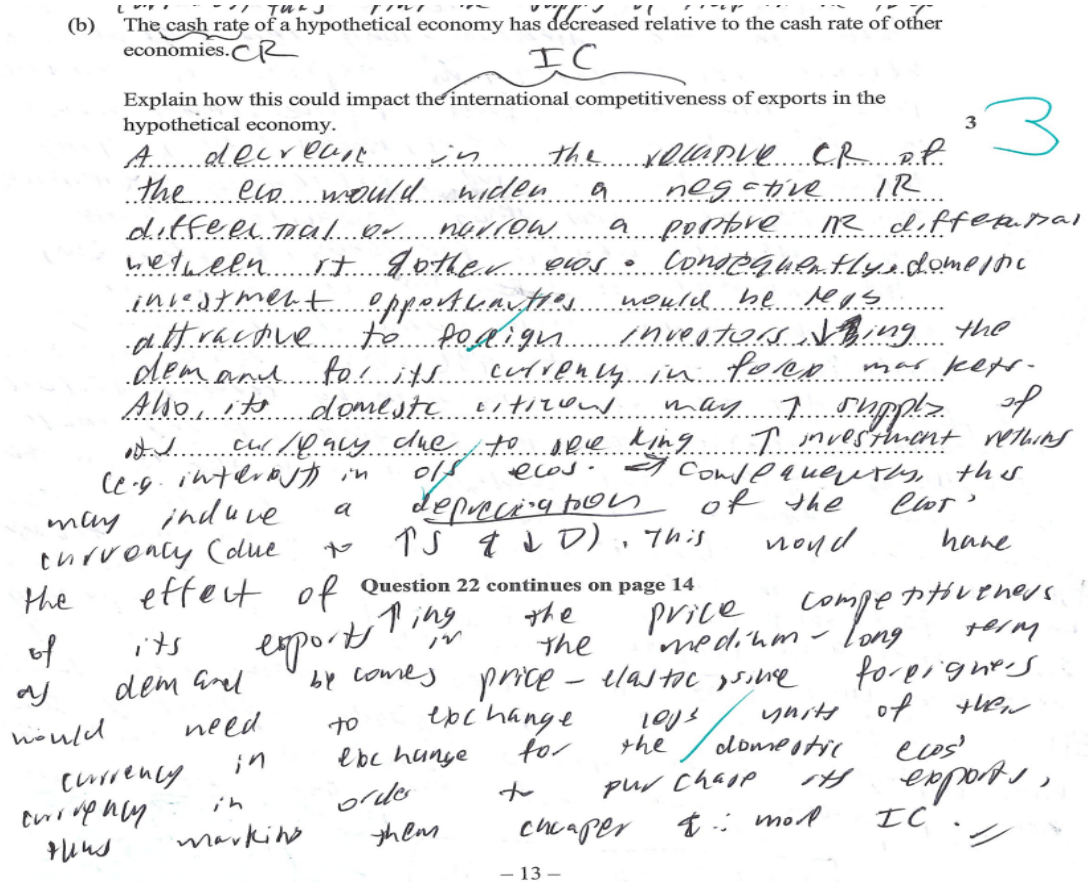
Q22 b) The cash rate of a hypothetical economy has decreased relative to the cash rate of other economies.

Explain how this could impact the international competitiveness of exports in the hypothetical economy.

Criteria	Mark
• Provides a clear explanation of how the change in the cash rate can impact upon the international competitiveness of exports in the domestic economy	3
• Sketches in general terms how the change in the cash rate can impact upon the international competitiveness of exports in the domestic economy	2
• Provides some relevant information	1

Answers may include:

- Interest rate differential is lower in the hypothetical economy
- Depreciation of the domestic currency
    - ST: inelastic prices as prices take time to change in overseas markets
    - LT: prices become more elastic over time, improving IC as export prices are lower relative to other countries
- Appreciation of foreign currency



(b) The cash rate of a hypothetical economy has decreased relative to the cash rate of other economies. CR IC

Explain how this could impact the international competitiveness of exports in the hypothetical economy. 3 3

A decrease in the relative CR of the eco would widen a negative IR differential or narrow a positive IR differential between it & other ecos. Consequently, domestic investment opportunities would be less attractive to foreign investors ↓ing the demand for its currency in forex markets. Also, its domestic citizens may ↑ supply of AUD currency due to seeking ↑ investment returns (e.g. interest) in ofs ecos. ⇒ Consequently, this may induce a depreciation of the eco's currency (due to ↑S & ↓D). This would have the effect of

Question 22 continues on page 14

↑ing the price competitiveness of its exports in the medium-long term as demand becomes price-elastic since foreigners would need to exchange less units of their currency in exchange for the domestic eco's currency in order to purchase its exports, thus making them cheaper & ∴ more IC. //

– 13 –

Q22 c) Discuss the effects of fluctuations of the Australian dollar on cyclical unemployment in the Australian economy.

Criteria	Mark
• Provides comprehensive reasons for and/or against the effects of fluctuations of the Australian dollar on cyclical unemployment in the Australian economy	5
• Provides sound reasons for and/or against the effects of fluctuations of the Australian dollar on cyclical unemployment in the Australian economy	4
• Sketches reasons for and/or against the effects of fluctuations of the Australian dollar on cyclical unemployment in the Australian economy	3
• Refers to the effects of fluctuations of the Australian dollar on the Australian economy	2
• Provides some relevant information	1

Answers may include:

- The exchange rate acts as a shock absorber to the Australian economy and acts as an automatic stabiliser to fluctuations in the level of AD. Over time this will impact the level of demand for labour and cyclical unemployment.
- Appreciation of the AUD
    - Over time reduced international competitiveness of exports – less foreign demand for Aus made goods
    - Reduced competitiveness of import competing domestic firms – less domestic demand for Aus produced goods
    - Increasing cyclical unemployment as labour is derived demand especially for exporting firms and import competing domestic
    - But domestic importing firms may increase demand for labour over time
    - Eg MIB II – strong appreciation of AUD in 2010 – 2012 led to falling international demand for non-commodity sector exports such as tourism and manufacturing and increased domestic demand for imports of goods and services (eg overseas tourism). This created a two speed economy which lowered demand for labour in these two sectors and contributed towards weaker employment growth towards this period.
- Depreciation of AUD
    - Increased IC of exports
    - Increased competitiveness of import competing firms
    - May eventually lead to lower cyclical unemployment especially in exporting and domestic import competing firms as derived demand for labour increases but the increase in AD to increased derived demand for labour takes time to flow through to lower cyclical unemployment.
    - If demand is sustained, then AD may increase leading to overall greater demand for labour in the economy
    - But may also be affected if there is imported inflation due to lower value of AUD which affects the cost of production leading to domestic firms cutting back on hours employed
    - Eg COVID recovery 2023/24: the AUD depreciated during this period and acted as a shock absorber by making Australian goods and services comparative cheaper

compared to foreign goods and services and thus making Aus X internationally competitive. This saw an increase in demand for Australian services, particularly in education as well as commodities. This had the effect of subduing the rise in cyclical unemployment during this period.

Question 22 (continued)

(c) Discuss the effects of fluctuations of the Australian dollar on cyclical unemployment in the Australian economy. (decrease in the value of AUD) 5

① A depreciation may have mixed effects on cyclical unemployment - In the short term, as contracts are fixed, the price of Australian x decrease & price of imports increases, in a phenomena known as the price effect. This decreases the profit for operating firms, leading to an increased layoffs as businesses try to retain profit margins. However, as new contracts come into place, the demand for Australian exports increase, as they become cheaper & hence more internationally competitive (price effects). The impact of this is that it ~~increases~~ cyclical unemployment since demand for labour increases, since labour is a derived demand. This reduces cyclical unemployment in the Australian economy. The depreciation of the AUD from $1.08 to $0.88 post mining boom saw the ~~employment of the~~ cyclical unemployment ↓ by 0.7%. as a result of an ↑ in demand for tourism exports in the services export.

5

End of Question 22

Conversely, an appreciation sees the value of the AUD increase. Again Hence, in the short run, whilst contracts are fixed, businesses make more profit, as more foreign currency is needed to ~~buy~~ buy AUD. Hence in the short term there is a increase in demand for labour, as ~~x~~ tax receipts increase. However, in the long term, as ~~new~~ new contracts come into place, the demand for the Australian good will diminish, due to higher prices making them less internationally competitive. This reduce export volumes, known as the price effect, hence leading to decreased demand for labour. This leads to an increase in cyclical unemployment. -14- as labour is a derived demand

Question 23 (10 marks)

(a) Outline what is *market failure*. **2**

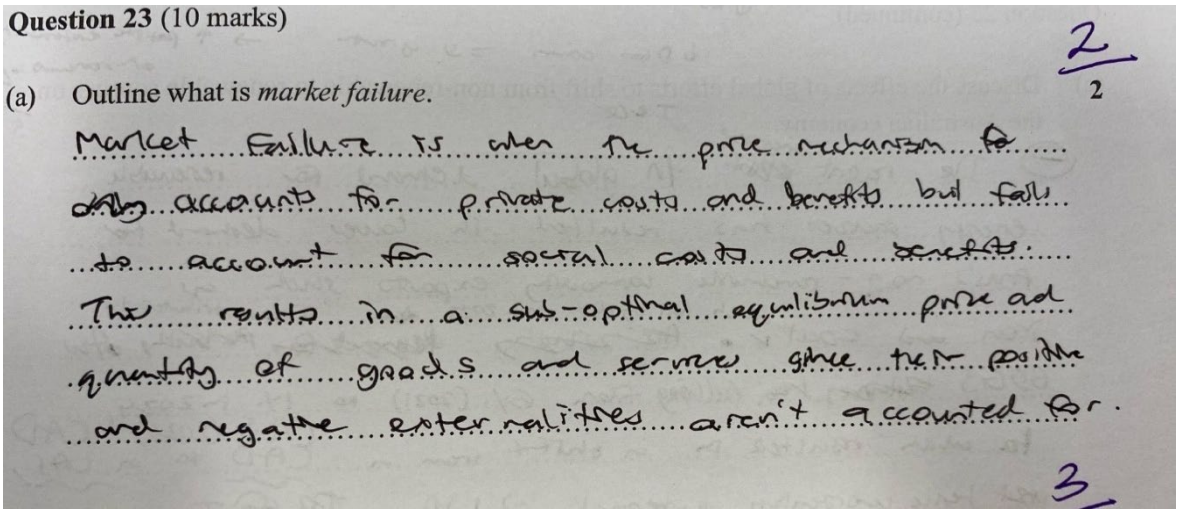
Criteria	Marks
Sketches in general terms; indicates the main features of market failure	2
Provides some relevant information regarding market failure	1

Suggested response

Market failure occurs when the allocation of resources by the price mechanism is ineffective in achieving optimal outcomes for society due to it only taking into account private benefits and costs, rather than social benefits and costs. This leads to unaccounted for positive and negative externalities, underprovision of merit goods, and overproduction of demerit goods.

General feedback

Students who only received one mark focussed on one aspect of market failure, for example, just benefits or just costs. The comprehensive definition is that the price mechanism has failed to incorporate social outcomes, whether these be in the form of social benefits (positive externalities) or social costs (negative externalities).


Question 23 (10 marks)

2
2

(a) Outline what is *market failure*.

Market failure is when the price mechanism fails to account for private costs and benefits but fails to account for social costs and benefits. This results in a sub-optimal equilibrium price and quantity of goods and services since the + positive and negative externalities aren't accounted for.

3

(b) Explain why a public library may not be considered a *public good*. **3**

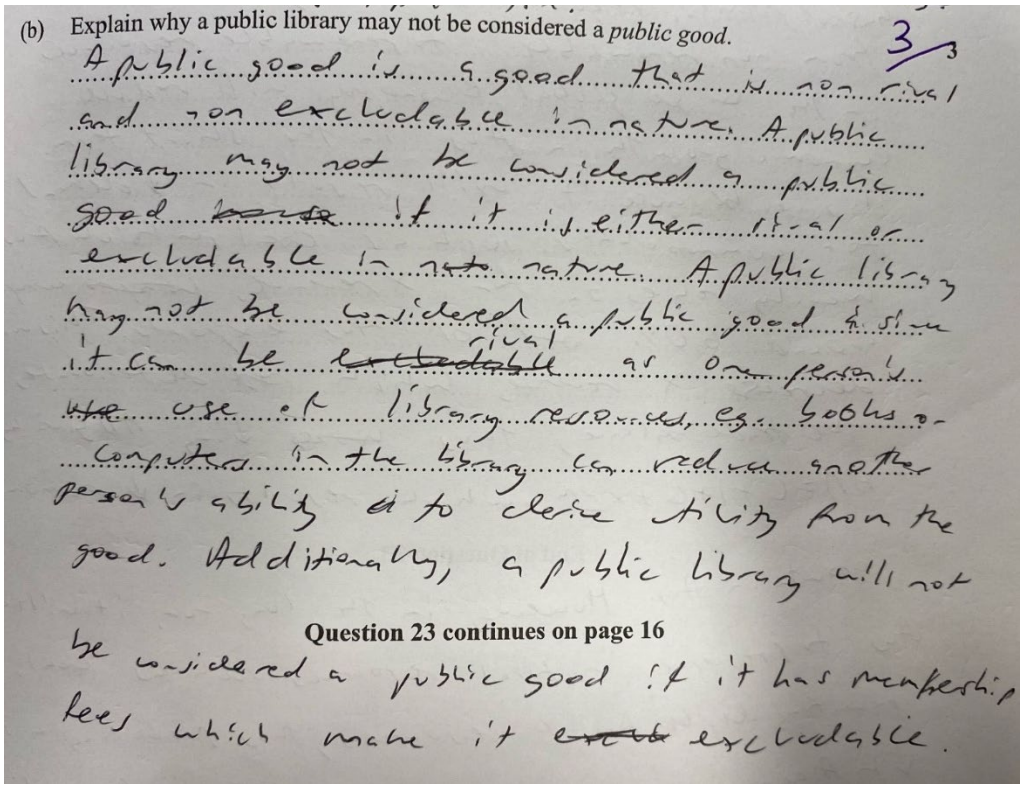
Criteria	Marks
Relates cause and effect; makes the relationships between things evident, provides why and/or how for why a public library is excludable and rivalrous	3
Sketches in general terms why a public library is either rivalrous OR excludable	2
Provides some relevant information about public goods	1

Suggested response

Public libraries are firstly excludable because they can restrict consumers through membership requirements and borrowing limits, thus meaning that not all consumers can access the good. In addition, library resources such as books, computers, and study spaces are rivalrous, as multiple people cannot enjoy them at the same time without impacting another's utility. Therefore, it should not be considered a public good despite being provided for by the public sector.

General Feedback

Students who received 2 marks only focussed on rivalry or excludability as features of public libraries, the marking criteria in this instance required both features to apply to public libraries. Even if public libraries do not generally exclude, the feature of exclusion is feasible (economically viable) and so the criteria in this instance required both.



(b) Explain why a public library may not be considered a *public good.*

3/3

A public good is a good that is non rival and non excludable in nature. A public library may not be considered a public good ~~bcs~~ if it is either rival or excludable in ~~not~~ nature. A public library may not be considered a public good as since it can be ~~excludable~~ rival as one person's use of library resources, eg. books or computers in the library can reduce another person's ability to derive utility from the good. Additionally, a public library will not be considered a public good if it has membership fees which make it ~~excl~~ excludable.

Question 23 continues on page 16

(c) Discuss the effects of global efforts to shift from non-renewable to renewable sources on the Australian economy. **5**

Criteria	Marks
Demonstrates a **comprehensive** understanding of issues and provides points for and/or against the effects of global efforts to shift from non-renewable energy to renewable sources on the Australian economy	5
Demonstrates a **sound** understanding of issues and provides points for and/or against the effects of global efforts to shift from non-renewable energy to renewable sources on the Australian economy	4
Demonstrates **some** understanding of issues and provides points for and/or against the effects of global efforts to shift from non-renewable energy to renewable sources on the Australian economy	3
Sketches the effects of global efforts to shift from non-renewable energy to renewable sources on the Australian economy	2
Provides some relevant information about non-renewable and/or renewable sources of energy	1

Suggested response

As demand for non-renewable energy sources such as coal, oil and LNG declines in order to meet international climate commitments, like the Paris Agreement to limit global warming to 2°C above pre-industrial levels, Australia's mining sector is expected to decline in export revenue. In the short run, this could undermine Australia's external stability through its ability to achieve Balance of Goods and Services surpluses, worsening the Current Account. As resources exports constitute around 60% of total EX revenue, in the short-term there is likely to be a negative impact on economic growth.

On the other hand, this transition also creates growth opportunities for investment into renewable energy infrastructure, leading to job creation in industries such as solar, wind, and lithium battery production. This is likely to offset some of the short-term structural unemployment that would occur from lost employment in mining, as the resources industry is not a significant employer in Australia, therefore affecting the full employment objective more positively in the long-term.

Further, for households, the increased adoption of renewables is likely to reduce electricity costs, improving economic efficiency and living standards. In the long term, this would represent reduced cost-push inflation. In addition, the reduction in carbon emissions will lead to a reduced greenhouse effect, generating positive externalities for society where the rate of climate change is slowed. This should support more ecologically sustainable development via improved health outcomes and climate disaster risk mitigation, while allowing Australia to meet its emissions targets and commitments to international agreements.

General Feedback

The key to answering this question was recognising the concept of the Australian economy encompassing aspects such as: export revenue, BOGS, current account, external stability,

economic growth, employment, price stability and environmental sustainability. Considering a few aspects of the economy rather than focussing on one aspect would have assisted some students to reach the comprehensive range.

Higher-range responses clearly linked aspects of the transition to a few economic objectives/aspects of the economy, articulated trade-offs between non-renewables vs renewables.
Mid-range responses were more repetitive on a singular aspect of the economy and/or less clearly linked the shift to renewables to an aspect of the economy.
Lower-range responses misinterpreted the Q and wrote a discussion on policies or generic theoretical information on international agreements and climate policies.

A possible structure for a Q of this type could be:

1. Brief outline of **theoretical background** e.g. what has prompted the change, reason behind it
2. **Advantages vs disadvantages** of the shift – differentiate between **ST/LT impacts**; relate to specific economic **objectives (at least two objectives)**
3. Clearly **articulate trade-offs** between non-renewables and renewables e.g. loss of economic growth from non-renewables is offset by LT growth in non-renewables

Additional notes on content: Please also note that LNG is considered by the Australian government as a "transition fuel" and this could have been a little more clearly articulated in a few students' responses (technically LNG is not a renewable in and of itself). Further to this, "green metals" which may be used in the manufacture of renewables or to produce renewable technology, should also be clarified as such (rather than referring to them simply as "renewables"). This would assist you to demonstrate a more comprehensive knowledge.

Question 23 (continued)

(c) Discuss the effects of global efforts to shift from non-renewable to renewable sources on the Australian economy. 5

5

The Australian economy has both benefited and suffered from global environmental efforts to shift to renewable energy sources. Firstly, the largest sector of Australian exports (x) commodities has been overall affected positively. While sectors like coal and gas have been ~~decimated~~, losing their growth, (~~Coal only saw 3%~~ with coal only seeing 1% increase in profits in 2025, below average of 2.5%, and gas stagnating at 2%, compared to last decades 4%, have shook investor confidence in these industries. However, other commodities used in the manufacture of renewables, such as iron, nickel and aluminium have more than counteracted these effects. Furthermore, these ~~industries~~ pay higher rates of tax than oil and gas do, and tend to be more unionized, leading to increased profit sharing. This assists the government by increasing Tax revenue (T), and helping with its goal of reducing income inequality.

Furthermore, the world's demand for renewables have driven down costs and made the cheapest form of electricity in use, leading with solar beating coal by 20% less cost & gas by 9%. ~~Furthermore~~, reduced demand for coal & gas in the M-Term, increases local supply, which decreases electricity prices as renewable energy is setup and reduces costs of transition. Furthermore, combined with our access to commodities, makes Australia a solid export base for manufacturing renewables, creating a new industry, and ~~increase~~ reducing the structural unemployment, most left over from the loss of Australian manufacturing. Finally, it also helps Australia achieve ecologically sustainable development, reducing emissions and keeping us on track other our environmental goals.

End of Question 23

End of Question 23

Question 24 (10 marks)

(a) Distinguish between *aggregate demand* and *aggregate supply*. **2**

Criteria	Marks
• Demonstrates a clear understanding of the difference between aggregate demand and aggregate supply	2
• Provides some relevant information	1

Sample answer:

Aggregate demand refers to the total level of expenditure or demand in an economy, and it is made up of consumption, investment, government spending and net exports. Meanwhile, aggregate supply refers to the total level of production in an economy, dependent on the quantity and quality of available resources.

Average mark: 1.9/2
Mark range: 1-2

Marker's comments

- Most students did this question well
- Some writing is very untidy/difficult to read
- Do not use highlighters, underline instead

Student sample 1

(a) Distinguish between *aggregate demand* and *aggregate supply*. (2)

Aggregate demand refers to the total ~~number~~ amount of goods ~~and~~ and services demanded at a specific point in time and is given by AD = C + I + G + (X - M), whereas aggregate supply refers to the total amount of goods and services that ~~are~~ producers are able and willing to supply at a point in time.

Student sample 2

(a) Distinguish between *aggregate demand* and *aggregate supply*. (2)

Aggregate demand (AD) refers to the total level of demand for goods & services in an economy at a given price, while aggregate supply is the total amount of ~~goods~~ goods & services that can be produced in an economy at a certain price level. The difference is in factors that contribute to each, as AD is determined by C + exp, GG expenditure, investment (business) as is dependent on efficiency of firms while

) Using ONE example from the Australian economy, explain how [illegible]
increased aggregate supply

(b) Using ONE example from the Australian economy, explain how deregulation has increased aggregate supply. **4**

Criteria	Marks
• Provides a clear explanation of how deregulation has increased aggregate supply with reference to an example from the Australian economy	4
• Provides a sound explanation of how deregulation has increased aggregate supply and may refer to an example from the Australian economy	3
• Sketches how deregulation has increased aggregate supply and may refer to an example from the Australian economy	2
• Provides some relevant economic information	1

Sample answer:

The agricultural industry was deregulated to increase aggregate supply. Previously, government owned businesses, who held monopolies, bought farmer produce such as wool, wheat and dairy at artificially high price floors to ensure incomes for farmers. After deregulation, these monopolies were ended, and farmers were instead incentivised to innovate and lower their costs of production and maximise quantity to guarantee their income. As a result, total farm production increased whilst the number of farms decreased over the past 15 years, indicative of improved productivity. This led to an increase in aggregate supply.

Answers could include:

- Agricultural sector
- Aviation
- Electricity
- Telecommunications
- Financial sector
- Rail
- Labour market
- PMV sector

Average mark: 3.6/4
Mark range: 1-4

Marker's comments

- You need to explain, using an example, how deregulation increased AS in the economy, not just starting it led to it (this is not explaining it)…you need to write how it does it.
- Some students focused on increased AS in one sector, but not economy as a whole
- Some writing is very untidy/difficult to read
- Do not use highlighters, underline instead

Student sample 1

(b) Using ONE example from the Australian economy, explain how deregulation has increased aggregate supply. (4)

Deregulation is the removal of barriers, hence leading to an increase in the competition, driving even innovation & efficiency. The deregulation of the aviation industry as a result of the saw the removal of the 2 plan airline policy, hence allowing more plc airplane companies to enter Australian aviation mkt. The implication of this is part of how the competition, ~~etc~~ forcing airlines to increase innovation & efficiency in order to compete with other companies in business. This has seen there an increase on aggregate supply, with aviation productivity in the aviation mkt increasing with an average of 2.1%. from 2000 to 2020, hence shifting the ~~AS~~ supply curve to the right ~~Further, the range of products has seen~~ as seen an increase. The increase in AS can also be seen through the ~~incr~~ decrease in prices, as tickets have gotten cheaper by 50%. between 1990 to 2019.

Question 24 continues on page 18

Student sample 2

(b) Using ONE example from the Australian economy, explain how deregulation has increased aggregate supply.

4

Deregulation is the when the gourmt implents less regulation regulatory measures such as the deregulation of labour through the decentralised wage determination. Through decentralised wage determination, workers are incentivised to work harder and more efficiently to gain bargaining power and receive better wages. This increases the productivity of firms as they are producing more output for the same input. This supplying more in aggregate sply. The deregulation of the labour market ~~through~~ allows for more productive and efficient firms to incentivise employment in these industries which also produces more output in an economy, supply of more goods and services to increase aggregate supply.

(c) Explain TWO limitations of using microeconomic reform to improve economic growth. **4**

Criteria	Marks
• Provides a clear explanation of TWO limitations of using microeconomic reform to improve economic growth	4
• Provides a clear explanation of ONE limitation of using microeconomic reform to improve economic growth AND sketches another	3
• Provides a clear explanation of ONE limitation of using microeconomic reform to improve economic growth OR • Sketches TWO limitations of using microeconomic reform to economic growth	2
• Provides some relevant economic information	1

Sample answer:

- **Short-term Disruption**: Microeconomic reforms often lead to short-term disruptions in markets and industries. For example, deregulation can result in job losses in sectors that are unable to compete effectively in a more open market. While the intention is to enhance efficiency and productivity, the immediate impact can be negative for workers and businesses that rely on older, less efficient practices. This can lead to social backlash and resistance against reforms.
- **Inequality and Access Issues**: Microeconomic reforms can sometimes exacerbate existing inequalities within the economy. While the reforms may benefit certain sectors or individuals, others may not have the same access to opportunities or resources needed to take advantage of the changes. For instance, small businesses might struggle to compete with larger firms that can more easily adapt to new market conditions. This can lead to a widening gap between different economic groups, undermining the overall social cohesion and potentially leading to political challenges.

Answers could include:

- Political constraints/cost (budget)/election
- Inability to respond to short-term fluctuations or aggregate demand issues
- Supply side only – may need demand side policies as well
- Global influences
- **Implementation Challenges**: Microeconomic reforms can be complex to implement, requiring significant coordination across various levels of government and sectors. Poor implementation can lead to ineffective reforms that do not achieve their intended outcomes. Takes several years
- **Time Lag:** The benefits of microeconomic reforms may take time to materialise. While some reforms can lead to immediate improvements, others may require years of adjustment before the full economic benefits are realised, making it difficult to gauge their success in the short term. Up to 20 years.
- **Regulatory Capture:** In some cases, industries may exert influence over the regulatory process, leading to reforms that favour established firms rather than promoting competition. This can undermine the very objectives of microeconomic reform.
- **Market Failures:** Microeconomic reforms may not adequately address existing market failures, such as monopolies, externalities, or information asymmetries. Without addressing these underlying issues, reforms may yield limited or skewed benefits.

- **Innovation Stagnation:** Some microeconomic reforms may inadvertently stifle innovation if they create an environment that favours established players over new entrants. For instance, excessive regulation can create barriers to entry for startups, limiting competition and innovation.
- **Economic Dependency:** In certain cases, microeconomic reforms can lead to increased reliance on specific sectors or markets, making the economy vulnerable to shocks. If the reformed sectors face downturns, the overall economy may suffer.
- **Cultural Resistance:** Societal attitudes and cultural factors can impede the acceptance and effectiveness of microeconomic reforms. Resistance to change can stem from a lack of understanding or fear of the unknown, limiting the potential benefits of the reforms.

Average mark: 3.2/4
Mark range: 1-4

Marker's comments

- Again, mostly done well – but less so than previous question
- Some students only gave one limitation – needed 2
- Needed to give specific limitations and link it back to economic growth
- Some students did not finish the response
- Some writing is very untidy/difficult to read
- Do not use highlighters, underline instead

Student sample 1

(c) Explain TWO limitations of using microeconomic reform to improve economic growth. 4

① Political Constraints

Microeconomic reforms are often unpopular and politically difficult to implement. ~~But~~ While they are able to boost eco. growth ~~and~~ sustainable ~~benefits~~ and sustainable growth rates, ~~and often~~ benefits are often not realised for years as microeconomic reforms have longer effects time lags than FP or MP. They also require costly structural reforms in the short term, ~~causing a lack of~~ as they may cause industry closures and structural ~~we~~ are causing a lack of political will to implement them. This can be seen in Morrison govt attempts to reform taxation to boost EG, abandoned due to unpopularity. Thus this constrains how often MER can be implemented to address EG, with ~~pace~~ pace of MER flowing in recent years due to this.

End of Question 24

② : Time lags.

Microeconomic reforms face the largest time lag before their effects are felt out of any economic reform, causing them to be ineffective to address ST ~~cyclical~~ cyclical EG fluctuations, only able to boost LT EG by addressing structural issues, as they have a time lag of up to 20 years. This occurs as structural changes to industry and business innovation takes significant time, until ~~business~~ businesses become more productive and efficient. This is ~~of~~ is seen in significant time lag between trade liberalisation in 1980s and expanded X sector and MEO in 2000s, during MIB. Thus time lags restrict ~~the~~ how EG can be boosted by MER.

Student sample 2

(c) Explain TWO limitations of using microeconomic reform to improve economic growth. (4)

(1) ~~Sharp instrument~~ Supply side policy: Micro economic reform is a sharp tool which addresses long term structural factors ~~that~~ in the economy, to and seeks to increase aggregate supply in order to improve long term growth. However, this means that sharp cyclical downturns in the business cycle cannot be minimised through microeconomic reforms as economic growth is constrained by demand-side factors, beyond the scope of micro economic reform. (2) ~~Long implementation / impact lag~~: Furthermore, micro economic policies have a 10-20 year implementation and impact lag, which means that ~~these~~ it is limited to addressing long term downturns in economic growth and cannot improve short term contractions in growth because the effects of micro economic reforms aren't fully seen until decades later. Therefore, micro economic reforms cannot address short term falls in economic growth.

End of Question 24

Question 25 (20 marks)

Assess the impact of recent changes to Australia's trade and financial flows on its current account.

Criteria	Marks
• Synthesises own knowledge and understanding with the information provided, to provide a sustained, logical and cohesive response that integrates relevant economic terms, concepts, relationships and theory • Demonstrates a clear and comprehensive understanding of impact of recent changes to Australia's trade and financial flows on its current account • Makes a well-informed judgement about the impact of recent changes to Australia's trade and financial flows on its current account	17–20
• Synthesises own knowledge and understanding with the information provided, to provide a logical and cohesive response that applies relevant economic terms, concepts, relationships and theory • Demonstrates a sound understanding of impact of recent changes to Australia's trade and financial flows on its current account • Makes some judgement about the impact of recent changes to Australia's trade and financial flows on its current account	13–16
• Provides a coherent response that uses relevant economic terms, concepts, relationships and theory and may refer to the information provided • Demonstrates some understanding of the impact of recent changes to Australia's trade and/or financial flows on its current account	9–12
• Provides a generalised response that uses some economic terms • Demonstrates some understanding of the impact of recent changes to Australia's trade or financial flows on its current account	5–8
• Provides a limited response that uses some economic terms • Provides some aspects of trade and/or financial flows or the current account	1–4

Success criteria:

o I have engaged with the question and the directive term throughout my response

o I have clearly and comprehensively assessed the impacts of recent changes to Australia's trade and financial flows on its current account

o I have written clearly and legibly throughout my response

o I have written a sustained, logical and cohesive response

o I have PEELed my paragraphs throughout my response

o I have included relevant economic terms, concepts, relationships and theory and data throughout my response

o Any diagrams I have included were clearly drawn, fully labelled, explained and relevant to the question

o I will use the feedback to improve my future responses and ensure that they are comprehensive, relevant and detailed

Answer could include:

- Defines balance of payments and its structure, specially the CA

- Value, composition and direction of Australia's trade and financial flows
    - Trends in Australia's trade pattern
    - Trends in financial flows – debt and equity
- Links between key balance of payments categories
- Rebalancing period – increased trade in services exports (tourism, education)
- Exchange rates
- Interest rate differentials
- Trends in the size and composition of Australia's balance of payments
    - 2019-2023: CA Surplus
    - 2024- recent: CA Deficit
- International competitiveness, terms of trade, international borrowing, foreign investment
- Valuation effect
- Commodity prices/TOT
- Global economy (Liberation Day tariffs, trade wars, Ukraine-Russia war
- Covid19, post recovery period
- Supply chain disruptions

Diagrams could include:

- J Curve

Marker's comments

- 17% of students attempted this question
- Mark range 13-19
- Average Mark 16/20
- Assess: Make a judgement of value, quality, outcomes, results or size
    - So you needed to provide a judgement of recent changes to Australia's trade and financial flows on the current account.
    - Remember recent = less than 5 years
    - So you would need to know what are the recent changes both trade and financial flows and its impact on the current account
    - Make a judgement about the impact – can be positive or negative impact
    - This should be done in separate PEEL paragraphs.
        - PEEL was not evident in many responses
    - Cover the basics (ie the theory), what is the current account, trade flows and financial flows?
    - Make sure all PEEL paragraphs link to the question – ie is it addressing an aspect of the question
    - Some students just stating that something impacts the CA – but providing no specifics
- Make sure you do the basics – explain key concepts, provide clear definitions, PEEL, use examples
- Intro – address the question in full in your introduction. The marker should know what the question is about from reading your introduction
- Graphs
    - When using graphs in your response – you must explain it not just say "as shown in graph" or "refer to figure 1"
    - Ensure that any graphs/diagrams are drawn clearly (and fully labelled) and should be about 1/3 page
- Writing on the whole was ok – some writing was difficult to read – remember we can only mark what we can read
- Do not write outside the lines – use a new page/extra booklet as needed

Student Samples

Sample #1

As the COVID-19 pandemic created a -14% decline in the global economy, this flowed through to iron ore demand through fiscal infrastructure stimulus globally, and hence increasing Australia's export values through growth in iron trade flows. Australia's inward trade flows also diminished with a -0.6% quarterly growth in Q2 2020, significantly reducing import expenditure as the bulk Consumer sentiment Index dropped 30% in 3 months. The growth in iron price to $230/tonne in March 2022 heavily impacted Aust. Trade flows as Australia holds 45% of global iron reserves, and hence an increase in iron price had a significant impact as Australia's BOCs credits with export values rising to $293 Bn in 2022. Import expenditure also sunk due to decreased domestic consumption of 3% due to the pandemic uncertainty, heavily reducing BOCs debits. Hence, the trade flows of COVID-19 had a significant impact in shaping the 7% CAS in 2021 through boosting the BOCS Account to a $136 Bn surplus in 2022, with decreased debits and increased credits

Sample #2

★ The Current Account under Australia's balance of payments includes non-recurring transactions on the Balance of Goods and Services (BOGS) and, Net primary income (NPY) and Net secondary income (NSY). This changes in trade and financial flows have caused the recent CAD CAS of 1.9% in 2019, however since Q4 of 2024 has reverted back to CAD of approximately -38bn AUD as seen from the stimulus.

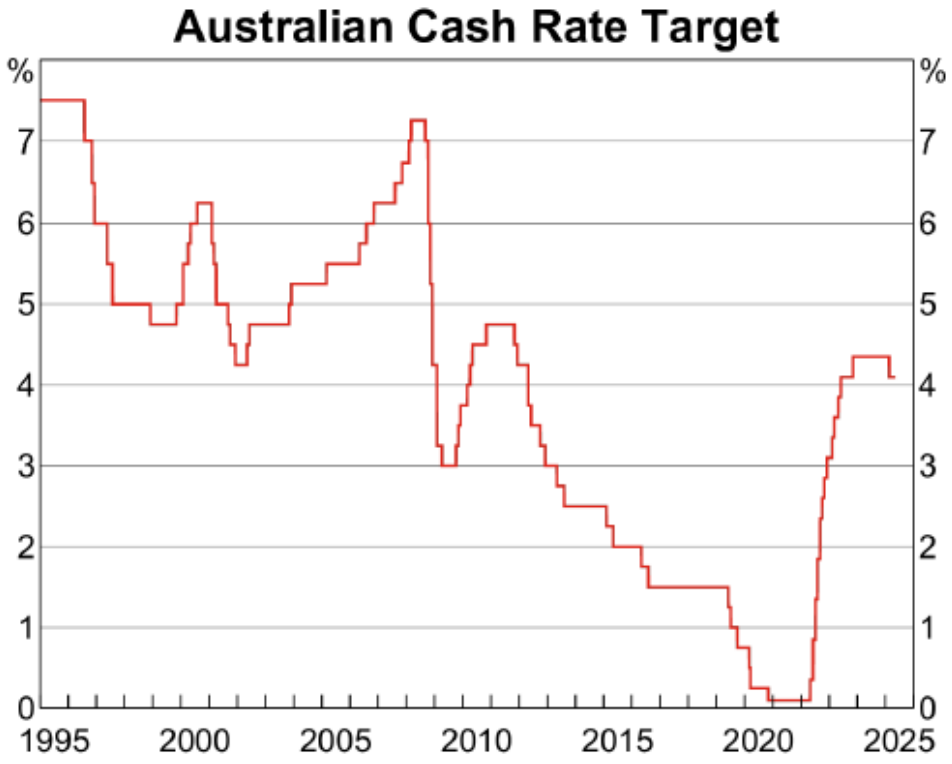
★ Australia's trade and financial flows have underpinned the historic CAD experienced in Australia, from 3-6% on average prior to 2019. Trade Flows in Australia have shifted in response to domestic and international factors as evidenced by shift from Australia's narrow export base to service sector due to 80% of Australian employment in the service sector[2]. Additionally this change in trade has effected Australia's exchange rate and interest rate differentials. Similarly, changes in financial flows due to domestic S-I gap and domestic business cycle fluctuations have effected the current account through decrease in NPY debits which improved the NPY account by 2% and decreased the NFL from 60% (2990) to 31% (2024).

Question 26 (20 marks)

Assess economic policies that can be used to achieve economic growth and full employment in Australia.

> As the name suggests,[the NAIRU] is the minimum level of unemployment that is not expected to trigger supply constraints and inflation in the near term.Treasury estimates the NAIRU to be around 4¼ per cent but acknowledges there's significant uncertainty around it and it changes over time alongside the structure of our economy and the skills of the workforce…
>
> There's much that can be done to deal with structural issues that cause unemployment – from helping people acquire new skills or find affordable childcare to making it easier to find housing in areas where jobs are available.

Source: Treasury, July 2023. Full employment debate welcome and overdue



Source: Reserve Bank of Australia, June 2025

Q26 Assess economic policies that can be used to achieve economic growth and full employment in Australia.

Criteria	Mark
• Demonstrates a clear and comprehensive judgement of the effectiveness of Australia's economic policies used to achieve economic growth and full employment • Synthesises own knowledge and understanding with the information provided to develop a sustained, logical and cohesive response • Integrates relevant economic terms, concepts, stimulus, relationships and theory	17-20
• Demonstrates a sound understanding of the effectiveness of Australia's economic policies used to achieve economic growth and full employment • Synthesises own knowledge and understanding with the information provided to develop a logical and cohesive response • Applies relevant economic terms, concepts, stimulus, relationships and theory	13-16
• Demonstrates a sound understanding of the effectiveness of Australia's economic policies used to achieve economic growth or full employment OR • Demonstrates some understanding of the effectiveness of Australia's economic policies used to achieve economic growth and full employment • Uses own knowledge and understanding with the information provided to develop a coherent response • Uses relevant economic terms, concepts, relationships and theory	9-12
• Outlines some aspects of economic policy and/or economic growth and/or employment • Presents a generalised response • Uses some economic terms	5-8
• Identifies some aspects of economic policy or economic growth or employment • Presents a limited response with some relevant information • Uses some economic terms	1-4

Assess – make a judgement of value, outcomes or effectiveness

Answers could include:

- Stimulus – a tip on integration:
    - **Why is the stimulus used/what data is provided?**
    - **How is it expected to be used?**
    - **What parts of the syllabus (economic policies/economic issues) can be linked to it?**

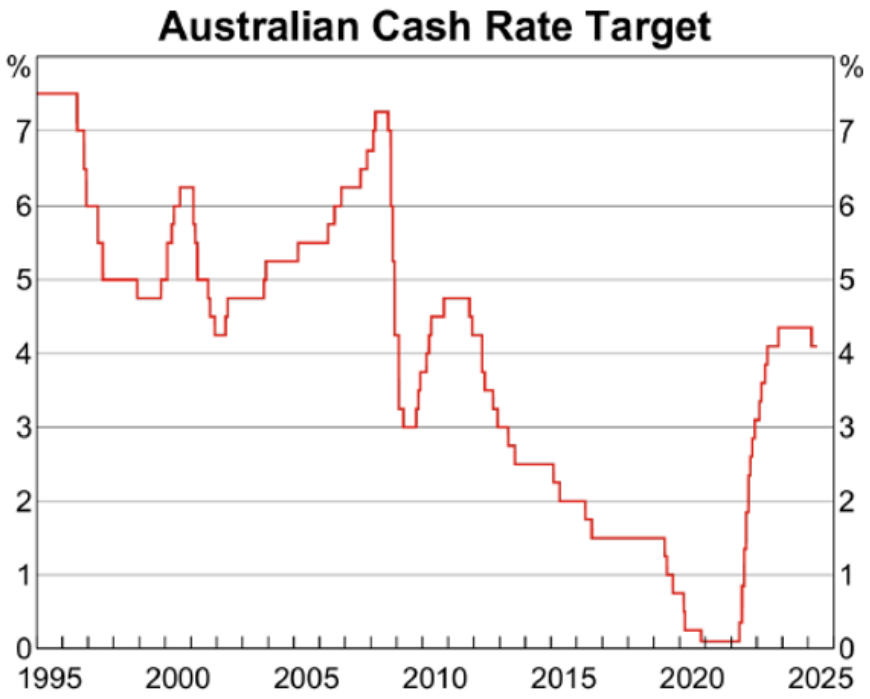
    - AS, NAIRU/full employment, structural change, structural unemployment; labour mobility, cost of living, AS policies; labour force participation rate; underutilisation of labour; micro policies

As the name suggests,[the NAIRU] is the minimum level of unemployment that is not expected to trigger supply constraints and inflation in the near term.Treasury estimates the NAIRU to be around 4¼ per cent but acknowledges there's significant uncertainty around it and it changes over time alongside the structure of our economy and the skills of the workforce…

There's much that can be done to deal with structural issues that cause unemployment – from helping people acquire new skills or find affordable childcare to making it easier to find housing in areas where jobs are available.

Source: Treasury, July 2023. Full employment debate welcome and overdue

- Cash rate target – conventional and non-conventional MP, fluctuations in AD, macroeconomic policy mix, conflicts with other policies



Source: Reserve Bank of Australia, June 2025

- Economic growth: aggregate demand, aggregate supply
- Full employment: NAIRU/natural rate of unemployment (no or little cyclical u/e, contains structural and frictional e/e); cyclical unemployment; underemployment, labour force participation rate, underutilisation rate, hidden unemployment
- Monetary policy:
  - Recent movements in the PIRC
  - Transmission mechanism and channels
  - Jawboning
  - Unconventional MP: quantitative easing, term funding facility, forward guidance
  - Limitations: blunt instrument, impact lag, zero lower bound
- Fiscal policy:
  - Recent stances: expansionary and contractionary
  - Discretionary and non-discretionary gov expenditure and taxation
  - JobKeeper, JobSeeker, JobTrainer, childcare subsidies, transfer payments, infrastructure development, NDIS, fuel excise cut, cost of living measures – energy rebates, Future Made in Australia, housing policy
  - Taxation: regressive, progressive, and proportional, Low-Middle Income Tax Offset, Small Business Instant Asset Write-off, Stage 3 tax cuts, changes to tax brackets

    - Automatic stabilisers – unemployment benefit, movement to lower tax brackets
    - Aggregate demand and aggregate supply components
    - Multiplier effect
    - Crowding out, public debt
    - Fiscal consolidation
- Microeconomic reform/policy:
    - Rationale for micro reform
    - Tax reform
    - Trade liberalisation
    - Wage determination: centralised vs decentralised system of wage determination, enterprise agreements, individual contracts
    - Education, training and employment programs (Fee-free TAFE, HECS debt cut, Apprenticeship Programs
    - Deregulation
    - Product and factor markets0
    - Effect on structural unemployment
- Limitations of policies
    - Time lags – implementation and action time lag
    - Political constraints
    - Conflicts between economic objectives
    - Global influences (COVID, supply chain issues, high inflation, Russia-Ukraine War, global and regional business cycles, rise of protectionist policies)
    - Requirement for policies to complement each other

Sample answer:

Fiscal policy was effective in achieving economic growth during the COVID recession period. The government ran an expansionary budget stance of around $160bn deficit in 2020 in order to absorb the global recession caused by sharp falls in consumer and business confidence. Discretionary expenditure in the form of the JobKeeper program as highlighted in the stimulus, costing $100bn, supported 3 million employees by subsidising their wages despite working no or low hours. This had a positive effect on full employment as these workers were still employed, thereby limiting upward pressure on cyclical unemployment to only around 7%. However, the JobKeeper program masked the lack of demand in the labour market as underemployment increased as these workers were essentially not working to their full capacity. This led to an increase in the underutilisation rate.

The JobKeeper program was effective because it was complemented by non-discretionary expenditure in the form of automatic stabilisers. The government increased payments to the JobSeeker unemployment benefits to around $1400 for single individuals. This meant that unemployed individuals were still able to spend on both autonomous and discretionary expenditure. As consumption was largely maintained during this period, firms over time gradually increased the hours of their employees as labour is a derived demand, thereby increasing national income. This led to improved consumer confidence and a further increase in aggregate demand. As long as macroeconomic policies were complementary, then these fiscal policies were effective in increasing GDP by 4% in 2021.

Expansionary FP meant that public debt increased during the COVID recession period to around $900 bn. This is problematic for the government because if public debt becomes too large, then more resources will have to be allocated to service interest repayments as well as paying off the debt. This limited the fiscal policy stance available to the government against any future economic problems. For instance, the stance shifted to a budget surplus in 2023 and 2024 as the government aimed for fiscal consolidation. However, Aus economic growth remained subdued at below 2%, but the government is restrained from increasing government expenditure until a significant amount of public debt is paid off. Instead the government relied on lowering taxation as well as a

loose monetary policy. However since MP and FP are at odds with each other, then economic growth remains subdued in 2025 and was less effective in tackling economic growth.

Section IV

20 Marks
Attempt either Question 27 or Question 28
Allow about 35 minutes for this section

Answer the question in the Section IV Writing Booklet. Extra writing booklets are available. Clearly state the question attempted and complete your Student Number and teacher's name.

Your answer will be assessed on how well you:

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

Question 27 (20 marks)

Discuss the impacts of international organisations and government economic forums on both the Australian economy and an economy other than Australia.

Criteria	Marks
• Synthesises own knowledge and understanding to provide a sustained, logical and cohesive response • Demonstrates a clear and comprehensive understanding of the impacts of international organisations and government economic forums on both the Australian economy and an economy other than Australia • Integrates relevant economic terms, concepts, relationships and theory	17–20
• Synthesises own knowledge and understanding to provide a logical and cohesive response • Demonstrates a sound understanding of the impacts of international organisations and government economic forums on both the Australian economy and an economy other than Australia • Applies relevant economic terms, concepts, relationships and theory	13–16
• Provides a coherent response • Demonstrates some understanding of the impacts of international organisations and government economic forums on both the Australian economy and an economy other than Australia • Uses relevant economic terms, concepts, relationships and theory	9–12
• Provides a generalised response • Outlines some aspects of the impact impacts of international organisations and government economic forums on both the Australian economy and an economy other than Australia • Uses some economic terms and concepts	5–8
• Provides a limited response • Identifies some aspects of international organisations and/or government economic forums • Uses some economic terms	1–4

Success criteria:

o I have engaged with the question and the directive term throughout my response

o I have clearly and comprehensively discussed the impacts of international organisations and government economic forums on both the Australian economy and an economy other than Australia

o I have written clearly and legibly throughout my response

o I have written a sustained, logical and cohesive response

o I have PEELed my paragraphs throughout my response

o I have included relevant economic terms, concepts, relationships and theory and data throughout my response

o Any diagrams I have included were clearly drawn, fully labelled, explained and relevant to the question

o I will use the feedback to improve my future responses and ensure that they are comprehensive, relevant and detailed

Answer could include:

- World Trade Organisation
- International Monetary Fund
- Trade liberalisation – review of trade disputes
- The Uruguay Round 1994 and the Doha Round 2015
- Reduction in tariffs and subsidies and agricultural trade concessions
- The World Bank
- Asian Financial Crisis
- Global Financial Crisis
- Covid 19 and post Covid recovery
- Globalisation
- Increased FTAs
- ASEAN
- UN Development Program
- HDI, Standards of living, Quality of Life
- Millenium Development Goals
- Sustainable Development Goals
- OECD
- G7, G20

- Positives could include:
  - Economic growth
  - Trade and investment flows, FDI, export revenue
  - Employment growth
  - Productivity, efficiency, reallocation of resources to more productive sectors
  - Structural change in the economy
  - Economic development: life expectancy, GNI per capita, average and expected years of schooling
  - Distribution of income and wealth
- Negatives could include:
  - Environmental sustainability concerns
  - Distribution of income and wealth especially rural vs urban, mainstream vs minorities
  - Integration with regional and international business cycles, volatility, financial crises
  - External shocks such as COVID, trade wars and trade disputes
  - Debt, repayment, conditions for loans

Diagrams could include:
- Kuznet's Curve
- Business cycle

Marker's comments

- 20% of respondents attempted this question
- Mark range 4-18
- Average Mark 12.4/20
- Discuss: Identify issues and provide points for and/or against
    - So you needed to provide details of international organisations and government economic forums and their positive and negative impacts on both the Australian economy economic and an economy other than Australia (ie Vietnam)
        - One response had a different country – should use our case study
    - This should be done in separate PEEL paragraphs – ie ONE PEEL paragraph for every International Organisation/government economic forum positive and then negative.
        - PEEL was not evident in many responses – e.g. some paragraphs were over one page long and dealt with several points/issues
        - Some introductions did not address the question in full
    - Cover the basics (ie the theory), outline role and main function of the international organisation/government economic forum
    - Several international organisations and government economic forums should be covered (but not all listed above)
    - Many responses gave partial/limited discussion. – you need to cover **both positive and negative impacts**
- Make sure you do the basics – explain key concepts, provide clear definitions, PEEL, use examples
- Intro – address the question in full in your introduction. The marker should know what the question is about from reading your introduction
- Graphs
    - When using graphs in your response – you must explain it not just say "as shown in graph" or "refer to figure 1"
    - Ensure that any graphs/diagrams are drawn clearly (and fully labelled) and should be about 1/3 page -not drawn in corners of pages and written all around it
- Plan your time to ensure you finish your response – many students did not finish
- Writing on the whole was ok – some writing was difficult to read – remember we can only mark what we can read
- Do not write outside the lines – use a new page/extra booklet as needed
- Some responses are too brief – difficult to obtain a high mark if you are not writing detailed, comprehensive responses

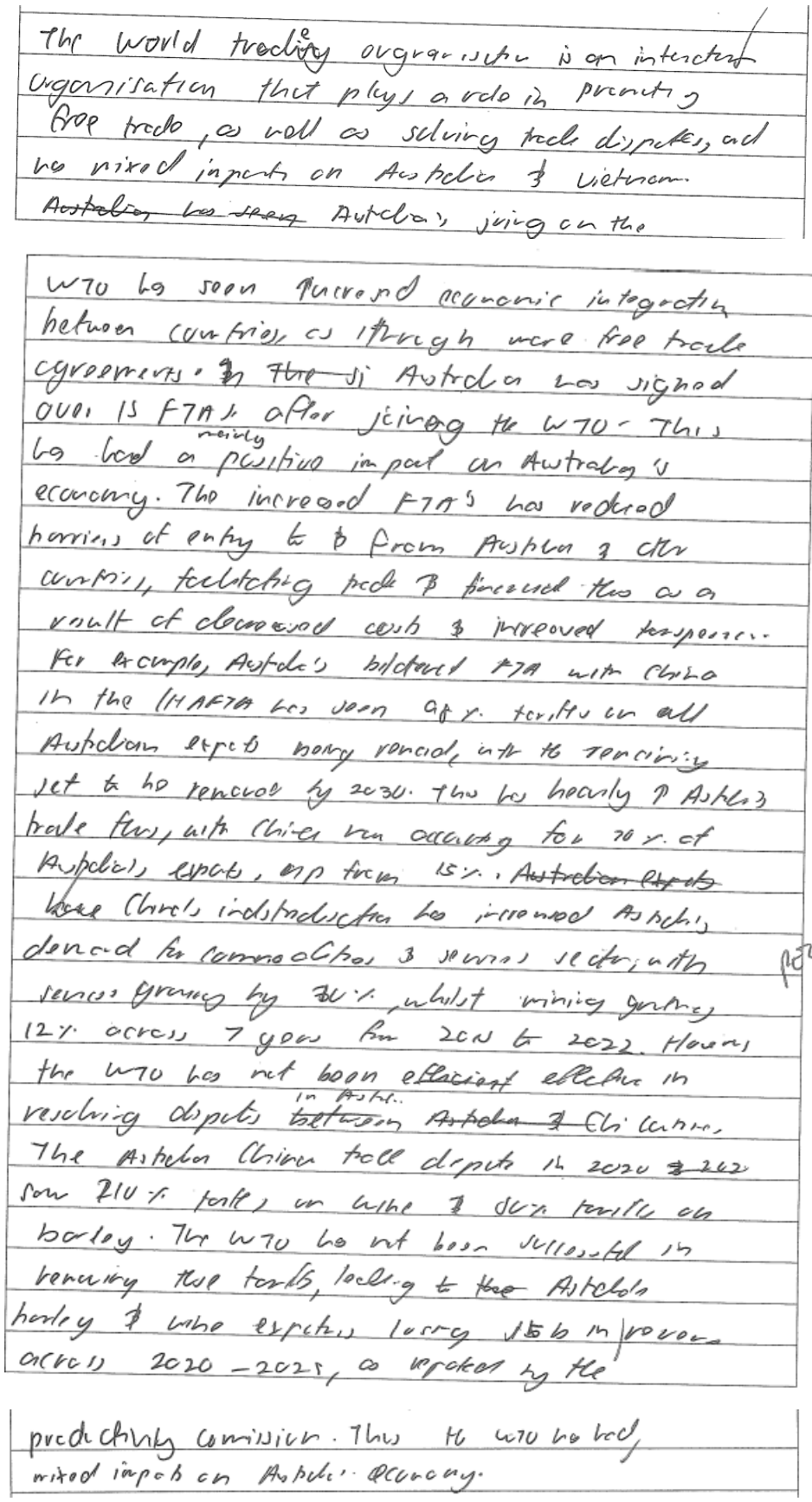
Student Samples
Sample #1 – intro

International Organisations and government economic forums have had a range of positive and negative effects on the Australian economy and Vietnamese Economies. International organisations such as the World Trade Organisation (WTO), World Bank, IMF, World Bank alongside government forums such as the G7 and the G20 have had varying impacts on production, the quality of life, income equality and overall economic development in both economies. 1

Sample #2

WTO membership for Australia has had mixed impacts. As a WTO member, Australia has been able to gain several free trade agreements such as AANZFTA and CPTPP, which are expected to boost GDP by $28 billion by 2030. However, the WTO's bold round failure to reduce agricultural subsidies in trading blocs in the EU and North America by 50% in 2015 has harmed the economy. The CAP subsidies over 40% of farmers' incomes in the EU, making Australian imports uncompetitive, despite Australian agricultural industry being more efficient, as Australian farmers are able to produce twice as many crops as France in a hectare, at 9.71 MT. Hence, the inefficient agricultural sector in Australia has been losing income (Figure 2).

Sample #3 – note: no PEEL structure



The World trading organisation is an interstate organisation that plays a role in promoting free trade, as well as solving trade disputes, and has mixed impacts on Australia & Vietnam. ~~Australia has strong~~ Australia's living on the WTO has seen increased economic integration between countries as through more free trade agreements. ~~In the~~ Australia has signed over 15 FTA's after joining the WTO. This has had a mainly positive impact on Australia's economy. The increased FTA's has reduced barriers of entry to & from Australia & other countries, facilitating trade & increased this as a result of decreased costs & increased competition. For example, Australia's bilateral FTA with China in the ChAFTA has seen 96% tariffs on all Australian exports being removed, with the remaining yet to be removed by 2030. This has heavily ~~?~~ Australia's trade flow, with China now accounting for 30% of Australia's exports, up from 15%. ~~Australian exports~~ have China's industrialisation has increased Australia's demand for communication & service sector, with services growing by 3% whilst mining growing 12% across 7 years from 2015 to 2022. However the WTO has not been efficient effective in resolving disputes between Australia & China in Australia. The Australia China trade dispute in 2020 & 2022 saw 210% tariffs on wine & 80% tariffs on barley. The WTO has not been successful in removing these tariffs, leading to the Australia barley & wine exports losing 1B to improve across 2020 – 2023, as worked by the productivity commission. This the WTO has had mixed impact on Australia's economy.

Question 28 (20 marks)

Discuss the effectiveness of Australia's labour market policies in achieving Australia's economic objectives.

Criteria	Marks
• Demonstrates a clear and comprehensive understanding of Australia's labour market policies • Clearly and comprehensively discusses the effectiveness of Australia's labour market policies in achieving Australia's economic objectives • Provides a sustained, logical and cohesive response that integrates relevant economic information, terms, concepts, relationships and theory	17–20
• Demonstrates a sound understanding of Australia's labour market policies • Clearly discusses the effectiveness of Australia's labour market policies in achieving Australia's economic objectives • Provides a logical and cohesive response that applies relevant economic terms, concepts, relationships and theory	13–16
• Demonstrates some understanding of Australia's labour market policies and Australia's economic objectives • Provides a coherent response that uses economic terms, concepts, relationships and theory	9–12
• Sketches in general terms Australia's labour market policies and/or Australia's economic objectives • Provides a generalised response that uses some economic terms and concepts	5–8
• Makes relevant statements about labour market policies • Provides a limited response that uses economic terms	1–4

Answers could include:

- Economic objectives in relation to:
    - Economic growth
    - Full employment
    - Price stability
    - Distribution of income
- Labour market policy
    - Role of national and state systems e.g. Fair Work, NES, Min wage
        - Minimum employment standards
        - Minimum wages
        - Awards
        - Enterprise agreements
        - Employment contracts for high income earners
    - Dispute resolution mechanisms
    - Arguments for and against the use of centralised, decentralised and individualised methods of determining employment contracts
    - Education, training and employment programs
    - LFPR policies
    - Equity policies
- Rationale for microeconomic policies including shifts in aggregate supply, efficiency
- Limitations of economic policies
    - Time lags
    - Global influences
    - Political constraints
- Policy responses and their effects in dealing with the economic objectives

General Feedback

The question was accessible, popular, and most students were able to discuss a number of labour market policies. Common **examples** of policies and objectives included:

Policies	**Objectives**
• Decentralisation/deregulation of labour markets	• Economic growth and quality of life
• LFPR policies	• Full employment
• Education and training policies	• Price stability
• Equity policies	• Distribution of income

Higher-range responses:

- Contained an accurate and precise opening paragraphs, relating labour market policies to relevant objectives from the syllabus.
- Each body paragraph (BP) started with a clear topic sentence with key terms early in the sentence: chosen policy being evaluated, and link to the objective/s
- Economic terms
- Statistics, data, trends
- Clear transitions from one policy to another. For example, transition from training and education policies to equity policies.
- Referred to productivity as a key concept to link relevant policies with objectives such as economic growth and price stability.
- Similarly, recalled that Australia is operating in the global economy and integrated the key concept of international competitiveness.
- Linked policies to one, two or more relevant objectives.
- Logical BPs.

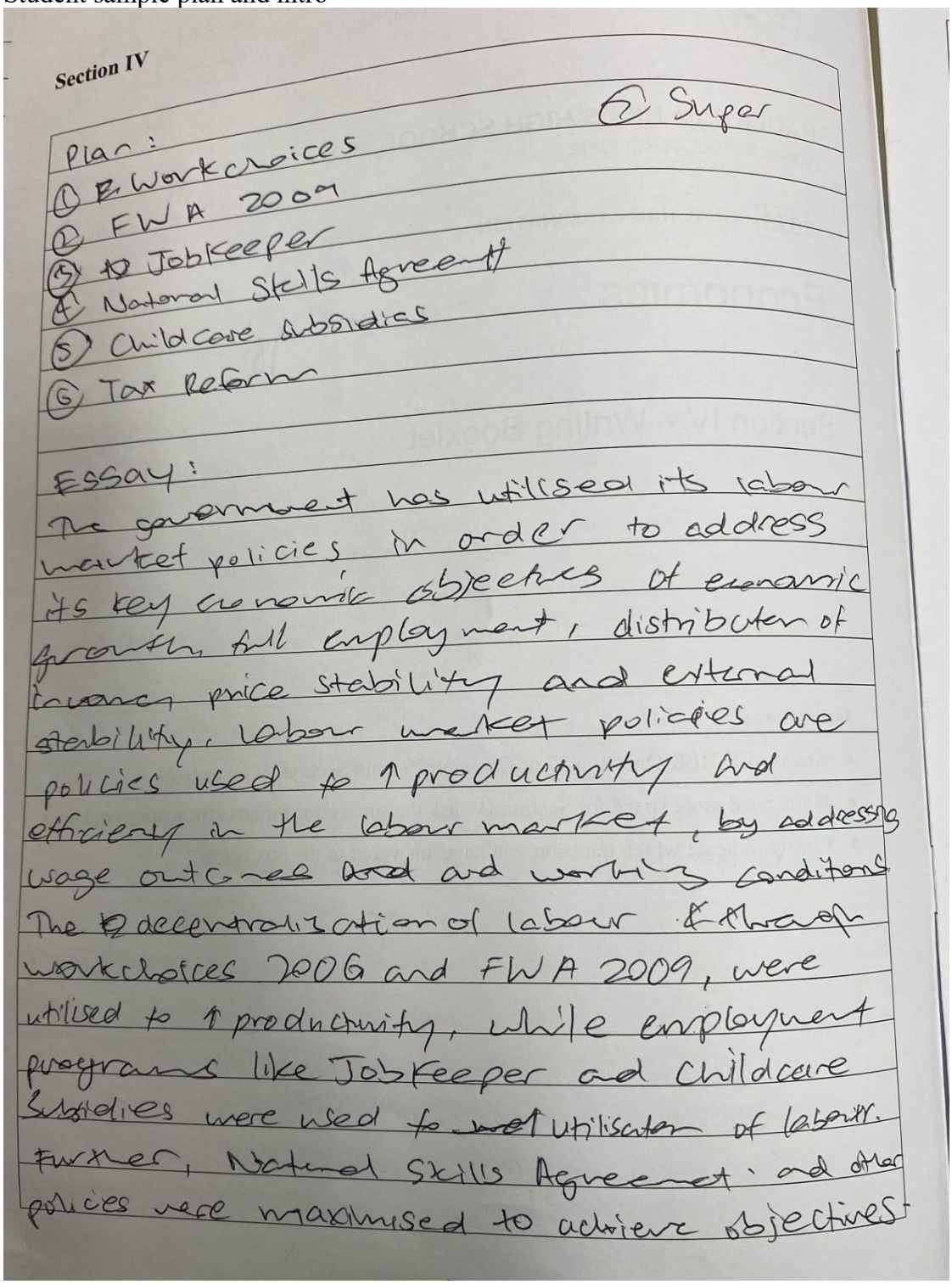
Mid-range responses:

- Some good content.
- May be less precise or clear in linking policies with objectives.
- Some policies e.g. Stage 3 tax cuts, changes to HECS, and Super Guarantee needed to be more clearly linked with reference to participation or equity, refer to structural effects on the supply of labour including human capital formation
- May be repetitive on points or discuss a single policy to a greater depth than others e.g. not balanced on concepts of equity, participation, productivity
- JobSeeker – it is a passive labour market policy and this needed to be explained more clearly if using it as a labour market policy, might not be easy to link this to some objectives

Lower-range responses

- Lacked adequate content, data, statistics

Student sample plan and intro



Section IV

Plan:

① B. Workchoices
② FWA 2009
③ ~~to~~ Jobkeeper
④ National Skills Agreement
⑤ Childcare subsidies
⑥ Tax Reform
⑦ Super

ESSAY:

The government has utilised its labour market policies in order to address its key economic objectives of economic growth, full employment, distribution of income, price stability and external stability. Labour market policies are policies used to ↑ productivity and efficiency in the labour market, by addressing wage outcomes and and working conditions. The ~~to~~ decentralisation of labour through workchoices 2006 and FWA 2009, were utilised to ↑ productivity, while employment programs like Jobkeeper and Childcare subsidies were used to ~~not~~ utilisation of labour. Further, National Skills Agreement and other policies were maximised to achieve objectives.

Student sample paragraph

Firstly, a shift from centrally determined wages to determination on a firm by firm basis has allowed ↑ efficiency of Aus labour, and ↓ inflation but at the cost of inequality due to disparity in wage bargaining. Firstly, wages being indexed to productivity have incentivised ↑ attainment of skills and education, with bachelor degree attainment ↑ by 50% since 2005. This reflects ↑ efficiency of labour inputs and thus ↑ technical efficiency and TFP, facilitating long term non-inflationary economic growth. Further, this allows ↑ allocative efficiency as firms can offer higher wages to attract more efficient labour if they are profitable. For example, due to the mining boom of the early 2010s, wages for ~~mining~~ mining employees ↑ 53%, outpacing the average 50% wage ↑ experienced by the rest of Aus. Finally, dynamic efficiency may ↑ as firms respond to consumer demand more readily. For example, ~~firms~~ doctors working in rural areas earn up to 18% in higher pay than urban doctors due to shortage of supply in rural areas, thus improving geographical mobility of labour.

– 3 –

STUDENT NUMBER:	
TEACHER:	

BAULKHAM HILLS HIGH SCHOOL

HIGHER SCHOOL CERTIFICATE

2025 TRIAL HSC EXAMINATION

Economics

Section I – Answer Sheet

20 marks

Attempt Questions 1–20

Allow about 35 minutes for this section

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 across through the incorrect answer and fill in the new answer.

A○ B⊗ C○ D○

If you change 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:

correct ↙

A⊗ B⊗ C○ D○

1.	A○	B○	C○	D○	**11.**	A○	B○	C○	D○
2.	A○	B○	C○	D○	**12.**	A○	B○	C○	D○
3.	A○	B○	C○	D○	**13.**	A○	B○	C○	D○
4.	A○	B○	C○	D○	**14.**	A○	B○	C○	D○
5.	A○	B○	C○	D○	**15.**	A○	B○	C○	D○
6.	A○	B○	C○	D○	**16.**	A○	B○	C○	D○
7.	A○	B○	C○	D○	**17.**	A○	B○	C○	D○
8.	A○	B○	C○	D○	**18.**	A○	B○	C○	D○
9.	A○	B○	C○	D○	**19.**	A○	B○	C○	D○
10.	A○	B○	C○	D○	**20.**	A○	B○	C○	D○