Student Number

NORTHERN BEACHES SECONDARY COLLEGE

MANLY CAMPUS

HIGHER SCHOOL CERTIFICATE

TRIAL EXAMINATION

2018

ECONOMICS

General Instructions

- Reading time – 5 minutes
- Working time – 3 hours
- Write using black pen
- Write your Student Number at the top of each section
- A board approved calculator may be used
- Answer Section I on the multiple choice answer sheet
- Answer Section II in the space provide
- Answer Section III in the separate booklets provided
- Answer Section IV in the separate booklets provided

Total Marks 100 marks

Section I
(20 marks)
Attempt Questions 1 – 20
Allow about 20 minutes for this section

Section II
(40 marks)
Attempt Questions 21 – 24
Allow about 60 minutes for this section

Section III
(20 marks)
Attempt Question 25 or Question 26
Allow about 50 minutes for this section

Section IV
(20 marks)
Attempt Question 27 or Question 28
Allow about 50 minutes for this section

Section I

20 marks
Attempt Questions 1–20
Allow about 20 minutes for this section
Use the multiple-choice answer sheet for Questions 1–20.

1 Which of the following statements about unemployment is correct?

(A) Australians aged 15-24 consistently have the highest unemployment rate

(B) Full employment is when there is no structural unemployment in the economy

(C) Indigenous Australians have a lower rate of unemployment than non-indigenous

(D) A rise in the participation rate will lower the unemployment rate in the short term

2 A hypothetical economy has the following economic data:

	Nominal GDP $m	**CPI**
Year 1	42.5	100
Year 2	48.6	105

What is the level of real growth in Year 2?

(A) 6.1%

(B) 8.9%

(C) 12.6%

(D) 14.4%

3 Which of the following statements about the global economy is NOT true?

(A) TNCs create employment opportunities for developing nations

(B) Emerging economies are growing at a slower rate than developed nations

(C) There are higher levels of economic integration through trade and financial flows

(D) GWP is the total value of all goods and services produced globally within a period of time

4 A hypothetical economy is investing in education and training of its population whilst subsidising local producers in infant industries to boost production capacity.

Which of the following types of efficiency are they looking to enhance?

(A) Dynamic and technical

(B) Structural and technical

(C) Allocative and dynamic

(D) Technical and allocative

5 How would the transfer of an immigrant entering Australia's funds and the provision of unconditional aid to another nation be entered in Australia's balance of payments?

	Immigrant Transfer	**Unconditional Aid**
(A)	Debit in Capital & Financial	Credit in Net Secondary Income
(B)	Debit in Net Secondary Income	Debit in Capital & Financial
(C)	Credit in Capital & Financial	Debit in Net Secondary Income
(D)	Credit in Net Secondary Income	Debit in Capital & Financial

6 The following table shows the income Gini co-efficient for two nations.

	Country X		**Country Y**	
	Before tax	**After tax**	**Before tax**	**After tax**
Year 1	0.452	0.398	0.421	0.324
Year 2	0.465	0.385	0.418	0.326

Which of the following statements are true for the information above?

(A) Country X has higher levels of income equality than Country Y

(B) Country Y has had worsening distribution of income before tax

(C) Taxation policy changes are improving the distribution of income in Country Y

(D) The Lorenz curve after tax is shifting closer to the line of perfect equality for Country X

7 Which of the following areas of globalization has seen the greatest growth within the world economy?

(A) Trade

(B) Finance

(C) Migration

(D) Investment

8 What would be the likely impact of an emerging nation deciding to undertake dumping of goods in Australia?

(A) Falling prices and unemployment in the industry

(B) Structural change and a price ceiling set by the government

(C) The RBA dirtying the float to depreciate the Australian dollar

(D) The Australian government increasing the size of import quotas

9 Which of the following statements are true about Australia's external stability?

(A) Australia's net foreign liabilities have been consistently falling in the last decade

(B) Australia's exchange rate has been stable since the floating of the Australian dollar

(C) Australia's current account is in deficit due largely to the low level of national savings

(D) Australia has improved international competitiveness in manufactured goods this century

10 The following is economic data on a hypothetical economy:

	Year 2	**Year 1**
CPI	114	118

What is the inflation rate in year 2?

(A) 3.4%

(B) 3.5%

(C) -3.4%

(D) -3.5%

11 Which of the following statements are correct?

(A) Trading blocs are used to enhance global trade flows

(B) Monetary unions are increasingly being used globally

(C) APEC is a multi-national trade agreement enhancing trade

(D) The WTO assists in the development of global trade agreements

12 What types of inflation would most likely occur with a depreciation of the Australian dollar?

(A) Cost-push and imported

(B) Imported and expectations

(C) Expectations and cost-push

(D) Demand-pull and expectations

13 Which of the following statements is correct?

(A) Income inequality between nations globally has fallen in recent decades

(B) Globalisation has led to higher levels of economic integration and GWP

(C) Developed nations have had the highest levels of growth globally in recent decades

(D) The HDI measures a nation's economic growth, mortality rates and education levels

14 The government of a hypothetical economy intends to increase the level of GDP from $25b to $30b. The consumption function for the economy has been determined as C = 1000 + 0.75Y.

Using the simple multiplier, how much additional spending would be needed for the government to achieve their goal?

(A) $0.5b

(B) $1.25b

(C) $3.75b

(D) $5.0b

15 Using the following hypothetical forecast data for Australia, what should the RBA undertake in quarter 3 of 2018 to meet its economic objectives?

	Q3 2018	**Q4 2018**	**Q1 2019**	**Q2 2019**	**Q3 2019**	**Q4 2019**
Underlying Inflation	2.1%	2.3%	2.2%	1.8%	1.6%	1.6%

(A) Sell government securities, increasing supply of cash and lowering the cash rate

(B) Sell government securities, decreasing supply of cash and increasing the cash rate

(C) Purchase government securities, increasing supply of cash and lowering the cash rate

(D) Purchase government securities, decreasing supply of cash and lowering the cash rate

16 A hypothetical economy has an unemployment rate just below NAIRU and the government is looking to boost economic growth.

Which of the following combinations of policies would best meet the needs of this economy?

(A) Increase government expenditure and lower the cash rate

(B) Lower taxation for low income earners and increase spending on health

(C) Lower the cash rate and increase government expenditure on infrastructure

(D) Increase government spending on education and reducing government regulations

17 Which of the following is true about Australia's trade?

(A) The majority of Australia's imports come from Japan

(B) The majority of Australia's imports are made up of services

(C) Australia's main trading partners are China, New Zealand and the USA

(D) Agriculture and manufacturing are falling as a percentage of Australia's exports

18 The following is hypothetical data on the exchange rate for Australia over two years.

	Value of US$1 against AUD	**TWI for AUD**
Year 1	2.50	110
Year 2	3.00	105

Which of the following is true?

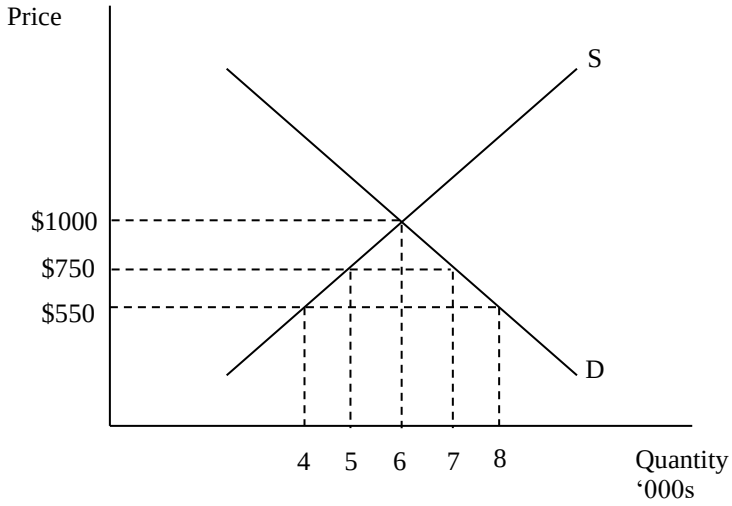
(A) The AUD is appreciating against the USD, and AUD$1 is now worth US$3.00

(B) The AUD is depreciating against the USD, and AUD$1 is now worth US$3.00

(C) The AUD is appreciating against all currencies, and AUD$1 is now worth US$0.33

(D) The AUD is depreciating against all currencies, and AUD$1 is now worth US$0.33

Use the diagram below to answer questions 19 and 20.



19 The government currently implements a quota on the above market, creating a world price of $750.

What size subsidy should the government utilise to create the same volume of imports?

(A) $250

(B) $450

(C) $550

(D) $2,000

20 In addition to the quota creating a world price of $750, the government decides to add a tariff of $250.

What effect would this have on the market?

(A) Local employment opportunities would fall

(B) Government revenue would increase $500,000

(C) Local producers would gain $250,000 in revenue

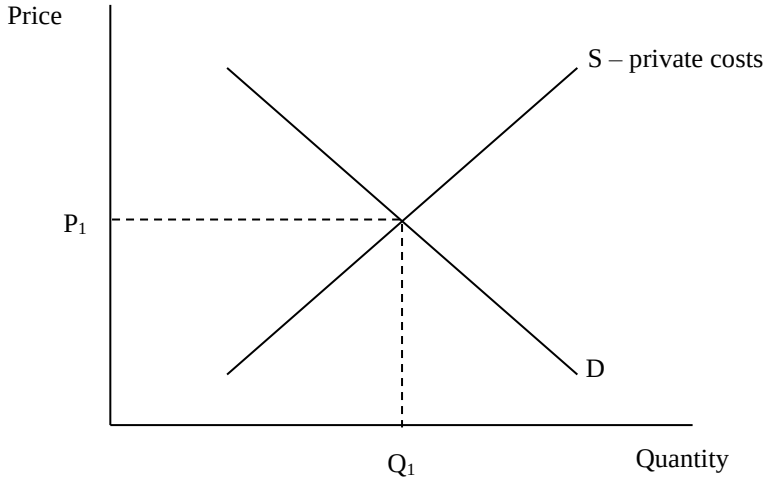
(D) Foreign producers would decrease imports by 1,000 units

END OF SECTION I

Section II

40 marks
Attempt Questions 21–24
Allow about 60 minutes for this section
Answer the questions in the spaces provided.

Question 21 (10 marks) **Marks**



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

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(b) Illustrate on the diagram above how negative externalities would be reflected in the market, properly labelling the new curve, price and quantity. **1**

(c) Distinguish between private goods and public goods. **3**

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Question 21 continues on the following page

(d) Assess the impact of an environmental policy to address a current environmental issue. **5**

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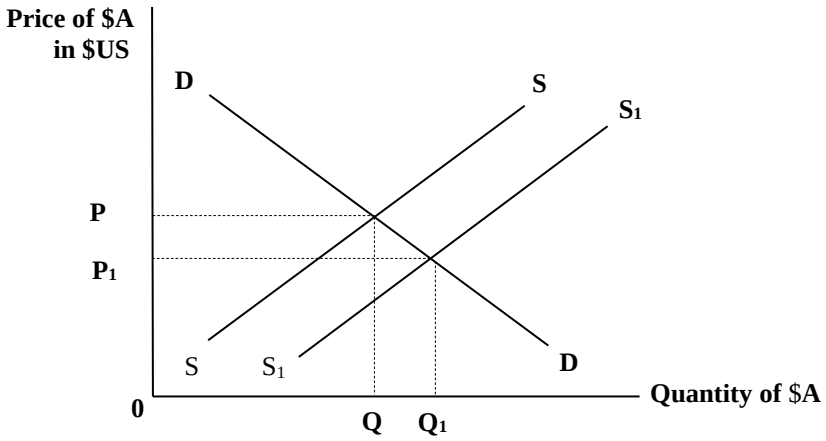
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Question 22 (10 marks) **Marks**

The following is a diagram of the AUD.



(a) Identify one factor that may have caused the movement in the diagram above. **1**

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(b) Explain how the Reserve Bank of Australia could intervene in the foreign exchange market to reduce the impact of the movement above. **2**

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(c) How would a higher Australian terms of trade impact the dollar? **2**

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Question 22 continues on the following page

(d) Analyse the impact of a depreciation of the Australian dollar on the balance of payments. **5**

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Question 23 (10 marks) **Marks**

(a) Outline the purpose of industrial awards. **2**

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(b) Discuss the impact of common law employment contracts on the Australian labour market. **4**

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Question 23 continues on the following page

(c) Explain ONE program the Australian government has utilised to improve the productivity of labour. **4**

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Question 24 (10 marks) **Marks**

(a) Outline the role of the following international organisations:

i. World Bank **1**

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ii. World Trade Organisation **1**

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(b) Describe the effect of ONE bilateral trade agreement on Australia. **2**

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Question 24 continues on the following page

(c) Discuss the impacts of free trade on the global economy. **6**

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END OF SECTION II

Section III

20 marks
Attempt Question 25 or 26
Allow about 50 minutes for this section

Answer the question in a 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)

Analyse the effects of protectionist policies on the domestic and global economy. In your response you should refer to the economic information provided.

Agriculture ministers from the G20 countries criticised protectionism in a joint statement on Saturday…..they said they were "concerned about the increasing use of protectionist non-tariff trade measures, inconsistently with WTO rules." The ministers from countries including the United States and China, in Buenos Aires for the G20 meeting of agriculture ministers, said in the statement they had affirmed their commitment not to adopt "unnecessary obstacles" to trade, and affirmed their rights and obligations under WTO agreements. The meeting came amid rising trade tensions that have rocked agricultural markets. China and other top U.S. trade partners have placed retaliatory tariffs on American farmers after the Trump administration put duties on Chinese goods as well as steel and aluminium from the European Union, Canada and Mexico. U.S. growers are expected to take an estimated $11 billion hit due to China's retaliatory tariffs. Last week, the Trump administration said it would pay up to $12 billion to help farmers weather the trade war.

www.independent.ie 2/08/18

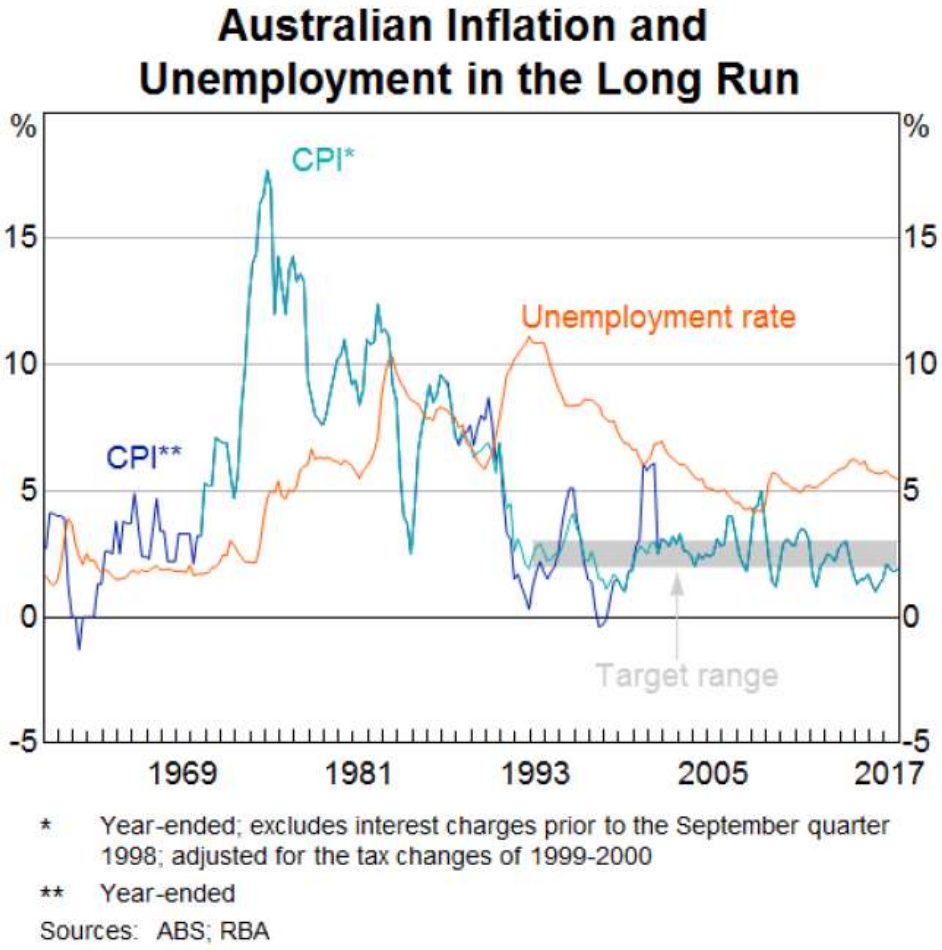
It is clear that trade protectionism is alive and well in the G20, whose countries account for 78% of global trade. But this protectionism isn't in the form of tariffs, which are duties placed on imports, making imported goods and services more expensive than they would be otherwise. Instead, trade protectionism is being pursued through "non-tariff barriers" such as import quotas, restrictive product standards, and subsidies for domestic goods and services. This shows that while countries are reducing the obvious barriers to trade, like tariffs, they are still pursuing stealth forms of trade protectionism through non-tariff barriers.

www.theconversation.com July 12, 2017

OR

Question 26 (20 marks)

Analyse the federal government's macroeconomic policy mix to address inflation and unemployment in the Australian economy. In your response you should refer to the economic information provided.



Budget Aggregates

	Actual	Estimates	Projections	Projections
	2017-18	2018-19	2019-20	2020-21
Underlying cash balance ($b)	−18.2	−14.5	2.2	11.0
Per cent of GDP	−1.0	−0.8	0.1	0.5

Source: Commonwealth of Australia, *Budget Strategy and Outlook*, Budget Paper No. 1 2018-19.

At its meeting today, the Board decided to leave the cash rate unchanged at 1.50 per cent. The recent data on the Australian economy have been consistent with the Bank's central forecast for GDP growth to pick up, to average a bit above 3 per cent in 2018 and 2019. Business conditions are positive and non-mining business investment is increasing. Higher levels of public infrastructure investment are also supporting the economy. Stronger growth in exports is expected. One continuing source of uncertainty is the outlook for household consumption. Household income has been growing slowly and debt levels are high.
Source: Statement by Phillip Lowe, Governor, Reserve Bank of Australia,
Monetary Policy Decision
5 June 2018

END OF SECTION III

Section IV

20 marks
Attempt Question 27 or Question 28
Allow about 50 minutes for this section

Answer the question in a 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)

Discuss the impact of changes in the global economy on Australia's balance of payments.

OR

Question 28 (20 marks)

Discuss the effects of microeconomic reform on product and factor markets in the Australian economy.

END OF PAPER

HSC Task 4 Marking Criteria

Section I – Multiple Choice

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

Section II – Short Answers

Question 21 (10 marks)

a)

Marking Criteria	Marks
Correctly defines ecologically sustainable development	1

Answers could include:

Using current resources whilst ensuring quality of life is preserved for future generations.

N.B.

b)

Marking Criteria	Marks
Correctly illustrates on the diagram how negative externalities would be reflected in the market as a shift of supply to the left, properly labelling the new social cost curve, price and quantity	1

N.B.

c)

Marking Criteria	Marks
Clearly and comprehensively notes the differences between private goods and public goods	3
Clearly notes the differences between private goods and public goods in some detail / provides the main features of both private and public goods	2
Sketches in general terms private and/or public goods	1

Answers could include:

Excludability and rival/non-rival

N.B.

d)

Marking Criteria	Marks
Makes a clear judgement with supporting evidence on the impact of an environmental policy to address a current environmental issue	5
Attempts to make a judgement on the impact of an environmental policy to address a current environmental issue	3-4
Sketches in general terms an environmental policy to address a current environmental issue	1-2

Answers could include:

Climate change, natural environments, renewable and non-renewable resources, pollution

Carbon tax, ETS, subsidies, targets, international agreements

N.B.

Question 22 (10 marks)

a)

Marking Criteria	Marks
Clearly states one factor that may have caused an increase in supply	1

Answers could include:

More imports, FDI outflows, interest payments overseas

N.B.

- **Specify direction**
- **Avoid the terms possibly or may have**

b)

Marking Criteria	Marks
Clearly shows how the Reserve Bank of Australia could intervene in the foreign exchange market to reduce the depreciation of the dollar	2
Sketches in general terms how the Reserve Bank of Australia could intervene in the foreign exchange market to reduce the depreciation of the dollar	1

Answers could include:

Sell foreign reserves to purchase AUD and increase demand for AUD OR increase the cash rate

N.B.

- **Think demand = buying and supply = selling**
- **There's no need to justify or show the cause of the depreciation**
- **Selling reserves doesn't decrease supply of AUD in the forex market**

c)

Marking Criteria	Marks
Clearly shows how a higher Australian terms of trade would impact the dollar	3
Shows how a higher Australian terms of trade would impact the dollar	2
Sketches in general terms the link between the Australian terms of trade and the dollar	1

Answers could include:

ST – appreciate due to greater revenue per export causing greater demand for AUD or lower price of imports meaning need to sell less AUD

LT – cheaper imports/more expensive exports could change consumer behaviour and depreciate AUD

N.B.

- **Best to focus on ST and LT effects**
- **The question was a higher terms of trade NOT a high terms of trade so note the difference**
- **It's best to state exports are relatively more expensive than imports rather than more expensive as you don't know what the actual TOT are**
- **Price and volume are very different concepts for TOT**
- **Be careful not to say the AUD changing will cause the dollar to change – focus on the AUD**

d)

Marking Criteria	Marks
Clearly shows the implications of a depreciation of the Australian dollar on the balance of payments	5
Shows the effects of a depreciation of the Australian dollar on the balance of payments	3-4

Sketches in general terms some effect of a depreciation of the Australian dollar on the balance of payments	1-2

Answers could include:
ST – no change to export revenue but more expensive imports → BOGS deficit
LT – more internationally competitive → more exports & less imports → BOGS improvement
FDI & NPY impacts
Debits and credits

N.B.

- **Foreign debt needs to be referred to as valued in foreign currency for the valuation effect to occur**
- **ST vs LT are really important**
- **FDI inflows were overlooked and a good way to add depth as you can then refer to NPY impact**
- **To analyse you need to show how A→B→C**
- **Lots did too much and lacked depth**
- **You're better off stating an improvement rather than a surplus**
- **In the short term – the value of exports in AUD won't change as they are usually sold in AUD**

Question 23 (10 marks)

a)

Marking Criteria	**Marks**
Sketches in general terms the purpose of industrial awards	2
Refers to some aspect regarding the purpose of industrial awards	1

Answers could include:
Safety net, 10 national employment standards, rights and protection at work, specify the needs for an industry

N.B.

- **Some confused minimum wage and standard of living with the award**

b)

Marking Criteria	**Marks**
Provides clear points for and against the impact of common law employment contracts on the Australian labour market	4
Clearly shows the impact of common law employment contracts on the Australian labour market	3
Sketches in general terms the impact of common law employment contracts on the Australian labour market	2
Refers to some aspect of common law employment contracts	1

Answers could include:
Improve productivity, incentivise workers, create potential conflict

N.B.

- **Needs to be specific**
- **Not all common law contracts are for highly skilled – small business use it too**
- **Link it back to the impact on the actual labour market**
- **Make sure you link the points rather than just list four different ideas as it reads like an outline**
- **Don't forget that the BOOT exists so they can't be worse off than awards**

c)

Marking Criteria	**Marks**
Clearly and comprehensively shows how ONE program the Australian government has utilised that improved the productivity of labour	4
Clearly shows how ONE program the Australian government has utilised that improved the productivity of labour	3

Sketches in general terms how ONE program the Australian government has utilised that has improved the productivity of labour	2
Sketches in general terms how ONE program related to labour	1

Answers could include:

Workplace regulations, education and training, subsidizing small businesses for training LT unemployed, PaTH

N.B.

- **Lots strayed from productivity to inequality etc.**
- **Specifics are needed on the program itself to show you know what it is**
- **Stick to relevant aspects of the program for the question**

Question 24 (10 marks)

a)

Marking Criteria	**Marks**
Sketches in general terms the role of the international organisations	1 each

Answers could include:

World Bank – assists developing nations with development through loans and advice
World Trade Organisation – promotes free trade and resolves trade disputes

b)

Marking Criteria	**Marks**
Provides the main features showing the effect of ONE bilateral trade agreement on Australia	2
Sketches in general terms ONE bilateral trade agreement for Australia with limited reference to the effects	1

Answers could include:

ANZCERTA, SAFTA, AUSFTA, TAFTA, ACLFTA, MAFTA, KAFTA, JAEPA, ChAFTA

N.B.

- **China was developed AFTER the mining boom**
- **Needs to be specific to show you know about that nation's FTA e.g. cars, education**

c)

Marking Criteria	**Marks**
Provides comprehensive points for and against the impacts of free trade on the global economy	5-6
Clearly shows the impacts of free trade on the global economy	3-4
Sketches in general terms the impacts of free trade on the global economy	1-2

Answers could include:

Allocative efficiency, comparative advantage, specialization, economies of scale, higher living standards, difficult for new entrants in infant industries, environmental issues, short-term unemployment, global inequality, GDP growth, lower prices, dumping

N.B.

- **Don't focus on protection as this isn't the question**
- **Most discussed the positives and negatives which ws good**
- **Be specific on why comparative advantage is good**
- **Don't list points - expand**

GENERAL FEEDBACK:

- **No intros**
- **No conclusions**
- **No need for definitions unless requested**
- **RBA not rba**
- **Don't line leave gaps in the SA**
- **Embed the metalanguage throughout**

Section III – Stimulus Response

Question 25 (20 marks)

Analyse the effects of protectionist policies on the domestic and global economy. In your response you should refer to the economic information provided.

Criteria	Marks
• Extensive integration of relevant economic terms, concepts, relationships and theories • Synthesises own knowledge and understanding with the information provided to develop a sustained, logical and cohesive response • Clearly and comprehensively shows the implications of protectionist policies on both the domestic and global economy	17–20
• Integrates relevant economic terms, concepts, relationships and theories • Synthesises own knowledge and understanding with the information provided to develop a logical and cohesive response • Clearly shows the effects of protectionist policies on both the domestic and global economy	13–16
• Applies economic terms and concepts and shows some relationships • Uses own knowledge and understanding with the information provided to develop a coherent response • Sketches in general terms the effects of protectionist policies on the domestic and/or global economy	9–12
• Uses some economic terms and concepts • Uses information to develop a generalised response • Sketches in general terms aspects of protectionist policies	5–8
• Uses some economic terms and/or concepts • Presents a limited response • Lists some features of protectionist policies	1–4

Answers could include:

- Inflation
- Unemployment
- ST vs LT
- Structural change
- Tax revenue
- Subsidy
- Tariff
- Quota
- Local content rules
- Efficiency
- Manufacturing impact

Comments

Feedback:

- Intros need to be specific, not vague – refer to the effects and both domestic and global
- Look at the flow on effects to analyse
- Diagrams worked well for this question. The best ones were clearly labeled and expanded on in the body
- Refer specifically to the stimulus to show it's being used
- Balance was needed between domestic and global markets
- The stimulus needed to be used more thoroughly throughout e.g. steel and aluminium, retaliation, non-tariffs. You shouldn't copy long passages from the stimulus though as the reader knows what this is
- The best responses have flow between sections and don't read like the start for each paragraph
- Several students used 3 policies and often struggled for depth. Two would be enough with tariffs and subsidies a great option for this given the stimulus
- Expanding on how and why is essential for economics to show the application of theory
- Paragraphing needs work for a number of students
- Avoid intros in the start of body paragraphs – get to the question itself
- Make sure you spell concepts correctly e.g. tariffs, not tarrifs
- Punctuation is important – Australia not australia, use of apostrophes correctly

Question 26 (20 marks)

Analyse the federal government's macroeconomic policy mix to address inflation and unemployment in the Australian economy. In your response you should refer to the economic information provided.

Criteria	Marks
• Extensive integration of relevant economic terms, concepts, relationships and theories • Synthesises own knowledge and understanding with the information provided to develop a sustained, logical and cohesive response • Clearly and comprehensively shows the implications of the federal government's macroeconomic policy mix to address inflation and unemployment in the Australian economy	17–20
• Integrates relevant economic terms, concepts, relationships and theories • Synthesises own knowledge and understanding with the information provided to develop a logical and cohesive response • Clearly shows the effects of the federal government's macroeconomic policy mix to address inflation and unemployment in the Australian economy	13–16
• Applies economic terms and concepts and shows some relationships • Uses own knowledge and understanding with information provided to develop a coherent response • Sketches in general terms the effects of the federal government's macroeconomic policy mix to address inflation and/or unemployment in the Australian economy	9–12
• Uses some economic terms and concepts • Uses information to develop a generalised response • Sketches in general terms aspects of macroeconomics, inflation and/or unemployment	5–8
• Uses some economic terms and/or concepts • Presents a limited response • Lists some features of macroeconomics, inflation and/or unemployment	1–4

Answers could include:

- Fiscal policy
- Monetary policy
- Price stability
- NAIRU
- Phillips curve
- Blunt instrument
- Time lag
- Wage growth
- Full employment
- Counter-cyclical policies
- Structural component
- Multiplier effect

Feedback:

- It was best to isolate the policies for each of the objectives to focus more in depth on one and touch on the other for each. Fiscal policy has some impacts on inflation but that's more monetary policy but each of them have effects on both
- Spread out your diagrams – no text wrapping and clearly label. All diagrams should be clearly explained in the text
- Diagrams shouldn't be used back to back – use them in different parts of the question and two is plenty!!
- NAIRU is an important concept that the best responses often used – any question on inflation and unemployment should address this
- Be careful in written expression e.g. it's not aggregate demand for goods
- The best responses used data from the stimulus graphs to support their points
- Use figures from the relevant time periods rather than jump between periods of time when using evidence
- People that planned their responses were clearly evident as they flowed well. Some responses jumped around between issues and policies a lot which lacks cohesion
- Lots of students were making judgements rather than showing the implications. Take note of the directive term.
- When making comments on policies, don't get political in your tone

- Lots of students focused a lot on microeconomic policies in improving efficiency. You need to be careful with this as MER is not macro in nature – demand side policies. If it affects AS then it is largely micro in nature
- Some students focused on the issues more than the policies – structure around the question with clear planning
- AS/AD diagrams need to have axes and curves labeled properly to show it is macro and not micro i.e. real GDP not Q, AS not S etc.
- Numerous students didn't focus on monetary policy which is the main body in charge of inflation targeting
- The best responses flowed well between sections with each part continuing on from the last
- Make sure that policies are specifically for inflation and unemployment rather than having flow on effects that are somewhere relevant
- Refer specifically to the stimulus to show it's being used
- The impacts on unemployment were best referring to derived demand
- Avoid overgeneralising the cause and effect by extrapolating using data that might not be relevant
- Limitations of policies were barely used across the cohort. This is a greta way to add sophistication to the response
- The best responses used evidence of changes in the cash rate and the impacts of this
- Spelling and punctuation is important e.g. Reserve Bank not reserve bank, deficit not defecit, fiscal policy not the fiscal policy
- You need to show A→B→C
- Conclusions need style

Section IV – Extended Response

Question 27 (20 marks)

Analyse the impact of changes in the global economy on Australia's balance of payments.

Criteria	Marks
• Integrates relevant economic terms, concepts, relationships and theories • Provides a sustained, logical and cohesive response • Clearly and comprehensively shows the implications with supporting evidence of changes in the global economy on Australia's balance of payments	17–20
• Applies relevant economic terms, concepts, relationships and theories • Provides a logical and cohesive response • Clearly shows the effects of changes in the global economy on Australia's balance of payments	13–16
• Uses economic terms and concepts and shows some relationships • Develops a coherent response • Sketches in general terms the effects of changes in the global economy on Australia's balance of payments	9–12
• Uses some economic terms and concepts • Develops a generalised response • Sketches in general terms changes in the global economy and/or Australia's balance of payments	5–8
• Uses some economic terms and/or concepts • Presents a limited response • Lists features of changes in the global economy and/or Australia's balance of payments	1–4

Answers could include:

- Emerging economies
- Global growth
- Free trade
- Protectionism
- Globalisation
- Financial flows
- NPY
- BOGS
- Migration
- Aid
- FDI
- Foreign debt

Feedback:

- Because of the structure of the question, it is better to structure responses around changes in the global economy rather than structuring around the impacts.
- Focus on changes in the global economy rather than underlying structural factors in Australia's BoP.
- Support points with relevant evidence.
- Have depth: give step-by-step analysis of how changes in the global economy impact BoP. And then expand on how other aspects of BoP can be affected.
- 'Fluctuation of exchange rates' isn't a change in the global economy; it's a symptom of changing global demand. Therefore, the best responses didn't list that as one of their points in their introduction; it's one of the steps in the analysis rather than a starting point.
- Make sure abbreviations are introduced in brackets before you start using them.
- It's generally easier to talk about the impacts of foreign investment on KFA before NPY, because the impacts happen in that order. I.e. investments happen first (KFA), and returns are subsequent (NPY)
- Valuation effect is a hard one to prove because of lack of evidence. There are other factors that cancel it out in reality.

Question 28 (20 marks)

Discuss the effects of microeconomic reform on product and factor markets in the Australian economy.

Criteria	Marks
• Integrates relevant economic terms, concepts, relationships and theories • Provides a sustained, logical and cohesive response • Clearly and comprehensively provides points for and against the effects of microeconomic reform on product and factor markets in the Australian economy	17–20
• Applies relevant economic terms, concepts, relationships and theories • Provides a logical and cohesive response • Clearly shows the effects of microeconomic reform on product and factor markets in the Australian economy	13–16
• Uses economic terms and concepts and shows some relationships • Develops a coherent response • Sketches in general terms the effects of microeconomic reform on product and factor markets in the Australian economy OR Clearly shows the effects of microeconomic reform on product OR factor markets in the Australian economy	9–12
• Uses some economic terms and concepts • Develops a generalised response • Sketches in general terms microeconomic reforms and/or product and factor markets	5–8
• Uses some economic terms and/or concepts • Presents a limited response • Lists features of microeconomic reforms and/or product and factor markets	1–4

Answers could include:

- Competition policy
- Taxation reform
- Financial deregulation
- Technical efficiency
- Allocative efficiency
- Dynamic efficiency
- International competitiveness
- Standards of living
- Economic growth
- Structural unemployment
- ST vs LT

Feedback:

- Many students demonstrated good understanding of microeconomic reform and their impacts on productivity and various aspects of the economy. However, if they didn't refer explicitly to 'product markets' or 'factor markets', they may not have answered the question.
- The best responses included key concepts that are related to microeconomic reforms – e.g. structural change, mobility, aggregate supply, the different types of efficiencies, competitiveness. These are pretty much essential in any microeconomic reform extended response because they are the objectives.
- Stats for microeconomic policies are tricky because they're often supporting long term and theoretical effects. E.g. Mining Boom I and Howard Government initiatives can be considered little bit old. Try to stay in the current business cycle.

Student Number

NORTHERN BEACHES SECONDARY COLLEGE

MANLY CAMPUS

HIGHER SCHOOL CERTIFICATE

TRIAL EXAMINATION

2018

ECONOMICS

General Instructions

- Reading time – 5 minutes
- Working time – 3 hours
- Write using black pen
- Write your Student Number at the top of each section
- A board approved calculator may be used
- Answer Section I on the multiple choice answer sheet
- Answer Section II in the space provide
- Answer Section III in the separate booklets provided
- Answer Section IV in the separate booklets provided

Total Marks 100 marks

Section I
(20 marks)
Attempt Questions 1 – 20
Allow about 20 minutes for this section

Section II
(40 marks)
Attempt Questions 21 – 24
Allow about 60 minutes for this section

Section III
(20 marks)
Attempt Question 25 or Question 26
Allow about 50 minutes for this section

Section IV
(20 marks)
Attempt Question 27 or Question 28
Allow about 50 minutes for this section

Section I

20 marks
Attempt Questions 1–20
Allow about 20 minutes for this section
Use the multiple-choice answer sheet for Questions 1–20.

1 Which of the following statements about unemployment is correct?

(A) Australians aged 15-24 consistently have the highest unemployment rate

(B) Full employment is when there is no structural unemployment in the economy

(C) Indigenous Australians have a lower rate of unemployment than non-indigenous

(D) A rise in the participation rate will lower the unemployment rate in the short term

2 A hypothetical economy has the following economic data:

	Nominal GDP $m	**CPI**
Year 1	42.5	100
Year 2	48.6	105

What is the level of real growth in Year 2?

(A) 6.1%

(B) 8.9%

(C) 12.6%

(D) 14.4%

3 Which of the following statements about the global economy is NOT true?

(A) TNCs create employment opportunities for developing nations

(B) Emerging economies are growing at a slower rate than developed nations

(C) There are higher levels of economic integration through trade and financial flows

(D) GWP is the total value of all goods and services produced globally within a period of time

4 A hypothetical economy is investing in education and training of its population whilst subsidising local producers in infant industries to boost production capacity.

Which of the following types of efficiency are they looking to enhance?

(A) Dynamic and technical

(B) Structural and technical

(C) Allocative and dynamic

(D) Technical and allocative

5 How would the transfer of an immigrant entering Australia's funds and the provision of unconditional aid to another nation be entered in Australia's balance of payments?

	Immigrant Transfer	**Unconditional Aid**
(A)	Debit in Capital & Financial	Credit in Net Secondary Income
(B)	Debit in Net Secondary Income	Debit in Capital & Financial
(C)	Credit in Capital & Financial	Debit in Net Secondary Income
(D)	Credit in Net Secondary Income	Debit in Capital & Financial

6 The following table shows the income Gini co-efficient for two nations.

	Country X		**Country Y**	
	Before tax	**After tax**	**Before tax**	**After tax**
Year 1	0.452	0.398	0.421	0.324
Year 2	0.465	0.385	0.418	0.326

Which of the following statements are true for the information above?

(A) Country X has higher levels of income equality than Country Y

(B) Country Y has had worsening distribution of income before tax

(C) Taxation policy changes are improving the distribution of income in Country Y

(D) The Lorenz curve after tax is shifting closer to the line of perfect equality for Country X

7 Which of the following areas of globalization has seen the greatest growth within the world economy?

(A) Trade

(B) Finance

(C) Migration

(D) Investment

8 What would be the likely impact of an emerging nation deciding to undertake dumping of goods in Australia?

(A) Falling prices and unemployment in the industry

(B) Structural change and a price ceiling set by the government

(C) The RBA dirtying the float to depreciate the Australian dollar

(D) The Australian government increasing the size of import quotas

9 Which of the following statements are true about Australia's external stability?

(A) Australia's net foreign liabilities have been consistently falling in the last decade

(B) Australia's exchange rate has been stable since the floating of the Australian dollar

(C) Australia's current account is in deficit due largely to the low level of national savings

(D) Australia has improved international competitiveness in manufactured goods this century

10 The following is economic data on a hypothetical economy:

	Year 2	**Year 1**
CPI	114	118

What is the inflation rate in year 2?

(A) 3.4%

(B) 3.5%

(C) -3.4%

(D) -3.5%

11 Which of the following statements are correct?

(A) Trading blocs are used to enhance global trade flows

(B) Monetary unions are increasingly being used globally

(C) APEC is a multi-national trade agreement enhancing trade

(D) The WTO assists in the development of global trade agreements

12 What types of inflation would most likely occur with a depreciation of the Australian dollar?

(A) Cost-push and imported

(B) Imported and expectations

(C) Expectations and cost-push

(D) Demand-pull and expectations

13 Which of the following statements is correct?

(A) Income inequality between nations globally has fallen in recent decades

(B) Globalisation has led to higher levels of economic integration and GWP

(C) Developed nations have had the highest levels of growth globally in recent decades

(D) The HDI measures a nation's economic growth, mortality rates and education levels

14 The government of a hypothetical economy intends to increase the level of GDP from $25b to $30b. The consumption function for the economy has been determined as C = 1000 + 0.75Y.

Using the simple multiplier, how much additional spending would be needed for the government to achieve their goal?

(A) $0.5b

(B) $1.25b

(C) $3.75b

(D) $5.0b

15 Using the following hypothetical forecast data for Australia, what should the RBA undertake in quarter 3 of 2018 to meet its economic objectives?

	Q3 2018	**Q4 2018**	**Q1 2019**	**Q2 2019**	**Q3 2019**	**Q4 2019**
Underlying Inflation	2.1%	2.3%	2.2%	1.8%	1.6%	1.6%

(A) Sell government securities, increasing supply of cash and lowering the cash rate

(B) Sell government securities, decreasing supply of cash and increasing the cash rate

(C) Purchase government securities, increasing supply of cash and lowering the cash rate

(D) Purchase government securities, decreasing supply of cash and lowering the cash rate

16 A hypothetical economy has an unemployment rate just below NAIRU and the government is looking to boost economic growth.

Which of the following combinations of policies would best meet the needs of this economy?

(A) Increase government expenditure and lower the cash rate

(B) Lower taxation for low income earners and increase spending on health

(C) Lower the cash rate and increase government expenditure on infrastructure

(D) Increase government spending on education and reducing government regulations

17 Which of the following is true about Australia's trade?

(A) The majority of Australia's imports come from Japan

(B) The majority of Australia's imports are made up of services

(C) Australia's main trading partners are China, New Zealand and the USA

(D) Agriculture and manufacturing are falling as a percentage of Australia's exports

18 The following is hypothetical data on the exchange rate for Australia over two years.

	Value of US$1 against AUD	**TWI for AUD**
Year 1	2.50	110
Year 2	3.00	105

Which of the following is true?

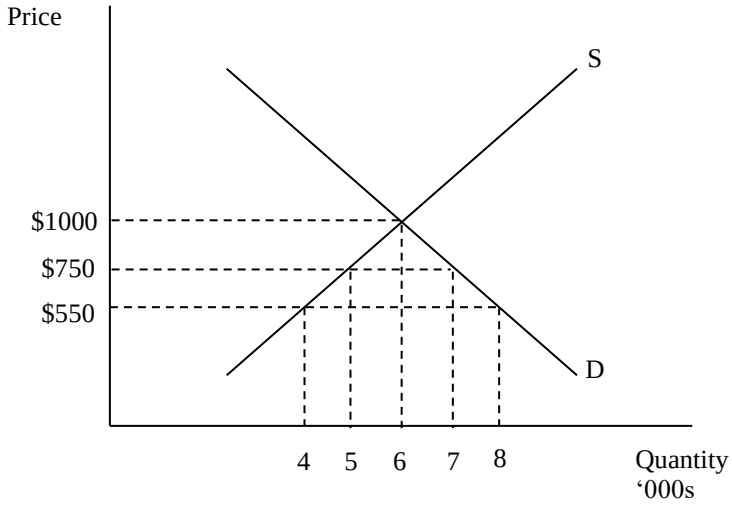
(A) The AUD is appreciating against the USD, and AUD$1 is now worth US$3.00

(B) The AUD is depreciating against the USD, and AUD$1 is now worth US$3.00

(C) The AUD is appreciating against all currencies, and AUD$1 is now worth US$0.33

(D) The AUD is depreciating against all currencies, and AUD$1 is now worth US$0.33

Use the diagram below to answer questions 19 and 20.



19 The government currently implements a quota on the above market, creating a world price of $750.

What size subsidy should the government utilise to create the same volume of imports?

(A) $250

(B) $450

(C) $550

(D) $2,000

20 In addition to the quota creating a world price of $750, the government decides to add a tariff of $250.

What effect would this have on the market?

(A) Local employment opportunities would fall

(B) Government revenue would increase $500,000

(C) Local producers would gain $250,000 in revenue

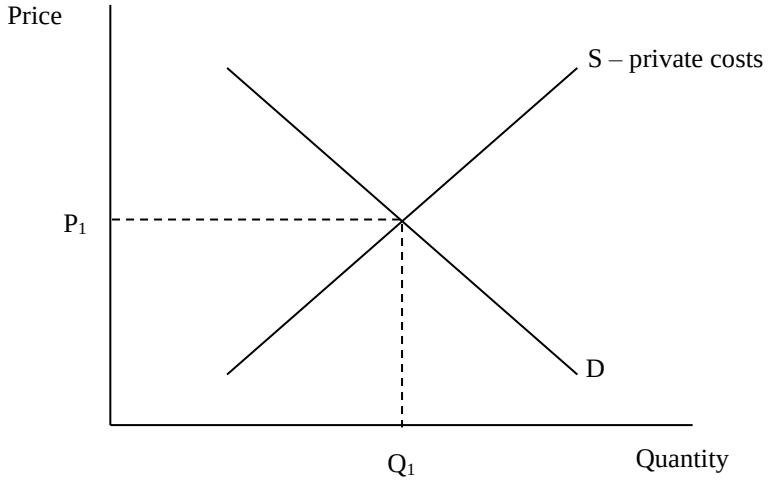
(D) Foreign producers would decrease imports by 1,000 units

END OF SECTION I

Section II

40 marks
Attempt Questions 21–24
Allow about 60 minutes for this section
Answer the questions in the spaces provided.

Question 21 (10 marks) **Marks**



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

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(b) Illustrate on the diagram above how negative externalities would be reflected in the market, properly labelling the new curve, price and quantity. **1**

(c) Distinguish between private goods and public goods. **3**

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Question 21 continues on the following page

(d) Assess the impact of an environmental policy to address a current environmental issue. **5**

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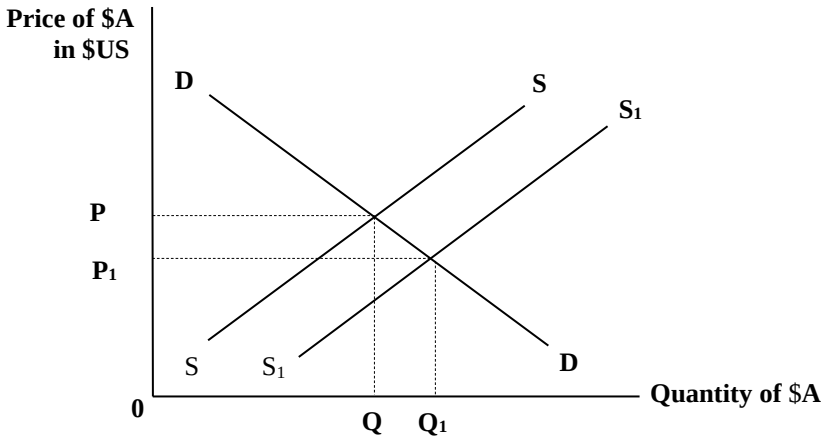
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Question 22 (10 marks) **Marks**

The following is a diagram of the AUD.



(a) Identify one factor that may have caused the movement in the diagram above. **1**

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(b) Explain how the Reserve Bank of Australia could intervene in the foreign exchange market to reduce the impact of the movement above. **2**

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(c) How would a higher Australian terms of trade impact the dollar? **2**

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Question 22 continues on the following page

(d) Analyse the impact of a depreciation of the Australian dollar on the balance of payments. **5**

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Question 23 (10 marks) **Marks**

(a) Outline the purpose of industrial awards. **2**

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(b) Discuss the impact of common law employment contracts on the Australian labour market. **4**

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Question 23 continues on the following page

(c) Explain ONE program the Australian government has utilised to improve the productivity of labour. **4**

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Question 24 (10 marks) **Marks**

(a) Outline the role of the following international organisations:

i. World Bank **1**

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ii. World Trade Organisation **1**

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(b) Describe the effect of ONE bilateral trade agreement on Australia. **2**

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Question 24 continues on the following page

(c) Discuss the impacts of free trade on the global economy. **6**

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END OF SECTION II

Section III

20 marks
Attempt Question 25 or 26
Allow about 50 minutes for this section

Answer the question in a 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)

Analyse the effects of protectionist policies on the domestic and global economy. In your response you should refer to the economic information provided.

Agriculture ministers from the G20 countries criticised protectionism in a joint statement on Saturday…..they said they were "concerned about the increasing use of protectionist non-tariff trade measures, inconsistently with WTO rules." The ministers from countries including the United States and China, in Buenos Aires for the G20 meeting of agriculture ministers, said in the statement they had affirmed their commitment not to adopt "unnecessary obstacles" to trade, and affirmed their rights and obligations under WTO agreements. The meeting came amid rising trade tensions that have rocked agricultural markets. China and other top U.S. trade partners have placed retaliatory tariffs on American farmers after the Trump administration put duties on Chinese goods as well as steel and aluminium from the European Union, Canada and Mexico. U.S. growers are expected to take an estimated $11 billion hit due to China's retaliatory tariffs. Last week, the Trump administration said it would pay up to $12 billion to help farmers weather the trade war.

www.independent.ie 2/08/18

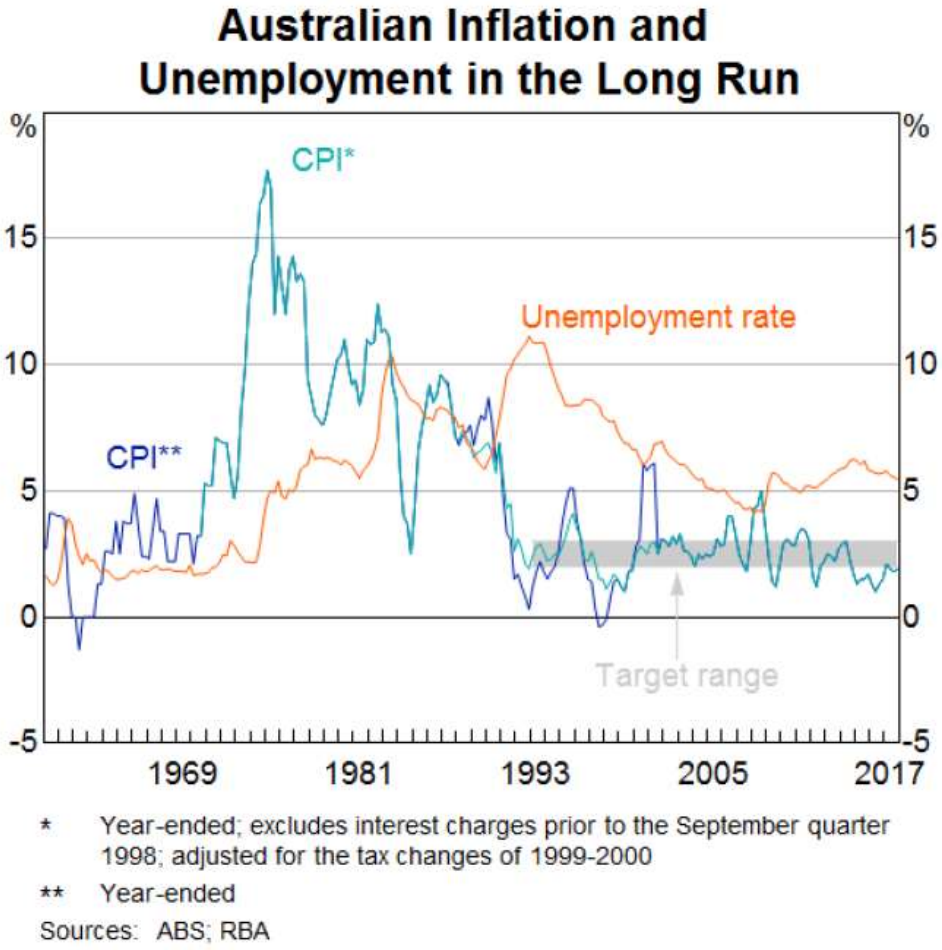
It is clear that trade protectionism is alive and well in the G20, whose countries account for 78% of global trade. But this protectionism isn't in the form of tariffs, which are duties placed on imports, making imported goods and services more expensive than they would be otherwise. Instead, trade protectionism is being pursued through "non-tariff barriers" such as import quotas, restrictive product standards, and subsidies for domestic goods and services. This shows that while countries are reducing the obvious barriers to trade, like tariffs, they are still pursuing stealth forms of trade protectionism through non-tariff barriers.

www.theconversation.com July 12, 2017

OR

Question 26 (20 marks)

Analyse the federal government's macroeconomic policy mix to address inflation and unemployment in the Australian economy. In your response you should refer to the economic information provided.



Budget Aggregates

	Actual	Estimates	Projections	Projections
	2017-18	2018-19	2019-20	2020-21
Underlying cash balance ($b)	−18.2	−14.5	2.2	11.0
Per cent of GDP	−1.0	−0.8	0.1	0.5

Source: Commonwealth of Australia, *Budget Strategy and Outlook*, Budget Paper No. 1 2018-19.

At its meeting today, the Board decided to leave the cash rate unchanged at 1.50 per cent. The recent data on the Australian economy have been consistent with the Bank's central forecast for GDP growth to pick up, to average a bit above 3 per cent in 2018 and 2019. Business conditions are positive and non-mining business investment is increasing. Higher levels of public infrastructure investment are also supporting the economy. Stronger growth in exports is expected. One continuing source of uncertainty is the outlook for household consumption. Household income has been growing slowly and debt levels are high.
Source: Statement by Phillip Lowe, Governor, Reserve Bank of Australia,
Monetary Policy Decision
5 June 2018

END OF SECTION III

Section IV

20 marks
Attempt Question 27 or Question 28
Allow about 50 minutes for this section

Answer the question in a 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)

Discuss the impact of changes in the global economy on Australia's balance of payments.

OR

Question 28 (20 marks)

Discuss the effects of microeconomic reform on product and factor markets in the Australian economy.

END OF PAPER

HSC Task 4 Marking Criteria

Section I – Multiple Choice

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

Section II – Short Answers

Question 21 (10 marks)

a)

Marking Criteria	Marks
Correctly defines ecologically sustainable development	1

Answers could include:

Using current resources whilst ensuring quality of life is preserved for future generations.

N.B.

b)

Marking Criteria	Marks
Correctly illustrates on the diagram how negative externalities would be reflected in the market as a shift of supply to the left, properly labelling the new social cost curve, price and quantity	1

N.B.

c)

Marking Criteria	Marks
Clearly and comprehensively notes the differences between private goods and public goods	3
Clearly notes the differences between private goods and public goods in some detail / provides the main features of both private and public goods	2
Sketches in general terms private and/or public goods	1

Answers could include:

Excludability and rival/non-rival

N.B.

d)

Marking Criteria	Marks
Makes a clear judgement with supporting evidence on the impact of an environmental policy to address a current environmental issue	5
Attempts to make a judgement on the impact of an environmental policy to address a current environmental issue	3-4
Sketches in general terms an environmental policy to address a current environmental issue	1-2

Answers could include:

Climate change, natural environments, renewable and non-renewable resources, pollution

Carbon tax, ETS, subsidies, targets, international agreements

N.B.

Question 22 (10 marks)

a)

Marking Criteria	Marks
Clearly states one factor that may have caused an increase in supply	1

Answers could include:

More imports, FDI outflows, interest payments overseas

N.B.

- **Specify direction**
- **Avoid the terms possibly or may have**

b)

Marking Criteria	Marks
Clearly shows how the Reserve Bank of Australia could intervene in the foreign exchange market to reduce the depreciation of the dollar	2
Sketches in general terms how the Reserve Bank of Australia could intervene in the foreign exchange market to reduce the depreciation of the dollar	1

Answers could include:

Sell foreign reserves to purchase AUD and increase demand for AUD OR increase the cash rate

N.B.

- **Think demand = buying and supply = selling**
- **There's no need to justify or show the cause of the depreciation**
- **Selling reserves doesn't decrease supply of AUD in the forex market**

c)

Marking Criteria	Marks
Clearly shows how a higher Australian terms of trade would impact the dollar	3
Shows how a higher Australian terms of trade would impact the dollar	2
Sketches in general terms the link between the Australian terms of trade and the dollar	1

Answers could include:

ST – appreciate due to greater revenue per export causing greater demand for AUD or lower price of imports meaning need to sell less AUD

LT – cheaper imports/more expensive exports could change consumer behaviour and depreciate AUD

N.B.

- **Best to focus on ST and LT effects**
- **The question was a higher terms of trade NOT a high terms of trade so note the difference**
- **It's best to state exports are relatively more expensive than imports rather than more expensive as you don't know what the actual TOT are**
- **Price and volume are very different concepts for TOT**
- **Be careful not to say the AUD changing will cause the dollar to change – focus on the AUD**

d)

Marking Criteria	Marks
Clearly shows the implications of a depreciation of the Australian dollar on the balance of payments	5
Shows the effects of a depreciation of the Australian dollar on the balance of payments	3-4

Sketches in general terms some effect of a depreciation of the Australian dollar on the balance of payments	1-2

Answers could include:
ST – no change to export revenue but more expensive imports → BOGS deficit
LT – more internationally competitive → more exports & less imports → BOGS improvement
FDI & NPY impacts
Debits and credits

N.B.

- **Foreign debt needs to be referred to as valued in foreign currency for the valuation effect to occur**
- **ST vs LT are really important**
- **FDI inflows were overlooked and a good way to add depth as you can then refer to NPY impact**
- **To analyse you need to show how A→B→C**
- **Lots did too much and lacked depth**
- **You're better off stating an improvement rather than a surplus**
- **In the short term – the value of exports in AUD won't change as they are usually sold in AUD**

Question 23 (10 marks)

a)

Marking Criteria	**Marks**
Sketches in general terms the purpose of industrial awards	2
Refers to some aspect regarding the purpose of industrial awards	1

Answers could include:
Safety net, 10 national employment standards, rights and protection at work, specify the needs for an industry

N.B.

- **Some confused minimum wage and standard of living with the award**

b)

Marking Criteria	**Marks**
Provides clear points for and against the impact of common law employment contracts on the Australian labour market	4
Clearly shows the impact of common law employment contracts on the Australian labour market	3
Sketches in general terms the impact of common law employment contracts on the Australian labour market	2
Refers to some aspect of common law employment contracts	1

Answers could include:
Improve productivity, incentivise workers, create potential conflict

N.B.

- **Needs to be specific**
- **Not all common law contracts are for highly skilled – small business use it too**
- **Link it back to the impact on the actual labour market**
- **Make sure you link the points rather than just list four different ideas as it reads like an outline**
- **Don't forget that the BOOT exists so they can't be worse off than awards**

c)

Marking Criteria	**Marks**
Clearly and comprehensively shows how ONE program the Australian government has utilised that improved the productivity of labour	4
Clearly shows how ONE program the Australian government has utilised that improved the productivity of labour	3

Sketches in general terms how ONE program the Australian government has utilised that has improved the productivity of labour	2
Sketches in general terms how ONE program related to labour	1

Answers could include:

Workplace regulations, education and training, subsidizing small businesses for training LT unemployed, PaTH

N.B.

- **Lots strayed from productivity to inequality etc.**
- **Specifics are needed on the program itself to show you know what it is**
- **Stick to relevant aspects of the program for the question**

Question 24 (10 marks)

a)

Marking Criteria	**Marks**
Sketches in general terms the role of the international organisations	1 each

Answers could include:

World Bank – assists developing nations with development through loans and advice
World Trade Organisation – promotes free trade and resolves trade disputes

b)

Marking Criteria	**Marks**
Provides the main features showing the effect of ONE bilateral trade agreement on Australia	2
Sketches in general terms ONE bilateral trade agreement for Australia with limited reference to the effects	1

Answers could include:

ANZCERTA, SAFTA, AUSFTA, TAFTA, ACLFTA, MAFTA, KAFTA, JAEPA, ChAFTA

N.B.

- **China was developed AFTER the mining boom**
- **Needs to be specific to show you know about that nation's FTA e.g. cars, education**

c)

Marking Criteria	**Marks**
Provides comprehensive points for and against the impacts of free trade on the global economy	5-6
Clearly shows the impacts of free trade on the global economy	3-4
Sketches in general terms the impacts of free trade on the global economy	1-2

Answers could include:

Allocative efficiency, comparative advantage, specialization, economies of scale, higher living standards, difficult for new entrants in infant industries, environmental issues, short-term unemployment, global inequality, GDP growth, lower prices, dumping

N.B.

- **Don't focus on protection as this isn't the question**
- **Most discussed the positives and negatives which ws good**
- **Be specific on why comparative advantage is good**
- **Don't list points - expand**

GENERAL FEEDBACK:

- **No intros**
- **No conclusions**
- **No need for definitions unless requested**
- **RBA not rba**
- **Don't line leave gaps in the SA**
- **Embed the metalanguage throughout**

Section III – Stimulus Response

Question 25 (20 marks)

Analyse the effects of protectionist policies on the domestic and global economy. In your response you should refer to the economic information provided.

Criteria	Marks
• Extensive integration of relevant economic terms, concepts, relationships and theories • Synthesises own knowledge and understanding with the information provided to develop a sustained, logical and cohesive response • Clearly and comprehensively shows the implications of protectionist policies on both the domestic and global economy	17–20
• Integrates relevant economic terms, concepts, relationships and theories • Synthesises own knowledge and understanding with the information provided to develop a logical and cohesive response • Clearly shows the effects of protectionist policies on both the domestic and global economy	13–16
• Applies economic terms and concepts and shows some relationships • Uses own knowledge and understanding with the information provided to develop a coherent response • Sketches in general terms the effects of protectionist policies on the domestic and/or global economy	9–12
• Uses some economic terms and concepts • Uses information to develop a generalised response • Sketches in general terms aspects of protectionist policies	5–8
• Uses some economic terms and/or concepts • Presents a limited response • Lists some features of protectionist policies	1–4

Answers could include:

- Inflation
- Unemployment
- ST vs LT
- Structural change
- Tax revenue
- Subsidy
- Tariff
- Quota
- Local content rules
- Efficiency
- Manufacturing impact

Comments

Feedback:

- Intros need to be specific, not vague – refer to the effects and both domestic and global
- Look at the flow on effects to analyse
- Diagrams worked well for this question. The best ones were clearly labeled and expanded on in the body
- Refer specifically to the stimulus to show it's being used
- Balance was needed between domestic and global markets
- The stimulus needed to be used more thoroughly throughout e.g. steel and aluminium, retaliation, non-tariffs. You shouldn't copy long passages from the stimulus though as the reader knows what this is
- The best responses have flow between sections and don't read like the start for each paragraph
- Several students used 3 policies and often struggled for depth. Two would be enough with tariffs and subsidies a great option for this given the stimulus
- Expanding on how and why is essential for economics to show the application of theory
- Paragraphing needs work for a number of students
- Avoid intros in the start of body paragraphs – get to the question itself
- Make sure you spell concepts correctly e.g. tariffs, not tarrifs
- Punctuation is important – Australia not australia, use of apostrophes correctly

Question 26 (20 marks)

Analyse the federal government's macroeconomic policy mix to address inflation and unemployment in the Australian economy. In your response you should refer to the economic information provided.

Criteria	Marks
• Extensive integration of relevant economic terms, concepts, relationships and theories • Synthesises own knowledge and understanding with the information provided to develop a sustained, logical and cohesive response • Clearly and comprehensively shows the implications of the federal government's macroeconomic policy mix to address inflation and unemployment in the Australian economy	17–20
• Integrates relevant economic terms, concepts, relationships and theories • Synthesises own knowledge and understanding with the information provided to develop a logical and cohesive response • Clearly shows the effects of the federal government's macroeconomic policy mix to address inflation and unemployment in the Australian economy	13–16
• Applies economic terms and concepts and shows some relationships • Uses own knowledge and understanding with information provided to develop a coherent response • Sketches in general terms the effects of the federal government's macroeconomic policy mix to address inflation and/or unemployment in the Australian economy	9–12
• Uses some economic terms and concepts • Uses information to develop a generalised response • Sketches in general terms aspects of macroeconomics, inflation and/or unemployment	5–8
• Uses some economic terms and/or concepts • Presents a limited response • Lists some features of macroeconomics, inflation and/or unemployment	1–4

Answers could include:

- Fiscal policy
- Monetary policy
- Price stability
- NAIRU
- Phillips curve
- Blunt instrument
- Time lag
- Wage growth
- Full employment
- Counter-cyclical policies
- Structural component
- Multiplier effect

Feedback:

- It was best to isolate the policies for each of the objectives to focus more in depth on one and touch on the other for each. Fiscal policy has some impacts on inflation but that's more monetary policy but each of them have effects on both
- Spread out your diagrams – no text wrapping and clearly label. All diagrams should be clearly explained in the text
- Diagrams shouldn't be used back to back – use them in different parts of the question and two is plenty!!
- NAIRU is an important concept that the best responses often used – any question on inflation and unemployment should address this
- Be careful in written expression e.g. it's not aggregate demand for goods
- The best responses used data from the stimulus graphs to support their points
- Use figures from the relevant time periods rather than jump between periods of time when using evidence
- People that planned their responses were clearly evident as they flowed well. Some responses jumped around between issues and policies a lot which lacks cohesion
- Lots of students were making judgements rather than showing the implications. Take note of the directive term.
- When making comments on policies, don't get political in your tone

- Lots of students focused a lot on microeconomic policies in improving efficiency. You need to be careful with this as MER is not macro in nature – demand side policies. If it affects AS then it is largely micro in nature
- Some students focused on the issues more than the policies – structure around the question with clear planning
- AS/AD diagrams need to have axes and curves labeled properly to show it is macro and not micro i.e. real GDP not Q, AS not S etc.
- Numerous students didn't focus on monetary policy which is the main body in charge of inflation targeting
- The best responses flowed well between sections with each part continuing on from the last
- Make sure that policies are specifically for inflation and unemployment rather than having flow on effects that are somewhere relevant
- Refer specifically to the stimulus to show it's being used
- The impacts on unemployment were best referring to derived demand
- Avoid overgeneralising the cause and effect by extrapolating using data that might not be relevant
- Limitations of policies were barely used across the cohort. This is a greta way to add sophistication to the response
- The best responses used evidence of changes in the cash rate and the impacts of this
- Spelling and punctuation is important e.g. Reserve Bank not reserve bank, deficit not defecit, fiscal policy not the fiscal policy
- You need to show A→B→C
- Conclusions need style

Section IV – Extended Response

Question 27 (20 marks)

Analyse the impact of changes in the global economy on Australia's balance of payments.

Criteria	Marks
• Integrates relevant economic terms, concepts, relationships and theories • Provides a sustained, logical and cohesive response • Clearly and comprehensively shows the implications with supporting evidence of changes in the global economy on Australia's balance of payments	17–20
• Applies relevant economic terms, concepts, relationships and theories • Provides a logical and cohesive response • Clearly shows the effects of changes in the global economy on Australia's balance of payments	13–16
• Uses economic terms and concepts and shows some relationships • Develops a coherent response • Sketches in general terms the effects of changes in the global economy on Australia's balance of payments	9–12
• Uses some economic terms and concepts • Develops a generalised response • Sketches in general terms changes in the global economy and/or Australia's balance of payments	5–8
• Uses some economic terms and/or concepts • Presents a limited response • Lists features of changes in the global economy and/or Australia's balance of payments	1–4

Answers could include:

- Emerging economies
- Global growth
- Free trade
- Protectionism
- Globalisation
- Financial flows
- NPY
- BOGS
- Migration
- Aid
- FDI
- Foreign debt

Feedback:

- Because of the structure of the question, it is better to structure responses around changes in the global economy rather than structuring around the impacts.
- Focus on changes in the global economy rather than underlying structural factors in Australia's BoP.
- Support points with relevant evidence.
- Have depth: give step-by-step analysis of how changes in the global economy impact BoP. And then expand on how other aspects of BoP can be affected.
- 'Fluctuation of exchange rates' isn't a change in the global economy; it's a symptom of changing global demand. Therefore, the best responses didn't list that as one of their points in their introduction; it's one of the steps in the analysis rather than a starting point.
- Make sure abbreviations are introduced in brackets before you start using them.
- It's generally easier to talk about the impacts of foreign investment on KFA before NPY, because the impacts happen in that order. I.e. investments happen first (KFA), and returns are subsequent (NPY)
- Valuation effect is a hard one to prove because of lack of evidence. There are other factors that cancel it out in reality.

Question 28 (20 marks)

Discuss the effects of microeconomic reform on product and factor markets in the Australian economy.

Criteria	Marks
• Integrates relevant economic terms, concepts, relationships and theories • Provides a sustained, logical and cohesive response • Clearly and comprehensively provides points for and against the effects of microeconomic reform on product and factor markets in the Australian economy	17–20
• Applies relevant economic terms, concepts, relationships and theories • Provides a logical and cohesive response • Clearly shows the effects of microeconomic reform on product and factor markets in the Australian economy	13–16
• Uses economic terms and concepts and shows some relationships • Develops a coherent response • Sketches in general terms the effects of microeconomic reform on product and factor markets in the Australian economy OR Clearly shows the effects of microeconomic reform on product OR factor markets in the Australian economy	9–12
• Uses some economic terms and concepts • Develops a generalised response • Sketches in general terms microeconomic reforms and/or product and factor markets	5–8
• Uses some economic terms and/or concepts • Presents a limited response • Lists features of microeconomic reforms and/or product and factor markets	1–4

Answers could include:

- Competition policy
- Taxation reform
- Financial deregulation
- Technical efficiency
- Allocative efficiency
- Dynamic efficiency
- International competitiveness
- Standards of living
- Economic growth
- Structural unemployment
- ST vs LT

Feedback:

- Many students demonstrated good understanding of microeconomic reform and their impacts on productivity and various aspects of the economy. However, if they didn't refer explicitly to 'product markets' or 'factor markets', they may not have answered the question.
- The best responses included key concepts that are related to microeconomic reforms – e.g. structural change, mobility, aggregate supply, the different types of efficiencies, competitiveness. These are pretty much essential in any microeconomic reform extended response because they are the objectives.
- Stats for microeconomic policies are tricky because they're often supporting long term and theoretical effects. E.g. Mining Boom I and Howard Government initiatives can be considered little bit old. Try to stay in the current business cycle.