NESA number ……..

RESULTS SUMMARY *(for examiner use only)*	
Section I	/20
Section II	/40
Section III	/20
Section IV	/20
TOTAL (%)	/100

2025

HIGHER
SCHOOL
CERTIFICIATE
TRIAL EXAMINATION

ECONOMICS

General Instructions

- Reading time – 5 minutes
- Working time – 3 hours
- Write using black pen
- NESA approved calculators may be used

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 10–19)

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

Section III – 20 marks (pages 20–21)

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

Section IV – 20 marks (page 22)

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

Section I

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

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

---

1 Which of the following is an example of a monetary union and trade bloc?

A. ChAFTA
B. ASEAN
C. OECD
D. EU

2 Which of the following characteristics *best* describes a mixed market economy?

	Income level	*Infant mortality*	*Life Expectancy*
A.	Low	Low	Low
B.	Middle	High	High
C.	Middle	Low	High
D.	High	Low	High

3 Which of the following is a benefit of globalisation?

A. Loss of domestic industries due to increased competition from imports
B. Increased financial volatility due to rapid movement of capital across borders
C. Loss of local jobs as transnational corporations relocate production overseas
D. Increased access to affordable and innovative products and new markets

4 Which of the following is a benefit of implementing microeconomic policies?

A. Greater levels of efficiency and productivity in industries

B. Short term unemployment due to structural change in the industry

C. Increased pressure on small businesses to compete with deregulated sectors

D. Increased government expenditure on programs to retrain unemployed workers

5 Which of the following is a *disadvantage* of free trade agreements on domestic producers?

A. Export opportunities for agricultural producers in new overseas markets

B. Business closures in some industries due to strong foreign competition

C. Increased access to cheaper imported inputs for manufacturers

D. Achieving economies of scale by accessing larger international markets

6 The table shows Balance of Payments data for a hypothetical economy with a floating exchange rate.

Balance of Payments Item	*$ Billions*
Balance of Goods and Services	24
Net Primary Income	-19
Net Secondary Income	-7
Capital Account	?
Financial Account	-4
Net Errors and Omissions	-3

What is the balance of the capital account?

A. $3 billion surplus

B. $9 billion surplus

C. $3 billion deficit

D. $9 billion deficit

Use the following table to answer Questions 7 and 8.

Components of aggregate demand	*$ million*
Taxation	800
Exports	600
Government Expenditure	?
Imports	500
Savings	400
Investment	350

Additional budget information from the previous year:

- Government expenditure: $800 million
- Taxation: $1000 million

7 What is the value of government expenditure if this economy is experiencing equilibrium?

A. $2150 million
B. $1700 million
C. $750 million
D. $550 million

8 Which of the following best reflects the change in the economy's fiscal policy?

	Budget outcome	*Fiscal Stance*
A.	Surplus	Expansionary
B.	Deficit	Expansionary
C.	Surplus	Contractionary
D.	Deficit	Contractionary

9 Which of the following will most likely occur if the government provides a subsidy?

	Production output	*Price level*
A.	Increases	Decreases
B.	Decreases	Increases
C.	Increases	Increases
D.	Decreases	Decreases

Use the employment data to answer Questions 10 and 11.

Year	*Working age population (millions)*	*Employed (millions)*	*Unemployed (millions)*
1	56	27	3
2	58	28	4

10 What is the total labour force for Year 2?

A. 29 million
B. 30 million
C. 32 million
D. 58 million

11 What was the change in the participation rate from Year 1 to Year 2?

A. 1.4% increase
B. 1.4% decrease
C. 1.6% increase
D. 1.6% decrease

12 Which of the following would increase the Gini coefficient from 0.33 to 0.39 in an economy?

A. Raising the minimum wage
B. Increased funding for vocational training programs
C. Increased access to transfer payments such as JobSeeker
D. Reducing the top marginal income tax rate from 45% to 30%

13 Australian interest rates increase relative to foreign interest rates.

Which of the following combinations is most likely to occur?

	Quantity of AUD demanded	*Value of currency*
A.	Increases	Depreciates
B.	Decreases	Depreciates
C.	Increases	Appreciates
D.	Decreases	Appreciates

14 An economy experiences deflation and high unemployment.

Which policy mix would be appropriate to target these economic issues?

A. A budget surplus, reduced infrastructure investment, tariff reductions
B. Expansionary fiscal policy, lower interest rates, investment in skills training
C. Contractionary fiscal policy, higher interest rates, a deregulated labour market
D. A high cash rate, reduced transfer payments, privatisation of public assets

Use the data in the table to answer Questions 15 and 16.

Loans owed by Country X to foreigners	$2000 billion
Loans owed by foreigners to Country X	$1500 billion
Foreign assets owned by Country X	$1100 billion
Country X assets owned by foreigners	$900 billion

15 What is the value of foreign debt for Country X?

A. $500 billion
B. $600 billion
C. $900 billion
D. $1100 billion

16 What is the value of net foreign liabilities for Country X?

A. $200 billion
B. $300 billion
C. $400 billion
D. $800 billion

Use the following table to answer Questions 17 and 18.

Year	*Income (Y)* *$ million*	*Consumption (C)* *$ million*
1	1500	1100
2	2000	1400

17 What is the marginal propensity to save (MPS)?

A. 0.27

B. 0.30

C. 0.40

D. 0.60

18 What will be the level of income in Year 3 if investment decreases by $120 million?

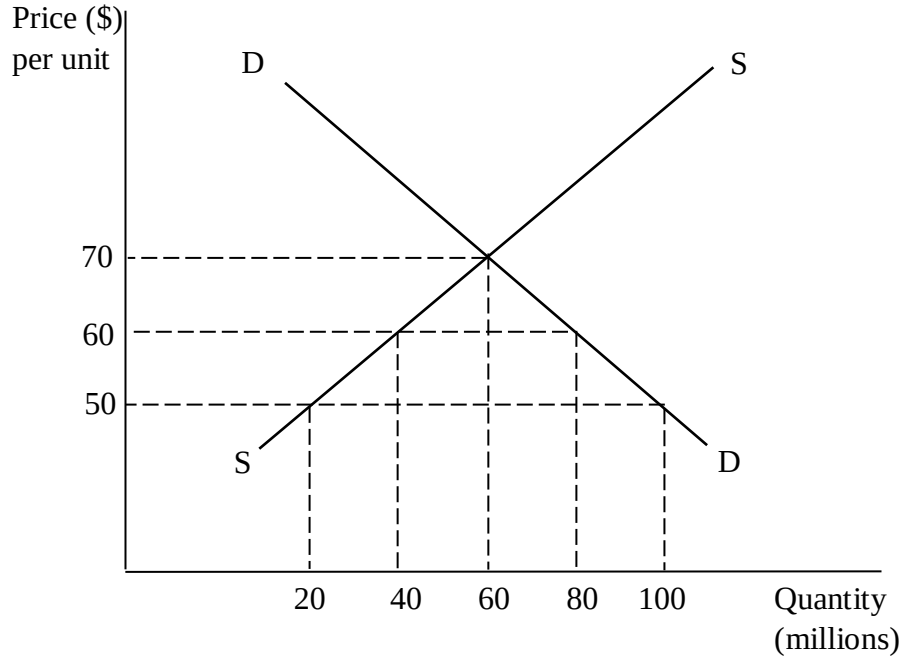
A. $1120 million

B. $1700 million

C. $2120 million

D. $2300 million

Use the following demand and supply diagram to answer Questions 19 and 20.



19 World Price with free trade is $50. The government imposes an import quota that changes the price to $60.

What was the change in the quantity of imports?

A. An increase of 80 million units
B. A decrease of 80 million units
C. An increase of 40 million units
D. A decrease of 40 million units

20 The government replaces the import quota with a $10 tariff.

Which of the following shows the impacts of the tariff on the domestic economy?

	Price of product	*Government revenue*	*Change in domestic producer revenue*
A.	$50	Increases	$1000
B.	$50	Decreases	$1400
C.	$60	Increases	$1400
D.	$60	Decreases	$1000

Section II

Total marks (40)
Attempt Questions 21 – 24
Allow about 1 hour and 15 minutes for this section
Answer the questions in the spaces provided.
These spaces provide guidance for the expected length of response.

Question 21 (10 marks)

The table shows economic data for Australia, March 2025.

Employed people	*Unemployed people*
14 544 100	614 600

(a) Calculate the unemployment rate. Show working out. **2**

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(b) Outline ONE type of unemployment. **2**

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(c) How can unemployment affect wage levels and income inequality in the economy? **3**

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Question 21 continues on page 11

Question 21 (continued)

(d) Explain how government policies can reduce unemployment rates in an economy. **4**

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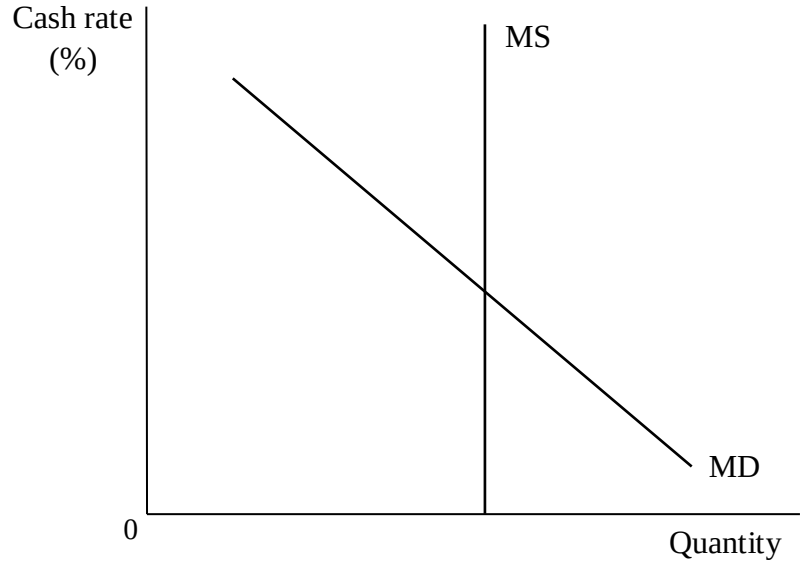
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End of Question 21

Question 22 (10 marks)

(a) On the diagram, draw a new supply curve that shows a tightening of monetary policy. **1**



(b) Use the diagram to outline the impact of the new supply curve on the cash rate. **2**

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(c) Describe the impact of the cash rate on the level of investment in the economy. **3**

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Question 22 continues on page 13

Question 22 (continued)

(d) How can monetary policy be used to achieve price stability in an economy? **4**

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End of Question 22

Question 23 (10 marks)

(a) Outline ONE benefit of free trade for Australian consumers. **2**

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(b) Distinguish between free trade and protection. **3**

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Question 23 continues on page 15

Question 23 (continued)

Refer to the stimulus provided to answer (c).

> Australian businesses that manufacture goods in China are being subjected to steep U.S. tariffs, sometimes exceeding 100%, because their products are classified as Chinese-made, despite being Australian-owned. This can lead to significant financial strain and uncertainty for companies as the U.S. tariffs are applied based on the country of origin of the goods, not the ownership of the company.
>
> *Source: ABC News, 14 April 2025*

(c) Discuss the impact of international protectionist policies on Australia's trade. **5**

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End of Question 23

Question 24 (10 marks)

The table shows economic data for Australia's Balance of Payments, December 2024.

	$ million
Balance of Goods and Services	7 494
Net Primary Income	-19 793
Net Secondary Income	-247
Capital and Financial Account	14 185

(a) Identify ONE component recorded in the capital and financial account. **1**

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(b) Calculate the current account balance. Show working out. **2**

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(c) Calculate the value of net omissions and errors. **1**

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(d) Outline ONE factor that can improve the current account balance. **2**

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Question 24 continues on page 17

Question 24 (continued)

(e) Explain the impact of a depreciation of the Australian dollar on the balance of payments. **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.

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Section II extra writing space

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

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Section III

Total marks (20)
Attempt Questions 25 or Question 26
Allow about 35 minutes for this section

Answer the questions in the writing booklets provided. Extra writing booklets are available.

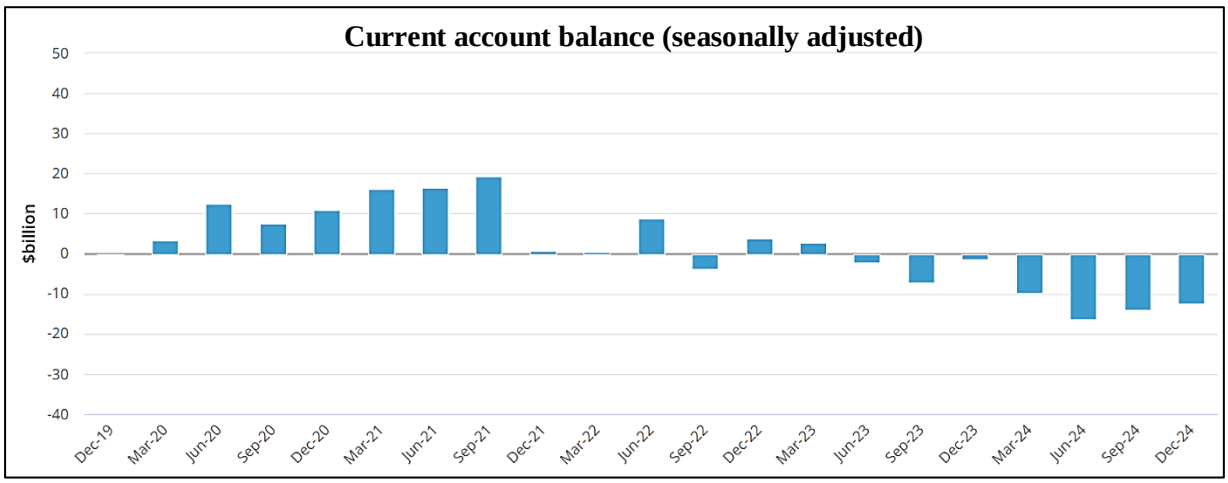
In your answer you will be assessed on how well you:

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

Question 25 (20 marks)

Evaluate the effectiveness of macroeconomic policies in promoting external stability and full employment in Australia. In your answer, refer to the information provided.

> Sean Crick, ABS head of labour statistics, said: 'With employment increasing by 32,000 people and the number of unemployed increasing by 3,000 people, the unemployment rate rose slightly to 4.1 per cent for March...while the participation rate increase slightly to 66.8 per cent.'
>
> Employment has grown by 308,000 people, or 2.2 per cent, over the last 12 months. This annual growth rate is slightly higher than the 20-year pre-pandemic average of 2.0 per cent.
>
> *Source: Australian Bureau of Statistics, 17 April 2025*



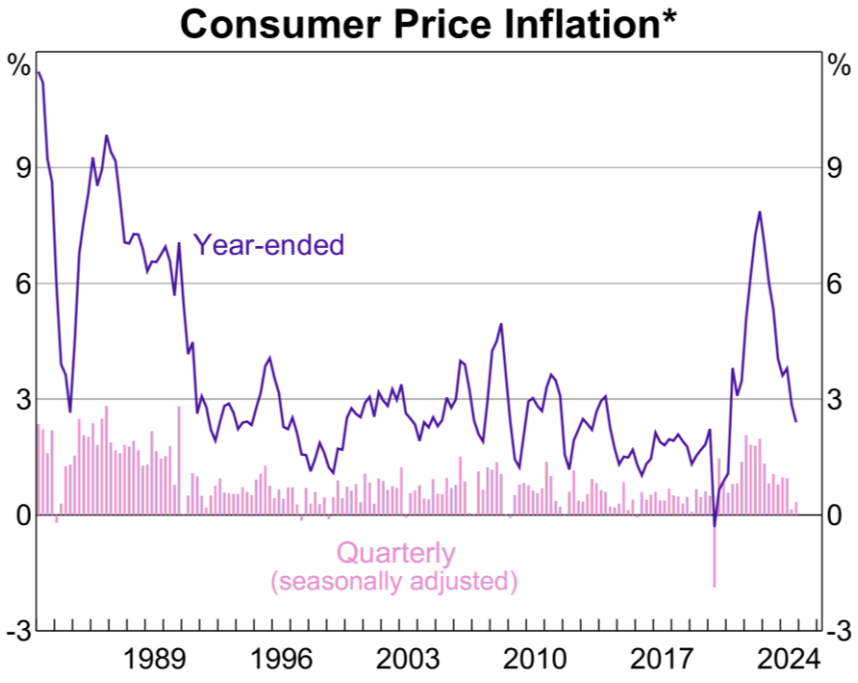
Source: Australian Bureau of Statistics, March 2025

OR

Question 26 (20 marks)

Evaluate the effectiveness of microeconomic policies in improving inflation and environmental sustainability in Australia. In your answer, refer to the information provided.

> Australia's potential for abundant renewable energy is a powerful source of comparative advantage and security. The Government is unlocking $8 billion of additional investment in renewable energy and low emissions technologies through a $2 billion expansion of the Clean Energy Finance Corporation, an entity that aims to 'facilitate financial flows into the clean energy sector and to achieve Australia's greenhouse gas emissions reduction targets' (*Department of Finance*). This is in addition to $36.9 million to enhance the use of existing grid infrastructure and a $10 million Accelerated Connections Fund to reduce grid bottlenecks."
>
> *Source: Budget 2025-26 Overview, 25 March 2025*



* Excludes interest charges prior to the September quarter 1998; adjusted for the tax changes of 1999–2000.

Source: Reserve Bank of Australia, 27 March 2025

End of Section III

Section IV

Total marks (20)
Attempt Questions 27 or Question 28
Allow about 35 minutes for this section

Answer the questions in the writing booklets provided. 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)

Assess the impact of free trade on economic growth and income distribution on the Australian economy.

OR

Question 28 (20 marks)

Assess the effects of exchange rate fluctuations on Australia's inflation, economic growth and international competitiveness.

End of paper

NESA number ……..

General Instructions

Choose the MOST correct answer A, B, C, or D by filling in the response circle completely. Attempt all questions.

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

Economics

2025
Trial Higher School Certificate
Examination

Marking Guidelines

Section I (Part A)

Multiple Choice Answer Key

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

Multiple Choice

Answer Sheet

Question	A	B	C	D
1			■	
2				■
3	■			
4		■		
5	■			
6	■			
7		■		
8			■	
9	■			
10			■	
11				■
12			■	
13				■
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16		■		
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19		■		
20			■	

Question 21 (10 marks)

How has/Outline: Sketch in general terms; indicate the main features of

a) How has globalisation contributed to changes in the international business cycle?

Criteria	Marks
Sketches in general terms how globalisation has contributed to changes in the international business cycle	2
Makes a relevant statement about how globalisation has contributed to changes in the international business cycle	1

Answers could include:

- Increased trade and financial flows have made national economies more interconnected. This can lead to a greater synchronisation of business cycles, as a downturn in one major economy can quickly spread to others through reduced demand for exports.
- Financial contagion

Sample Answer:

Globalisation has strengthened economic ties between nations, making economies more vulnerable to global events. The COVID-19 pandemic exposed weaknesses in supply chains, leading to reshoring efforts and reduced reliance on single-source suppliers. Similarly, the US-China trade war disrupted trade flows, pushing companies to relocate production and reconsider investments. These events highlight how economic shocks—whether due to crises or policy shifts—impact global trade, investment, and growth. The Global Financial Crisis (2008) showed how financial contagion spreads, just as the resources boom (2003–2007) demonstrated how rising global demand drives shared prosperity. Ultimately, globalisation amplifies both economic downturns and expansions, reinforcing worldwide economic interdependence.

Describe: provide key features and characteristics

b) Describe the positive economic impacts of ONE of Australia's bilateral free trade agreements.

Criteria	Marks
Provides a thorough description of the positive impacts of ONE of Australia's bilateral free trade agreements	3
Sketches in general terms the positive impacts of ONE of Australia's bilateral free trade agreements	2
Makes a relevant statement about impacts of ONE of Australia's bilateral free trade agreements	1

Answers could include:

- Increasing export revenue
- Increased international competitiveness in the long term

- Increased employment in export-oriented jobs
- Reduced inflation due increased competition
- Improvement in efficiency of supply/cheaper supplies
- Improvement in BoP

Sample answer:

This will vary depending on the chosen bilateral FTA

Explain: Relate cause and effect; make the relationships between things evident; provide why and/or how

c) Explain the possible impacts of international protectionist policies on the Australian economy.

Criteria	Marks
Demonstrates a comprehensive understanding of the possible impacts of international protectionist policies on the Australian economy	**5**
Demonstrates a sound understanding the possible impacts of international protectionist policies on the Australian economy	**4**
Provides characteristics and features the possible impacts of international protectionist policies on the Australian economy	**3**
Sketches in general terms the factors impacts of international protectionist policies on the Australian economy	**2**
Makes a statement about an impact of international protectionist policies on the Australian economy	**1**

Answers could include:

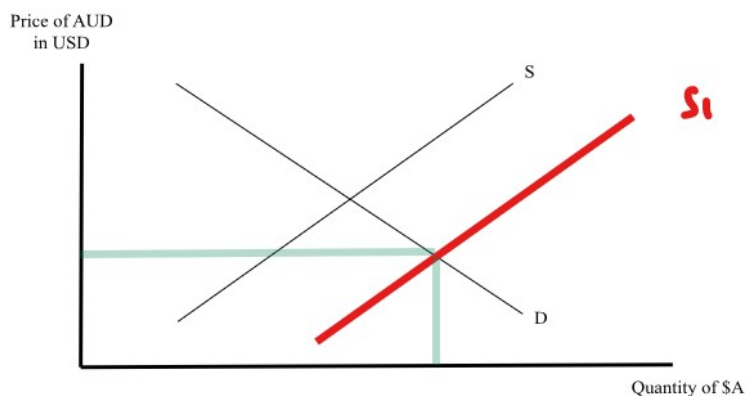
- Misallocated resources as we move away from efficient allocation of resources to cater for protection
- Economic growth is thwarted as we allocated resources to protect industries
- Capital and labour may not be allocated effectively
- Export earnings can be lower
- Micro effects- lower levels of efficiency and productivity

Sample Answer:

TBC

Question 22 (10 marks)

a) Draw a new supply curve that shows a depreciation of the Australian dollar



Criteria	Marks
• Correctly draws supply curve to the right indicating a depreciation	**1**

Outcomes Assessed: H1, H4, H8

Target Performance Bands: 3-5

Outline: Sketches in general terms, indicates main feature of

a) Outline ONE factor that would cause an increase in supply of the Australian dollar.

Criteria	Marks
• Sketches in general terms one factor that could cause an increase in supply of the Australian dollar	**2**
• Provides some information about a factor that could cause an increase in the supply of the Australian dollar	**1**

Answers could include:

- Increased imports by Australians
- Greater investment by Australians made abroad
- High global interest rates resulting in capital flight

Sample Answers:

One factor that would cause an increase in the supply of the Australian dollar is higher imports of foreign goods and services. When Australian consumers and businesses purchase more goods from overseas, they need to convert AUD into foreign currency to pay for these transactions.

This results in more AUD being exchanged in global forex markets, leading to an increased supply of AUD. As demand for imports rises, the volume of Australian dollars available in international currency markets expands, potentially influencing the exchange rate. Additionally, interest rate differentials play a crucial role in determining currency supply. If Australian interest rates fall relative to those in other countries, international investors may find Australian assets less attractive. As a result, they may sell Australian dollars in favour of higher-yielding foreign assets, increasing the supply of AUD in global markets. Lower interest rates can also prompt Australian investors to seek better returns abroad, further contributing to the outflow of AUD and expanding its supply.

Outcomes Assessed: H4, H7, H8

Target Performance Bands: 3-5

Explain: Relate cause and effect; make the relationships between things evident; provide why and/or how

c) Explain how a decrease in Australia's Trade Weighted Index may affect the level of inflation in the economy

Criteria	Marks
• Demonstrates a sound understanding of how a decrease in Australia's Trade Weighted Index may affect the level of inflation in the economy	**3**
• Sketches in general terms some understanding of how a decrease in Australia's Trade Weighted Index may affect the level of inflation in the	**2**
• Provides some relevant information about the Trade Weighted Index or inflation	**1**

Answers could include:

- TWI measures the AUD against a basket of currencies from our major trading partners
- Increase in the price of imported goods leading to cost push inflation
- Higher input costs for Australian businesses, which get passed on to the consumer
- A depreciation will increase the international competitiveness of Australian exports, which could boost demand for domestic goods and contribute to demand pull inflation

Sample Answers:

A decrease in Australia's Trade Weighted Index means the Australian dollar has depreciated against a basket of major trading partner currencies. This depreciation makes imported goods and services more expensive, contributing to cost-push inflation as businesses face higher input costs and pass them on to consumers. Additionally, a weaker exchange rate boosts the competitiveness of Australian exports, increasing demand for domestic products and leading to higher levels of economic activity. As demand rises, businesses may increase wages and production costs, reinforcing inflationary pressures through demand-pull inflation. The overall effect is a rise in the general price level, which may require monetary policy intervention, such as interest rate hikes by the Reserve Bank of Australia, to maintain price stability.

Outcomes Assessed: H4, H7, H8

Target Performance Bands: 3-5

Discuss: Identify issues and provide points for and/or against

d) Discuss the possible impacts of the USA's tariffs on Chinese exports on the Australian dollar

Criteria	Marks
• Provides arguments for and/or against of possible impacts of the USA's tariffs on Chinese exports on the Australian dollar	**4**

• Provides features and characteristics of possible impacts of the USA's tariffs on Chinese exports on the Australian dollar	**3**
• Sketches in general terms the impact of possible impacts of the USA's tariffs on Chinese exports on the Australian dollar	**2**
• Provides some relevant information about the possible impacts of the USA's tariffs on Chinese exports on the Australian dollar	**1**

Answer could include:

Possible impacts:

Cost – As the USA is a main importer of Chinese goods there could be a reduced demand for Chinese made products exported to the USA. This means Chinese economy could contract thus less demand of Australia raw materials as we are their main exporter. This would lead to less demand for out dollar thus depreciating the Australian currency.

Benefit – Chinese importers may have retaliatory tariffs with the USA and look for alternative suppliers and may include more demand for Australian good thus appreciating the Australia dollar

Question 23 (10 marks)

Outcomes Assessed: H4, H7

Target Performance Bands: 3-4

What would/Outline: Sketch in general terms; indicate the main features of

a) What would happen to the unemployment rate if the hidden unemployed began seeking work.

Criteria	Marks
• Sketches in general terms what would happen to the unemployment rate if the hidden unemployed began seeking work	**2**
• Makes a relevant statement about what would happen to the unemployment rate if the hidden unemployed began seeking work	**1**

Answers could include:

- Hidden unemployment is not considered part of the calculation of the unemployment rate because they had stopped actively looking for work.
- In the short term the unemployment rate would rise
- In the long term, an improving labour market may absorb some of these workers, potentially reducing unemployment levels over time

Sample Answer:

If the hidden unemployed begin seeking work, the official unemployment rate would rise. These individuals were previously excluded from unemployment statistics because they were not actively looking for a job, often due to discouragement or lack of opportunities. Once they enter the labour force and start job searching, they are counted as unemployed until they find work. While this initially increases unemployment figures, an improving economy with rising job opportunities may eventually absorb them, potentially reducing unemployment levels in the long run.

Outcomes Assessed: H1, H7

Target Performance Bands: 3-5

Explain: Relate cause and effect; make the relationships between things evident; provide why and/or how

b) Explain TWO ways unemployment affects economic growth in an economy

Criteria	Marks
• Clearly makes evident two ways that unemployment affects economic growth in an economy	**4**
• Provides features and characteristics of two ways that unemployment affects economic growth in an economy	**3**
• Provides features and characteristics of one way that unemployment affects economic growth in an economy OR • Sketches in general terms two ways that unemployment affects economic growth in an economy	**2**
• Makes a relevant statement about how unemployment affects economic growth	**1**

Answers could include:

- Reduced consumer spending
- Lower productivity
- Decreased economic output, lower international competitiveness

Sample Answer:

Unemployment negatively impacts economic growth in several ways. First, it leads to reduced consumption, as individuals have lower disposable income, causing a decline in aggregate demand and GDP, which slows economic growth. Similarly, unemployment discourages business investment, reducing capital expenditure and further decreasing aggregate demand, weakening economic expansion. Additionally, lower employment levels

result in reduced export revenue, as domestic industries produce less, limiting international trade and growth opportunities.

Governments often respond to high unemployment with expansionary fiscal policy, increasing spending on welfare and economic stimulus measures, which can help support growth. However, unemployment also decreases government revenue by reducing tax collections, limiting public funds available for infrastructure and social programs, which can further restrict economic development. Lastly, sustained unemployment lowers an economy's productive capacity, leading to a reduced aggregate supply and forcing the economy to operate within its production possibility frontier (PPF), limiting income and long-term growth potential.

Outcomes Assessed: H5, H6, H7

Target Performance Bands: 4-6

Compare: Show how things are similar or different

c) Compare how fiscal policy is applied when an economy operates at the non-accelerating inflation rate of unemployment (NAIRU) as opposed to when unemployment exceeds the NAIRU

Criteria	Marks
• Demonstrates a clear understanding of how fiscal policy can be used differently at AND above the NAIRU	**4**
• Demonstrates an understanding of how fiscal policy can be used differently at AND above the NAIRU OR • Demonstrates a clear understanding of how fiscal policy can be used EITHER at OR above the NAIRU and sketches in general terms the other	**3**
• Sketches in general terms the use of fiscal policy at AND above the NAIRU OR • Demonstrates a clear understanding of how fiscal policy can be used EITHER at OR above the NAIRU	**2**
• Makes a relevant statement about the NAIRU AND/OR fiscal policy	**1**

Answers could include:

- At NAIRU - Fiscal policy is generally neutral or contractionary to avoid excessive inflationary pressures. Governments may focus on balancing budgets and maintaining sustainable growth.
- Above NAIRU - Expansionary fiscal policy is used to stimulate demand, including increased government spending and tax cuts to reduce unemployment and boost economic activity.

Sample Answers:

At the non-accelerating inflation rate of unemployment (NAIRU), the economy operates at full employment, meaning there is no cyclical unemployment. In this scenario, fiscal policy should focus on supply-side measures rather than demand-side stimulus. Governments can implement human capital investment strategies, such as education and retraining programs, to enhance structural labour mobility and reduce mismatches between available jobs and workforce skills. By improving labour market efficiency, these policies may increase labour force participation, addressing structural unemployment without generating excess inflationary pressures. Expanding aggregate demand in this situation may lead to cost-push inflation, particularly in wage-sensitive industries.

In contrast, when unemployment exceeds the NAIRU, cyclical unemployment is present due to insufficient aggregate demand in the economy. In this case, expansionary fiscal policy is appropriate, where governments may increase public sector expenditure or reduce taxation to stimulate consumption and investment.

Since labour is a derived demand, stimulating aggregate expenditure through government infrastructure projects and investment incentives can increase the demand for labour, reducing cyclical unemployment. These measures aim to shift the aggregate demand curve rightward, encouraging higher economic output and restoring employment levels to the natural rate.

Question 24 (10 marks)

Target Performance Bands: 3-4

a) Define market failure – Use an example

Criteria	Marks
• State meaning and identifies essential qualities using an example	**2**
• State meaning and identify essential qualities	**1**

Answer could include:

- Focus is on the price mechanism - does not account for the social costs and benefits borne by all society because of a product eg large polluting cars have a private cost but society bares the cost due to pollution and excessive noise.

Outcomes Assessed: H7, H8

Target Performance Bands: 4-6

Assess: Make a judgement of value, quality, outcomes, results or size

a) **Assess** the effectiveness of ONE government policy used to try and achieve environmental sustainability

Criteria	Marks

• Makes a comprehensive judgement of effectiveness of ONE government policy used to try and achieve environmental sustainability	**4**
• Provides a sound understanding of how ONE government policy is used to try and achieve environmental sustainability	**3**
• Sketches in general terms how ONE government policy is used to try and achieve environmental sustainability	**2**
• Make a basic statement about a government environmental policy	**1**

Answers may vary and could include:
Market based policies such as:

- licences and taxes
- Pollution charges- Carbon Tax
- Tradable quotas- carbon trading scheme
- Pricing policies

Commitment to international agreements

Section III

Question 25

Outcomes Assessed: H1, H2, H5, H7, H9, H10

Targeted Performance Bands: 4-6

To what extent/ Evaluate: Make a judgement based on criteria; determine the value of

To what extent have microeconomic reforms been effective in managing Australia's economic objectives of price stability and distribution of income. In your response, refer to the information provided.

Criteria	Marks
● Integrates an extensive and appropriate range of economic terms with relevant concepts, relationships and theory ● Synthesises the economic data provided and other information to develop a sustained, logical and well-structured response ● Demonstrates a clear and comprehensive judgement of the effectiveness of microeconomic reforms in addressing Australia's price stability and distribution of income	**17-20**
● Consistently applies a range of economic terms with relevant concepts, relationships and theory ● Uses the economic data provided and other information to develop a logical and well-structured response ● Demonstrates a thorough judgement of the effectiveness of microeconomic reforms in addressing Australia's price stability and distribution of income	**13-16**
● Uses economic terms, concepts, relationships and theory ● Uses some economic data provided and other information to develop a coherent response ● Demonstrates a sound understanding of the effectiveness of microeconomic	**9-12**

reforms in addressing Australia's price stability and distribution of income	
● Uses some economic terms, concepts, relationships or theory ● Uses some economic data provided or other information ● Sketches in general terms aspects of microeconomic reforms in addressing Australia's price stability and/or distribution of income	**5-8**
● Uses some economic terms ● Presents a limited response ● Lists some aspects of the microeconomic reforms, price stability and distribution of income	**1-4**

Answers could include:

- Define price stability and distribution of income
- Rational for Microeconomic reform and Aggregate supply
- National Competition Policy
- Deregulation
- Labour market policies – decentralisation, education, training and employment programs

Sample Answer:

Microeconomic reforms have played a significant role in managing Australia's economic objectives of price stability and income distribution by improving efficiency, productivity, and competitiveness. These reforms aim to enhance aggregate supply and market functioning, reducing inflationary pressures while influencing wage distribution across industries. While these policies have contributed to long-term price stability, their impact on income distribution has been mixed, with some reforms exacerbating wage disparities. Evaluating the extent to which these reforms have achieved these objectives requires an analysis of trade policy, labour market reforms, financial deregulation, national competition policy, and aggregate supply improvements.

Trade policy reforms, particularly the reduction of tariffs and trade liberalisation, have helped manage price stability by lowering production costs and increasing efficiency. The removal of trade barriers has allowed businesses to access cheaper inputs from international markets, reducing cost-push inflationary pressures. Additionally, trade liberalisation has improved resource allocation, ensuring industries focus on areas of comparative advantage, increasing long-term economic growth and stability. Since Australia's embrace of free trade policies in the 1980s and 1990s, tariffs on manufactured goods have significantly decreased, with the average tariff rate falling from around 15% in the early 1990s to below 5% today. This has contributed to more stable inflation rates, with the Consumer Price Index (CPI) averaging around 2–3% annually over the past two decades, aligning with the Reserve Bank of Australia's (RBA) inflation target.

Labour market reforms have significantly influenced both price stability and income distribution. The shift to a decentralised wage determination system has allowed wages to be negotiated at the enterprise level, tying wage outcomes to productivity improvements. This has helped reduce inflationary pressures by preventing wage-price spirals that existed under the centralised system. However, the decentralised system has also resulted in greater income inequality, as highly skilled workers and competitive industries have benefited from wage growth, while lower-skilled workers and sectors with weaker bargaining power have struggled. This has contributed to an increase in wage disparity, reflected in Australia's Gini coefficient, which measures income inequality. Australia's Gini coefficient has remained around 0.33–0.34 in recent years, indicating moderate inequality, though wage disparities between industries persist.

The deregulation of financial markets has improved price stability by enhancing the effectiveness of monetary policy. Since financial deregulation in the 1980s, increased competition in the banking sector has led to more efficient credit allocation, reducing excessive borrowing and inflationary risks. Lower interest rates and better financial market transparency have helped stabilise inflation and maintain economic growth. The removal of restrictions on foreign investment and banking competition has contributed to price stability, with inflation remaining within the RBA's target range for much of the past two decades. However, financial deregulation has contributed to wealth inequality, as access to investment opportunities has disproportionately benefited high-income earners, widening income disparities.

The implementation of the National Competition Policy has played a key role in controlling inflation while promoting productivity growth. Policies aimed at breaking monopolistic power and encouraging competition have reduced prices for consumers, limiting inflationary pressures. Increased competition has also incentivised businesses to innovate, further improving efficiency. However, while these policies enhance market dynamism, they have led to job losses in sectors that struggle to compete, increasing short-term unemployment levels and affecting lower-income workers more severely.

Microeconomic reforms have also contributed to aggregate supply improvements, supporting price stability through increased productivity. Investments in infrastructure, education, and technology have enabled businesses to operate more efficiently, reducing production costs and mitigating inflationary pressures. These reforms have strengthened Australia's economic resilience, ensuring long-term stability. However, the benefits of increased efficiency are not always evenly distributed across society, as certain groups gain more from productivity enhancements while others face wage stagnation and limited access to opportunities.

Microeconomic reforms have been effective in managing price stability by improving efficiency, productivity, and reducing inflationary pressures. However, their impact on income distribution has been uneven, with lower-skilled workers and disadvantaged groups experiencing weaker wage growth. While policies such as trade liberalisation, financial deregulation, and national competition policy have supported economic stability, they have also contributed to widening income disparities. Although microeconomic reforms have successfully maintained price stability, their effectiveness in achieving equitable income distribution remains limited, necessitating complementary policies such as education, workforce retraining, and targeted welfare programs to address inequalities.

Question 26

Outcomes Assessed: H1, H2, H5, H6, H7, H8, H9

Targeted Performance Bands: 4-6

To what extent/ Evaluate: Make a judgement based on criteria; determine the value of

To what extent has monetary policy been effective in achieving Australia's economic objectives of economic growth and full employment.

Criteria	Marks
● Integrates an extensive and appropriate range of economic terms with relevant concepts, relationships and theory ● Synthesises the economic data provided and other information to develop a sustained, logical and well-structured response ● Demonstrates a clear and comprehensive judgement of the effectiveness of monetary policy in achieving Australia's economic objectives of economic growth and full employment	**17-20**
● Consistently applies a range of economic terms with relevant concepts, relationships and theory ● Uses the economic data provided and other information to develop a logical and well-structured response ● Demonstrates a sound judgment on the effectiveness of monetary policy in achieving Australia's economic objectives of economic growth and full employment	**13-16**

● Applies economic terms, concepts, relationships and theory ● Uses some economic data provided and other information to develop a coherent response. ● Demonstrates an understanding of the effectiveness of monetary policy in achieving Australia's economic objectives of economic growth and full employment	**9-12**
● Uses some economic terms, concepts, relationships or theory ● Uses some economic data provided or other information ● Demonstrates some understanding of monetary policy achieving Australia's economic objectives of economic growth and full employment	**5-8**
● Uses some economic terms ● Presents a limited response ● Sketches in general some aspects of monetary policy, economic growth or full employment	**1-4**

Answers could include:

- Define unemployment and economic growth
- Conventional and unconventional monetary policy
- Response from the RBA during Covid-19
- Aggregate demand
- Causes and types of unemployment - cyclical

Sample Answer

Monetary policy has played a central role in managing Australia's economic objectives of economic growth and full employment by influencing the cost and availability of money and credit in the economy through Domestic Market Operations. As a macroeconomic policy instrument, monetary policy is primarily concerned with stabilising inflation, but it has also contributed to economic growth and employment outcomes. Since the 1990s, the Reserve Bank of Australia (RBA) has targeted an inflation band of 2–3%, with inflation averaging 2.4% over the past 28 years, demonstrating its success in achieving price stability. However, the effectiveness of monetary policy has varied due to economic conditions, particularly during periods of downturns such as the Global Financial Crisis (GFC) and the COVID-19 recession, where the RBA relied on both conventional and unconventional monetary policy measures to stimulate growth and employment.

Monetary policy has facilitated economic growth through expansionary measures that lower interest rates, encouraging borrowing and investment. During periods of slow economic activity, the RBA reduces the cash rate to lower the cost of borrowing, stimulating household consumption and business investment. For example, following the COVID-19-induced recession in 2020, the RBA lowered the cash rate to a historic low of 0.1% to boost aggregate demand. This resulted in an economic rebound, with Australia's GDP growth recovering from a contraction of 6.3% in the June quarter of 2020 to growth of 4.7% in 2021.

Expansionary monetary policy supports economic growth by making credit more accessible, leading to higher investment in productive capacity and employment opportunities.

Monetary policy also plays a role in achieving full employment by influencing business hiring decisions through interest rate changes. When interest rates are low, businesses expand operations, increasing demand for labour and reducing cyclical unemployment. This was evident during the post-COVID recovery when unemployment, which peaked at 7.5% in July 2020, declined to 4.9% by mid-2021 due to increased economic activity driven by accommodative monetary policy settings. While monetary policy has been effective in reducing cyclical unemployment, its ability to address structural unemployment remains limited. Structural barriers, including skill mismatches and geographic disparities, require microeconomic policy interventions such as education and training programs to complement monetary policy efforts.

The RBA's use of unconventional monetary policy during the COVID-19 recession highlights the evolving nature of monetary policy tools. With the cash rate at its lower bound of 0.1%, the RBA introduced quantitative easing (QE) measures such as bond purchases to further lower borrowing costs and stabilise financial markets. These measures helped maintain liquidity and confidence in the financial system, supporting investment and employment. While unconventional policy proved effective in mitigating the immediate effects of the downturn, the longer-term implications, including rising asset prices and potential financial instability, must be considered.

Despite its effectiveness in stimulating growth and employment, monetary policy has faced limitations, particularly in addressing conflicting economic objectives. While low interest rates encourage spending and investment, they have also contributed to rising housing prices. By 2021, property prices in Sydney increased by 24%, demonstrating how expansionary monetary policy can exacerbate affordability challenges.

Furthermore, households holding three times as much debt on average compared to 25 years earlier have reduced the ability of monetary policy to significantly boost consumption. These factors highlight the constraints monetary policy faces when managing multiple economic objectives simultaneously.

Monetary policy has been highly effective in stabilising inflation and supporting economic growth and employment, particularly during economic downturns. The responsiveness of the RBA in adjusting interest rates and implementing unconventional measures during crises has contributed to economic recovery. However, structural limitations, conflicting economic objectives, and long-term consequences such as asset inflation and household debt burdens restrict the overall effectiveness of monetary policy. While monetary policy remains a crucial tool for managing economic stability, it must be complemented by targeted microeconomic policies to address employment and growth challenges more comprehensively.

Section IV – 20 marks

Question 27

Targeted Performance Bands: 4-6

Discuss the impacts of decentralisation of the Australian Labour market on the Australian economy

Question 28

Criteria	Marks
• Demonstrates a clear and comprehensive understanding of the impacts of decentralisation of the Australian labour market on the Australian economy • Clearly and comprehensively discusses the costs and benefits of decentralisation of the Australian labour market and impacts on the Australian economy • Provides a sustained, logical and cohesive response that integrates relevant economic information, terms, concepts, relationships and theory	17–20
• Demonstrates a sound understanding of the impacts of decentralisation of the Australian labour market on the Australian economy • Clearly discusses the impacts of decentralisation of the Australian Labour market on the Australian economy • Provides a logical and cohesive response that applies relevant economic terms, concepts,	13–16

relationships and theory	
• Demonstrates some understanding of the impacts of decentralisation of the Australian Labour market on the Australian economy • 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

Question: **Discuss** the impacts of the decentralisation of the Australian labour market on the **Australian economy**.

· Shift from centralised wage-fixing to enterprise bargaining and individual agreements. Context: Major reforms from the late 1980s to 2000s (e.g., Industrial Relations Reform Act 1993, Workplace Relations Act 1996, Fair Work Act 2009).

· Decentralisation has improved productivity and wage flexibility, but impacts vary across income groups and industries.

Productivity & Efficiency

· Mechanism: Enterprise bargaining links wages to productivity → incentivises efficiency.

· Example: Productivity growth in 1990s and early 2000s positive post decentralisation

· Discussion Focus: Positive for international competitiveness, but depends on management–labour relations.

Wage Outcomes & Inequality

· Mechanism: Wage dispersion increased as high-skilled workers negotiated better pay. Data: Gini coefficient increased from 0.29 (mid-1980s) to 0.33 (2000s).

· Discussion Focus: Benefits skilled labour but risks widening inequality without safety nets (e.g., modern awards).

Employment Levels & Unemployment

· Mechanism: Greater flexibility allows firms to adjust staffing during downturns.

· Example: Lower unemployment post-GFC compared to OECD average.

· Discussion Focus: Can create job insecurity in casual/part-time sectors.

Inflation & Wage Growth

· Mechanism: Enterprise bargaining helps contain wage-push inflation in low-growth periods.

· Example: Low inflation in 1990s–2000s compared to 1970s–80s.

· Discussion Focus: Risks stagnant wages in periods of weak bargaining power.

Conclusion

· Conclude: Overall, decentralisation has modernised Australia's labour market, but outcomes are uneven and depend on complementary policies.

Question 28

Targeted Performance Bands: 4-6

Discuss the impacts of fluctuations of the Australian dollar on the Australian economy

Criteria	Marks
• Demonstrates a clear and comprehensive understanding of the impacts of impacts of fluctuations of the Australian dollar on the Australian economy • Clearly and comprehensively discusses the costs and benefits of impacts of fluctuations of the Australian dollar on the Australian economy • Provides a sustained, logical and cohesive response that integrates relevant economic information, terms, concepts, relationships and theory	17–20
• Demonstrates a sound understanding of impacts of fluctuations of the Australian dollar on the Australian economy • Clearly discusses the impacts of impacts of fluctuations of the Australian dollar on the Australian economy • Provides a logical and cohesive response that applies relevant economic terms, concepts, relationships and theory	13–16
• Demonstrates some understanding of impacts of fluctuations of the Australian dollar on the Australian economy • Provides a coherent response that uses economic terms, concepts, relationships and theory	9–12
• Sketches in general terms impacts of fluctuations of the Australian dollar on the Australian economy • Provides a generalised response that uses some economic terms and concepts	5–8
• Makes relevant statements about the impacts of fluctuations of the Australian dollar on the Australian economy • Provides a limited response that uses economic terms	1–4

Question: Discuss the impacts of fluctuations of the Australian dollar on the Australian economy.

· Context: AUD is highly volatile due to commodity exports, interest rate differentials, and global risk sentiment.

· Fluctuations affect trade, inflation, investment, and economic growth — with winners and losers in each movement.

Impact of Depreciation on Trade Balance

· Mechanism: Cheaper AUD → exports more competitive, imports more expensive → improves net exports.

· Example: Between mid-2018 and early 2020, the AUD fell from USD 0.81 to USD 0.57 (COVID-19 low), boosting service exports such as international education and tourism once borders reopened.

· Discussion Focus: Short-term J-curve effect; benefits exporters, harms importers.

Impact of Depreciation on Inflation & Monetary Policy

· Mechanism: Higher import prices → imported inflation → possible RBA tightening.

· Example: 2022 AUD drop raised fuel and goods prices amid supply chain issues.

· Discussion Focus: Can conflict with growth objectives if inflation rises too fast.

Impact of Appreciation on Investment & Imports

· Mechanism: Strong AUD → cheaper capital goods → encourages business investment; lowers cost of living.

· Example: In early 2021, the AUD rose to USD 0.80 due to surging iron ore prices above US$200/tonne, lowering machinery import costs for construction and manufacturing.

· Discussion Focus: Harms manufacturing and tourism competitiveness ("Dutch disease" effect).

Impact on Economic Growth & Employment

· Mechanism: Exchange rate changes filter through trade balance, inflation, and investment to affect GDP growth.

· Example: The AUD's rebound from USD 0.57 in 2020 to USD 0.78 in 2021 coincided with a strong post-COVID recovery, but also pressured tourism and education exports as borders reopened.

· Discussion Focus: Net effects depend on global demand — for example, China's slowdown in 2024 weakened the AUD despite high LNG export volumes.

Conclusion

· Summarise: Fluctuations have broad impacts across the economy; depreciation favours exporters, appreciation benefits consumers.

· Conclude: The RBA doesn't target the AUD directly, but its management of inflation and growth indirectly influences currency stability.

Economics Trial HSC 2025 MAPPING GRID

Question	Marks	Unit of Competency	Syllabus outcomes
1	1	Topic 1 - International economic integration	H1, H3
2	1	Topic 1 – Trade, financial flows and foreign investment	H1, H7
3	1	Topic 3 – Environmental sustainability	H1
4	1	Topic 4 - Economic Objectives	H1, H6
5	1	Topic 1 – Trade, financial flows and foreign investment	H2, H7
6	1	Topic 2 – Australia's Balance of Payments	H4, H7
7	1	Topic 2 - Australia's Balance of Payments	H1, H7, H11
8	1	Topic 1 – Protection	H1, H8
9	1	Topic 4 – Economic Objectives	H6
10	1	Topic 3 – Economic Growth	H6, H11
11	1	Topic 1 – Protection	H1, H11
12	1	Topic 1 – Protection	H1, H11
13	1	Topic 4 – Fiscal Policy	H5, H6, H7
14	1	Topic 3 – Economic Growth	H11
15	1	Topic 2 – Exchange rates	H1, H6, H7
16	1	Topic 2 – Australia's Balance of Payments	H11
17	1	Topic 4 – Microeconomic Policy	H1, H2, H7
18	1	Topic 3 – Unemployment	H11
19	1	Topic 4 – Macroeconomic Policy	H1, H6, H11
20	1	Topic 2 – Exchange Rates	H3, H4

Question	Marks	Unit of Competency
21a	2	Topic 1 – Globalisation
21b	3	Topic 1-2 – Free Trade agreements
21c	5	Topic 1 – Protection
22a	2	Topic 2 – Exchange rates
22b	3	Topic 2 – Exchange rates
22c	5	Topic 2 – Exchange rates
23a	2	Topic 3– Unemployment
23b	3	Topic 3– Unemployment
23c	5	Topic 3– Unemployment
24a	2	Topic 4 – Environment
24b	4	Topic 4 – Environment
24c	4	Topic 4 – Environment
25	20	Topic 3, 4 – Effectiveness of microeconomic reforms to address price stability and distribution of income
26	20	Topic 3, 4 – Effectiveness of monetary policy to address economic growth and full employment
27	20	Topic 4 – Labour markets
28	20	Topic 2 – X rates

Interchangeable Questions for those that may miss the exam

Additional multiple choice

1. The table below shows selected data for a nation.

Year	Consumer Price Index (CPI)	Years of Schooling	Infant Mortality Rate / 1000 population	Nominal Gross Domestic Product ($m)
2019	135	15.7	77	$7 450
2024	160	16.9	61	$9 560

According to the data, which statement correctly describes what this economy has experienced over the period shown?

A. An increase in real Gross Domestic Product (GDP) and rise in living standards
B. A decrease in real Gross Domestic Product (GDP) and rise in living standards
C. A decrease in real Gross Domestic Product (GDP) and a fall in living standards
D. An increase in real Gross Domestic Product (GDP) and a fall in living standards

2. In Year 1, one US dollar buys 1.54 Australian dollars. In Year 2, one Australian dollar buys 0.75 US dollars.

Which of the following statements is correct?

A. The cost of Australian exports has risen for US buyers in Year 2
B. US investors face higher costs when investing in Australia in Year 2
C. Goods and services imported from the US are pricier in Year 2
D. Australia's foreign debt owed to the US has declined in Year 2.

3. Which of the following policies are most likely to result in a decrease in demand pull inflation and an increase in cost push inflation?

	Decrease in demand pull inflation	Increase in cost push inflation
a)	Tight monetary policy	Tight monetary policy
b)	Loose monetary policy	Tight monetary policy
c)	Increase the size of a surplus	Decrease the size of a surplus
d)	Decrease the size of a surplus	Increase the size of a surplus

4. What are the circumstances that result in a positive externality?

A. The marginal social cost exceeds the marginal private cost
B. Consumption where a person's enjoyment does not diminish another's enjoyment
C. Consumption by a free rider
D. The marginal social benefit exceeds the marginal private benefit

Section II

Question 21 (10 marks)

The tale shows selected data for an economy.

Year	Nominal GDP	Consumer Price Index
1	$350 bn	100
2	$390 bn	105

2

a) Calculate the rate of inflation and real GDP growth in Year 2

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3

b) Explain how changes in the terms of trade affects the performance of the Australian economy.

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c) Explain how investment impacts Australia's economic growth both in the short term and the long term. **5**

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Question 26 (10 marks)

In a hypothetical economy, MPS = 0.2

a) Calculate the change in national income if investment increases by $80million **2**

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b) Describe the relationship between the marginal propensity to consume and the level of national output. **3**

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c) Explain how the multiplier effect leads to a rise in national income that exceeds the initial change in equilibrium output **5**

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Additional extended response

Evaluate the impacts of globalisation on the growth and development of an economy other than Australia

Interchangeable Answers

Section I

Additional multiple-choice questions

Multiple Choice Answer Key

Question	Answer
1	A
2	C
3	C
4	D

SHORT ANSWERS

a) Calculate the rate of inflation and real GDP growth in Year 2

Criteria	Marks
• Correctly calculates the rate of inflation and GDP growth in Year 2	**2**
• Correctly calculates the rate of inflation OR GDP growth in Year 2	**1**

Sample Answers

- $371 bn
- 5%

b) Explain how changes in the terms of trade affects the performance of the Australian economy.

Criteria	Marks
• Clearly makes evident how changes in the terms of trade affects the performance of the Australian economy.	**3**
• Provides features and characteristics of how changes in the terms of trade affects the performance of the Australian economy.	**2**
• Sketches in general terms how changes in the terms of trade affects the performance of the Australian economy.	**1**

Sample Answer

A change in Australia's terms of trade directly impacts national income, economic growth, and inflation. When export prices rise relative to import prices, Australia experiences higher export revenues, boosting economic growth and employment. For example, during the

commodities boom in the early 2000s, Australia's terms of trade improved, contributing to strong GDP growth and increased government revenue. Conversely, when import prices rise relative to export prices, businesses and consumers face higher costs, leading to weaker economic performance and potential inflationary pressures. A decline in the terms of trade can also reduce demand for Australian exports, negatively affecting industries such as mining and agriculture.

c) Explain how investment impacts Australia's economic growth both in the short term and the long term.

Criteria	Marks
• Demonstrates a comprehensive understanding of how investment impacts Australia's economic growth both in the short term and the long term	**5**
• Demonstrates a sound understanding of how investment impacts Australia's economic growth both in the short term and the long term	**4**
• Provides features and characteristics of the effects of how investment impacts Australia's economic growth both in the short term and the long term	**3**
• Sketches in general terms how investment impacts Australia's economic growth both in the short term and the long term	**2**
• Makes a relevant statement about how investment impacts	**1**

Australia's economic growth both in the short term and the long term	

Sample Answer:

Investment plays a critical role in driving Australia's economic growth both in the short term and the long term by influencing aggregate demand and aggregate supply.

In the short term, an increase in investment contributes to higher aggregate demand, as businesses spend on capital goods such as machinery, infrastructure, and technology. This leads to increased production, job creation, and higher income levels, stimulating consumer spending. For example, during periods of expansionary fiscal policy, government investment in major infrastructure projects, such as transport and energy development, boosts employment and business activity, leading to higher GDP growth. Investment also has a multiplier effect, where initial spending generates further economic activity across related industries, reinforcing short-term growth.

In the long term, investment enhances aggregate supply by improving productivity and efficiency. Capital deepening, where businesses invest in more advanced technology and equipment, raises labour productivity and output capacity, allowing for sustained economic expansion. Investment in education and workforce training also improves human capital, ensuring that labour is equipped with the necessary skills to adapt to technological advancements. Additionally, foreign direct investment contributes to innovation and competitiveness, strengthening Australia's position in global markets. A strong investment climate supports sustainable economic growth by expanding productive capacity, ensuring long-term improvements in living standards and employment stability.

Overall, investment drives economic growth by increasing aggregate demand in the short term and expanding productive capacity in the long term, making it a key factor in sustaining Australia's economic prosperity

Question 22

a) Calculate the change in national income if investment increases by $80million

Criteria	Marks
• Correctly calculates the change in national income if investment increases by $80 million	**2**
• Correctly calculates multiplier	**1**

Sample Answer:

MPS = 0.2

K = 1/0.2

K = 5

Change in national income = k x change in aggregate demand component

Change in national income = 5 x 80m

Change in income = 400m

a) Describe the relationship between the marginal propensity to consume and the level of national output

Criteria	Marks
• Provides features and characteristics of the relationship between the marginal propensity to consume and the level of national output	**3**
• Sketches in general terms the relationship between the marginal propensity to consume and the level of national output	**2**
• Makes a relevant statement about marginal propensity to consume and the level of national output	**1**

Sample Answer:

The marginal propensity to consume (MPC) refers to the proportion of additional income that households spend rather than save. It has a direct relationship with the level of national output, as higher consumption leads to increased aggregate demand, stimulating economic growth. When MPC is high, a greater portion of income is spent on goods and services, leading to higher production levels and employment opportunities. Conversely, a lower MPC

indicates that more income is saved, reducing immediate spending and slowing national output growth. The multiplier effect further reinforces this relationship, as increased spending generates further rounds of economic activity, amplifying changes in GDP.

b) Explain how the multiplier effect leads to a rise in national income that exceeds the initial change in equilibrium output

Criteria	Marks
• Demonstrates a comprehensive understanding of how the multiplier effect leads to a rise in national income that exceeds the initial change in equilibrium output	**5**
• Demonstrates a sound understanding of how the multiplier effect leads to a rise in national income that exceeds the initial change in equilibrium output	**4**
• Provides features and characteristics of how the multiplier effect leads to a rise in national income that exceeds the initial change in equilibrium output	**3**
• Sketches in general terms how the multiplier effect leads to a rise in national income that exceeds the initial change in equilibrium output	**2**
• Makes a relevant statement of the multiplier effect and a rise in national income that exceeds the initial change in equilibrium output	**1**

Sample Answer:

The multiplier effect explains how an initial increase in spending leads to a greater overall rise in national income and equilibrium output due to successive rounds of expenditure. It occurs because one person's spending becomes another person's income, prompting further consumption and economic activity.

When an initial injection of spending occurs, such as increased government investment or a rise in exports—it raises aggregate demand. As businesses experience higher demand for goods and services, they expand production and hire more workers, increasing household income. The proportion of this additional income spent on consumption depends on the marginal propensity to consume (MPC). If households have a high MPC, they spend most of their income, leading to further rounds of spending and income generation throughout the economy.

For example, if the government injects $1 billion into infrastructure projects, construction firms receive more revenue, leading to increased wages and profits. Workers and business owners then use part of this additional income to purchase goods and services, stimulating demand in other sectors such as retail and manufacturing. This repeated cycle of spending amplifies the initial injection, causing national income to rise by more than the original amount.

The size of the multiplier effect depends on factors such as the level of savings, taxation, and imports. A high MPC and low leakage through savings or imports result in a stronger multiplier effect, maximising the increase in national income. Conversely, high savings rates or imports reduce the impact, limiting additional rounds of spending.

Overall, the multiplier effect leads to a rise in national income that exceeds the initial increase in spending due to continuous rounds of consumption and expenditure, reinforcing economic growth and employment

EXTENDED RESPONSE

Outcomes Assessed: H1, H2, H3, H4, H5, H7, H8, H10

Targeted Performance Bands: 4-6

Evaluate the impacts of globalisation on the growth and development of an economy other than Australia

Criteria	Marks
● Extensive integration of relevant terms, concepts, relationships and theories ● Provides comprehensive economic information in a sustained, logical and cohesive response ● Demonstrates a clear and comprehensive judgment of the impacts of globalisation on the growth and development of an economy other than Australia.	**17-20**
● Integrates relevant terms, concepts, relationships and theories	**13-16**

● Provides sound economic information in a sustained, logical and cohesive response ● Demonstrates a clear judgment of the impacts of globalisation on the growth and development of an economy other than Australia.	
● Applies relevant terms, concepts, relationships and theories ● Develops a coherent response ● Demonstrates some understanding of the impacts of globalisation on the growth and development of an economy other than Australia	**9-12**
● Uses some appropriate economic terms, concepts and relationships ● Develops a generalised response ● Sketches in general terms the impacts of globalisation on the growth and development of an economy other than Australia	**5-8**
● Uses few economic terms, concepts and relationships ● Presents a limited response ● Uses some economic terms and/or concepts that relate to the of globalisation on the growth and development of an economy other than Australia	**1-4**

Sample Answer:

Globalisation has had a profound impact on China's economic growth and development, transforming it into a global manufacturing and technological powerhouse. Through trade liberalisation, foreign investment, and large-scale economic reforms, China has positioned itself as a leader in industrial output, technological innovation, and international trade. While globalisation has generated significant economic benefits, challenges such as environmental sustainability, income inequality, and dependence on foreign markets persist. Evaluating the impact of globalisation on China requires an analysis of key policies, such as the Belt and Road Initiative, Made in China 2025, the Open Door Policy, Special Economic Zones (SEZs), and foreign direct investment from transnational corporations (TNCs). Additionally, globalisation has contributed to significant improvements in economic development, quality of life, and living standards.

One of the most significant outcomes of globalisation for China has been its rapid economic growth. The country's accession to the World Trade Organization (WTO) in 2001 enabled it to expand its trade networks and attract foreign investment, driving sustained economic expansion. Since joining the WTO, China's gross domestic product (GDP) has grown at an average annual rate of over 6%, reaching approximately 18.3 trillion US dollars in 2023. Trade liberalisation and export-driven growth have strengthened domestic industries, particularly manufacturing, leading to increased employment and rising incomes. However, reliance on exports has also made China vulnerable to external shocks, such as global recessions and trade disputes, which can slow growth and create economic instability.

Despite these risks, economic growth has improved overall living standards, with greater access to consumer goods and higher disposable incomes across urban and rural areas.

Trade relations have been a central driver of China's development, facilitated by initiatives such as the Belt and Road Initiative (BRI). Launched in 2013, the BRI aims to enhance global trade connectivity by developing infrastructure projects across Asia, Africa, and Europe. By 2023, China had invested over 1 trillion US dollars in BRI projects, expanding its trade networks and increasing export revenue. This initiative has strengthened economic ties with partner countries and boosted demand for Chinese products. Furthermore, the BRI has contributed to improving infrastructure in developing countries, facilitating long-term economic development. However, concerns over debt sustainability and geopolitical tensions pose challenges to long-term trade stability, as several participating nations have struggled with debt repayments linked to BRI investments.

Foreign direct investment (FDI) has played a crucial role in China's economic transformation, attracting multinational corporations and fostering innovation. The Open Door Policy, introduced in 1978, encouraged foreign investment and facilitated China's transition from a closed economy to one integrated into global markets. Special Economic Zones (SEZs), such as those in Shenzhen and Shanghai, offered tax incentives and deregulated policies to attract foreign businesses. Shenzhen's GDP, for example, increased from 1 billion US dollars in 1980 to over 560 billion US dollars in 2023, demonstrating the effectiveness of SEZs in driving growth. FDI has strengthened industrial production and technological advancement, contributing to economic development through job creation and improved access to consumer goods. However, profit repatriation by multinational corporations and reliance on foreign capital remain concerns regarding long-term wealth accumulation.

Globalisation has led to substantial improvements in China's human development, particularly in education, healthcare, and infrastructure. Since economic reforms began in 1978, more than 800 million people have escaped extreme poverty, reducing the poverty rate from 88% in 1981 to less than 0.5% in 2023. Rising incomes have led to better education outcomes, with school enrolment and literacy rates increasing significantly. The Human Development Index (HDI) for China rose from 0.498 in 1990 to 0.768 in 2023, reflecting improved living standards and life expectancy. While urban areas have experienced significant economic benefits, rural regions lag, contributing to income inequality. China's Gini coefficient stood at 0.38 in 2023, indicating moderate inequality, which may present long-term social challenges.

Environmental sustainability has become a growing priority in China's globalisation strategy, particularly in renewable energy and electric vehicle (EV) production. As the largest carbon emitter globally, China has committed to reaching carbon neutrality by 2060, with substantial investment in green technology. In 2023, China produced over 6.7 million EVs, accounting for more than half of global production, with companies such as BYD and NIO benefiting from government subsidies and growing international demand. While investment in sustainability enhances economic development, balancing industrial expansion with environmental goals remains challenging, as pollution and emissions continue to affect urban populations. Improvements in air quality and sustainable energy use have positively impacted

living standards, though further regulatory measures are required to address long-term environmental concerns.

Transnational corporations (TNCs) have played a significant role in China's economic development, providing capital, technology, and employment opportunities. Foreign firms such as Apple, Tesla, and Volkswagen have established large-scale operations in China, benefiting from its skilled workforce and extensive supply chain infrastructure. TNCs have contributed to economic growth and urban development, increasing access to consumer goods and improving quality of life. However, concerns about profit repatriation and dependence on foreign markets pose risks to China's financial stability. Additionally, disparities in wage distribution between urban and rural workers highlight ongoing development challenges that require policy intervention.

Overall, globalisation has driven China's economic growth, strengthening trade, investment, technological innovation, and employment opportunities while contributing to higher living standards and improved human development. Initiatives such as the Belt and Road Initiative and Made in China 2025 have reinforced China's global influence, though challenges such as environmental sustainability, trade disputes, and income inequality persist. The balance between economic expansion and sustainable development will determine China's long-term global competitiveness and ability to ensure equitable prosperity for its population.

Post Examination Activities

Below are some activities that can be used in conjunction with the examination and post exam feedback. These activities aim to build student capacity as well as link greater feedback to the examination process. It emphasises the importance of the examination as a tool for feedback and subsequent improvement in results.

Building Economic Terminology

Lightning writing – for 10 minutes, fill the table with language you could use to enhance your responses

Question 21

b) Describe the economic consequences of an unequal distribution of global income and wealth

Key differences

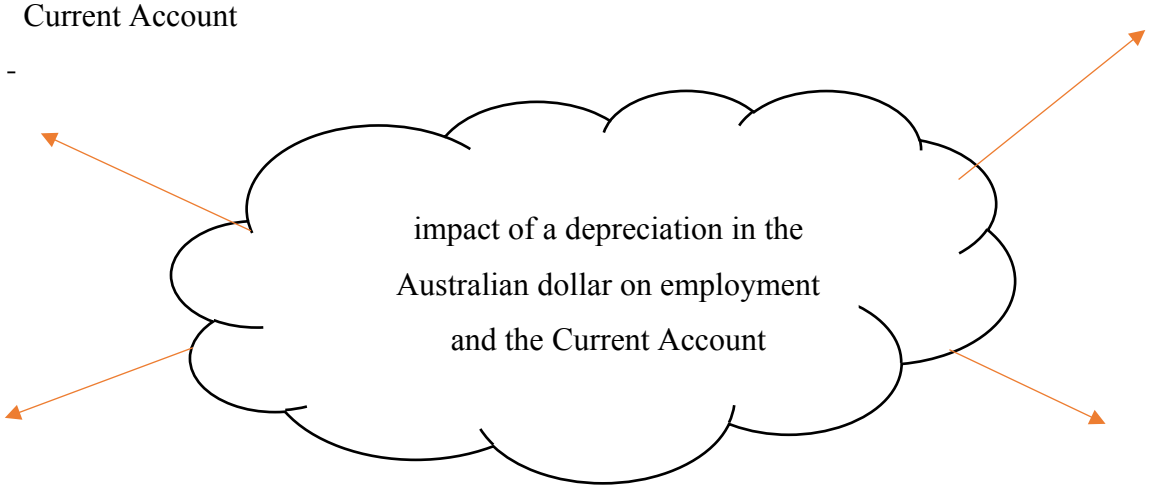
Provide key features of the main economic consequences for both income and wealth
Using the table, note the **key impacts** for both income and wealth

Income	Wealth

Question 22

c) Discuss the impact of a depreciation in the Australian dollar on employment and the Current Account

-



Discuss the impact of a depreciation in the Australian dollar on employment and the Current Account	
Employment	Current Account

Question 23

c) Compare how fiscal policy is applied when an economy operates at the non-accelerating inflation rate of unemployment (NAIRU) as opposed to when unemployment exceeds the NAIRU

Fiscal Policy	
At NAIRU	Above NAIRU

Building contrasting language to connect your response. When introducing your comparative point, try using the words below to compare the multilateral agreements.

However,	On the other hand,	Even so	Alternatively,
Conversely	Nevertheless	On the contrary	Though

Question 26 (20 marks)

To what extent has monetary policy been effective in achieving Australia's economic objectives of economic growth and full employment. In your response, refer to the information provided.



To what extent/Evaluate
Make a judgement based on criteria; determine the value of

Activity 1: State the causes of economic growth and full employment and identify the policies that the government has used to address these

Sources of economic growth	Factors that may cause changes to full employment	Policies used by the government to address economic growth and full employment	Statistics/Examples

Activity 2: structuring your response

Effects	**Paragraph structure** Here you should consider what explicit point you would like to raise about the changes to the components of the balance of payments on the value of the Australian dollar. (consequences - remember this can be positive or negative). Use PEEL to structure your response: **POINT:** state your main idea or argument **EXPLAIN/ELABORATE:** explain how your evidence supports your point **EVIDENCE/EXAMPLE:** provide evidence supporting your point **LINK:** bridge to the next paragraph, use transitional phrases and refer to your main idea.
Example	
To what extent has	**Point:**

monetary policy been effective in achieving Australia's economic objectives of economic growth and full employment. In your response, refer to the information provided.	**Explain/Elaborate:**
	Evidence/Example:
	Link:
	Point:
	Explain/Elaborate:
	Evidence/Example:
	Link:
	Point:
	Explain/Elaborate:
	Evidence/Example:
	Link:
	Point:

	Explain/Elaborate:
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	Explain/Elaborate:
	Evidence/Example:
	Link:
	Point:

	Explain/Elaborate:
	Evidence/Example:
	Link: