

Economics and Business Educators

2007

Trial Higher School Certificate Examination

ECONOMICS
MARKING GUIDELINES

Section I
Multiple Choice

1 d	11 a
2 a	12 b
3 c	13 c
4 c	14 c
5 d	15 b
6 b	16 a
7 d	17 b
8 b	18 c
9 c	19 d
10 a	20 c

Section II

Question 21

a) Explain how microeconomic reform can bring about an increase in aggregate supply

<ul style="list-style-type: none">• Demonstrates a clear and concise understanding of the relationship between microeconomic reform and an increase in aggregate supply	5
<ul style="list-style-type: none">• Demonstrates an understanding of the relationship between microeconomic reform and an increase in aggregate supply	4
<ul style="list-style-type: none">• Demonstrates some understanding of the relationship between microeconomic reform and an increase in aggregate supply	3
<ul style="list-style-type: none">• Sketches in general terms the relationship between microeconomic reform and an increase in aggregate supply	2
<ul style="list-style-type: none">• Lists some aspects of microeconomic reform and/or aggregate supply	1

b) With reference to a specific example, describe structural change in an Australian industry.

<ul style="list-style-type: none">• Demonstrates a clear and concise understanding of the structural change in an Australian industry.• Refers to a specific example	5
<ul style="list-style-type: none">• Demonstrates an understanding of the structural change in an Australian industry.• Refers to a specific example	4
<ul style="list-style-type: none">• Demonstrates some understanding of the structural change in an Australian industry.	3
<ul style="list-style-type: none">• Sketches in general terms the structural change in an Australian industry.	2
<ul style="list-style-type: none">• Lists some aspects of structural change	1

Question 22

a) Distinguish between a tariff and a subsidy

<ul style="list-style-type: none">• Correctly notes the difference between a tariff and a subsidy	2
<ul style="list-style-type: none">• Makes a partial distinction between a tariff and a subsidy or <ul style="list-style-type: none">• Correctly states the meaning of a tariff or a subsidy	1

b) Outline the impact of the world price on domestic producers in an unprotected market

<ul style="list-style-type: none">• Correctly sketches in general terms a range of impacts of the world price on domestic producers in an unprotected market	3
<ul style="list-style-type: none">• Correctly sketches in general terms at least two impacts of the world price on domestic producers in an unprotected market	2
<ul style="list-style-type: none">• Correctly sketches in general terms at least one impact of the world price on domestic producers in an unprotected market	1

c. Discuss the impact of Australia's reduced protection levels on the Australian economy

<ul style="list-style-type: none">• Demonstrates a clear and concise understanding of the impact of reduced protection levels in Australia• Provides a range of positive and negative impacts	5
<ul style="list-style-type: none">• Demonstrates an understanding of the impact of reduced protection levels in Australia• Provides positive and negative impacts	4
<ul style="list-style-type: none">• Demonstrates some understanding of the impact of reduced protection levels in Australia• Provides positive and/or negative impacts	3
<ul style="list-style-type: none">• Sketches in general terms the impact of reduced protection levels in Australia	2
<ul style="list-style-type: none">• Lists at least one positive or negative impact	1

Question 23

a. Define the term 'interest rate'.

• Correctly defines the term interest rate as both a return on savings and a cost of borrowing	2
• Partially defines the term interest rate	1

b. Outline the process used by the Reserve Bank of Australia to influence the general level of interest rates.

• Sketches in general terms the process used by the RBA to influence the general level of interest rates	3
• Demonstrates some understanding of the process used by the RBA to influence the general level of interest rates	2
• Lists the way the RBA influences interest rates	1

c. Explain how an increase in the cash rate impacts on the level of economic activity in the Australian economy.

• Demonstrates a clear and concise understanding of the relationship between an increase in the cash rate and the level of economic activity in the Australian economy	5
• Demonstrates an understanding of the relationship between an increase in the cash rate and the level of economic activity in the Australian economy	4
• Demonstrates some understanding of the relationship between an increase in the cash rate and the level of economic activity in the Australian economy	3
• Sketches in general terms the relationship between an increase in the cash rate and the level of economic activity in the Australian economy	2
• Lists ways in which an increase in the cash rate influences the level of economic activity in the Australian economy	1

Question 24

a. Identify the trend in Australia's balance on goods and services between December 2005 and December 2006.

• Correctly identifies the trend as a decrease in the deficit	1
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b. With reference to the table, identify the measure of Australia's foreign debt sustainability.

• Correctly identifies the measure as foreign debt as a % of GDP	2
• Partially identifies the measure	1

c. Outline the impact of Australia's Capital and Financial Account surplus on the Current Account of the Balance of Payments.

• Sketches in general terms the impacts of Australia's Capital and Financial Account surplus on the Current Account of the Balance of Payments.	3
• Sketches in general terms some of the impacts of Australia's Capital and Financial Account surplus on the Current Account of the Balance of Payments.	2
• Lists some impacts of Australia's Capital and Financial Account surplus on the Current Account of the Balance of Payments.	1

d. Account for the high ongoing level of Australia's Current Account deficit

• Demonstrates a clear and concise understanding of the reasons for Australia's high ongoing CAD	5
• Demonstrates an understanding of the reasons for Australia's high ongoing CAD	4
• Demonstrates some understanding of the reasons for Australia's high ongoing CAD	3
• Sketches in general terms reasons for Australia's high ongoing CAD	2
• Lists reasons for Australia's high ongoing CAD	1

Section III

Question 25

Outline the extent of income inequality in Australia and evaluate the impact of Australian government policy on the distribution of income and wealth

<ul style="list-style-type: none">• Sketches in general terms the extent of income inequality in Australia• Demonstrates a clear and concise understanding of the impact of Australian government policy on the distribution of income and wealth• Integrates an extensive and appropriate range of economic terms with relevant concepts, relationships and theory• Synthesises economic data and other information to develop a sustained, logical and well structured response	17-20
<ul style="list-style-type: none">• Sketches in general terms income inequality in Australia• Demonstrates an understanding of the impact of Australian government policy on the distribution of income and wealth• Consistently applies appropriate economic terms, relevant concepts, relationships and theory• Uses economic data and other information to develop a logical and structured response	13-16
<ul style="list-style-type: none">• Sketches in general terms some aspects of income inequality in Australia• Provides some understanding of the impact of Australian government policy on the distribution of income and wealth• Applies appropriate economic terms, concepts and relationships• Uses some economic data and other information to develop a coherent response	9-12
<ul style="list-style-type: none">• Sketches in general terms a limited number aspects of income inequality in Australia• Provides characteristics and features of Australian government policy and the distribution of income and wealth• Uses some economic information to develop a generalised response	5-8
<ul style="list-style-type: none">• Lists some factors affecting distribution of income• Uses some economic terms and/or concepts• Presents a limited response	1-4

Answers could include:

- An overview of the level of income inequality in Australia
- Data to support changes in income distribution in Australia, including gini coefficient data over time
- Groups most effected by inequality and poverty
- Extent of poverty in Australia
- Impacts of recent fiscal policy decisions
- Unintended impacts of changes in interest rates (monetary policy)
- Impacts of microeconomic reforms, such as reduced protection and labour market reform

Question 26

Outline the current industrial framework in Australia and evaluate the effectiveness of labour market policy in achieving the federal government's economic growth and employment objectives

<ul style="list-style-type: none"> • Sketches in general terms the current industrial framework in Australia • Demonstrates a clear and concise understanding of the effectiveness of labour market policy in achieving the federal government's economic growth and employment objectives • Integrates an extensive and appropriate range of economic terms with relevant concepts, relationships and theory • Synthesises economic data and other information to develop a sustained, logical and well structured response 	17-20
<ul style="list-style-type: none"> • Sketches in general terms some the current industrial framework in Australia • Demonstrates an understanding of the effectiveness of labour market policy in achieving the federal government's economic growth and employment objectives • Consistently applies appropriate economic terms, relevant concepts, relationships and theory • Uses economic data and other information to develop a logical and structured response 	13-16
<ul style="list-style-type: none"> • Sketches in general terms some the current industrial framework in Australia • Provides some understanding of the effectiveness of labour market policy in achieving the federal government's economic growth and employment objectives • Applies appropriate economic terms, concepts and relationships • Uses some economic data and other information to develop a coherent response 	9-12
<ul style="list-style-type: none"> • Sketches in general terms some aspects of the current industrial framework in Australia • Provides characteristics and features of effectiveness of labour market policy in achieving the federal government's economic growth and employment objectives • Uses some appropriate economic terms, concepts and relationships • Uses some economic information to develop a generalised response 	5-8
<ul style="list-style-type: none"> • Lists some factors of the current industrial framework in Australia • Uses some economic terms and/or concepts • Presents a limited response 	1-4

Answers could include:

- Overview of the current IR framework, including the institutions
- Summary of recent policy changes, including the Workplace Relations Act (1997) and the WorkChoices Amendment and recent changes to it
- Impact of labour market reform on economic growth
 - Microeconomic policy (Aggregate supply curve shifts and impact on economic growth)
 - Production Possibilities Curve
- Impact of labour market reform on employment
 - Trend in employment and unemployment levels in Australia
 - Impact of microeconomic reform on structural unemployment
 - Impact of labour market reform on the demand for and supply of labour

Section IV

Question 27

Analyse the effects of fluctuations in exchange rates on the Australian economy.

<ul style="list-style-type: none">• Demonstrates a clear and concise understanding of the effects of fluctuations in exchange rates on the Australian economy• Integrates an extensive and appropriate range of economic terms with relevant concepts, relationships and theory• Synthesises economic data and other information to develop a sustained, logical and well structured response	17-20
<ul style="list-style-type: none">• Demonstrates an understanding of the effects of fluctuations in exchange rates on the Australian economy• Consistently applies appropriate economic terms, relevant concepts, relationships and theory• Uses economic data and other information to develop a logical and structured response	13-16
<ul style="list-style-type: none">• Provides some understanding of the effects of fluctuations in exchange rates on the Australian economy• Applies appropriate economic terms, concepts and relationships• Uses some economic data and other information to develop a coherent response	9-12
<ul style="list-style-type: none">• Provides characteristics and features of exchange rates in Australia• Uses some appropriate economic terms, concepts and relationships• Uses some economic information to develop a generalised response	5-8
<ul style="list-style-type: none">• Lists some factors affecting exchange rates• Uses some economic terms and/or concepts• Presents a limited response	1-4

Answers could include:

- The meaning of exchange rates
- Determination of Australia's exchange rate
- Diagrams to illustrate fluctuations in exchange rates
- Effects of fluctuation in exchange rates on a range of factors, such as:
 - Economics growth and employment
 - Inflation
 - Interest rates
 - CAD and net foreign liabilities
 - Terms of trade
 - International competitiveness
 - Impacts on individuals, firms, governments and the economy

Question 28

Analyse the impact of globalisation on the economic performance of an economy other than Australia

<ul style="list-style-type: none">• Demonstrates a clear and concise understanding of the impact of globalisation on the economic performance of an economy other than Australia• Integrates an extensive and appropriate range of economic terms with relevant concepts, relationships and theory• Synthesises economic data and other information to develop a sustained, logical and well structured response	17-20
<ul style="list-style-type: none">• Demonstrates an understanding of the impact of globalisation on the economic performance of an economy other than Australia• Consistently applies appropriate economic terms, relevant concepts, relationships and theory• Uses economic data and other information to develop a logical and structured response	13-16
<ul style="list-style-type: none">• Provides some understanding of the impact of globalisation on the economic performance of an economy other than Australia• Applies appropriate economic terms, concepts and relationships• Uses some economic data and other information to develop a coherent response	9-12
<ul style="list-style-type: none">• Provides characteristics and features of the issues associated with an economy other than Australia• Uses some appropriate economic terms, concepts and relationships• Uses some economic information to develop a generalised response	5-8
<ul style="list-style-type: none">• Lists some factors effecting an economy other than Australia• Uses some economic terms and/or concepts• Presents a limited response	1-4

Answers could include:

- Definition of globalisation and the global economy
- Brief description of the economy other than Australia, including its classification as a NIE, developing, transition or advanced economy
- Impacts of globalisation linked specifically to the economy selected, including:
 - International convergence
 - Economic growth, development and quality of life
 - Trade, investment and TNCs
 - Distribution of income and wealth
 - Environmental consequences
 - Financial markets
 - the international business cycle
 - implications for government economic policies