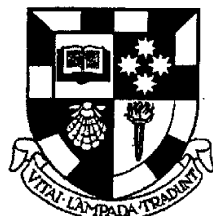


Student Number



Shore

2001

**TRIAL HIGHER SCHOOL
CERTIFICATE**

Economics

General Instructions

- Reading time - 5 minutes
- Working time - 3 hours
- Board-approved calculators may be used
- Write using blue or black ink
- Write your student number where required

Disclaimer

Every effort has been made to prepare this paper in accordance with the BOS documents. No guarantee is made or implied that this paper mirrors in every respect the actual HSC Examination question paper.

Section I

Pages 2 - 8

Total Marks (20)

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

Section II

Pages 9 - 16

Total Marks (40)

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

Section III

Pages 17 - 18

Total Marks (20)

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

Section IV

Page 19

Total Marks (20)

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

Section I

Total marks (20)

Attempt Question 1-20

Allow about 35 minutes for this section

Use the multiple-choice answer sheet.

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

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

A ☐

B ☒

C ☐

D ☐

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

A ☒

B ☒

C ☐

D ☐

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

A ☒

B ☒

C ☐

D ☐

correct

1. The goal of internal balance refers to achieving which of the following?

- a) a balanced federal budget
- b) economic growth and low inflation
- ✓ ☒ c) price stability and full employment
- d) economic growth and a stable currency

2. The following data is for a closed economy.

	\$ million
Investment	25
Saving	40
Government expenditure	160
Tax receipts	180

From the data which of the following can be correctly concluded?

- ☐ a) national income will tend to fall
- ☐ b) the economy will tend to expand
- ✗ ☒ c) injections exceed leakages
- d) a budget deficit exists

3. Which of the following will occur when a country services its foreign liabilities?

- ☒ a) its current account deficit will tend to be reduced
- ☒ b) its current account deficit will tend to be increased
- c) the size of its foreign liabilities will tend to be reduced
- d) the size of its foreign liabilities will tend to be increased

4. A deliberate decrease in company tax rates represents which of the following?

- ✓ ☒ a) a structural change, which tends to reduce a budget surplus
- b) a structural change, which tends to reduce a budget deficit
- c) a cyclical change, which tends to reduce a budget surplus
- d) a cyclical change, which tends to reduce a budget deficit

5. Inflation caused directly by wage increases represents which type of inflation?

- ☒ a) cost inflation
- b) demand inflation
- c) imported inflation
- d) price-shock inflation

6. The following data is used to answer question 6.

Year	Workers	Units Produced
1	5	200
2	6	300

If wages are based on productivity increases, then in Year 2, by how much would wages rise?

- a) 10%
- b) 20%
- ☒ c) 25%
- d) 50%

7. Which of the following will tend to occur as a result of the purchase of government securities by the Reserve Bank from the short term money market?

- a) a decrease in the supply of cash in the money market and lower interest rates
- b) a decrease in the supply of cash in the money market and a rise in interest rates
- ☒ c) an increase in the supply of cash in the money market and lower interest rates
- d) an increase in the supply of cash in the money market and a rise in interest rates

8. Which of the following statements is correct about domestic market operations?

- ☒ a) they are conducted each weekday
- ☒ b) they are conducted only once a month
- c) they are never used to change the cash rate
- d) they are conducted by the Federal government

9. Which of the following would tend to shift the supply curve for a good to the right?

- a) a fall in the price of the good
- ☒ b) a fall in production costs
- c) an increase in consumer demand
- d) a strike by labour producing that good

10. What is measured by the trade weighted index?

- a) terms of trade
- ☒ b) exchange rates
- c) the current account
- d) a country's inflation rate compared to another country

Question 11 is based on the following data for a closed economy.

Income	Consumption
300	275
400	350
500	425
600	500

11. What is the value of the multiplier?

- a) 0.75
- ☒ b) 1.33
- c) 2.00
- d) 4.00

12. Which of the following best describes a goods and services tax (GST)?

- a) a wealth tax
- b) an income tax
- ☒ c) a consumption tax
- d) a capital gains tax

13. Officially, which of the following tends to increase the size of the labour force?

- a) a worker being retrenched
- b) a job seeker obtaining a job
- c) a part-time worker becoming full-time
- ✓ ☒ d) the hidden unemployed begin to seek work

14. If a country experienced an improvement in its terms of trade, then which of the following must have occurred?

- ✓ ☒ a) the prices of its exports have risen relative to the prices of its imports
- b) the volume of its exports has risen relative to the volume of its imports
- c) the prices of its imports have risen relative to the prices of its exports
- d) the volume of its imports has risen relative to the volume of its exports

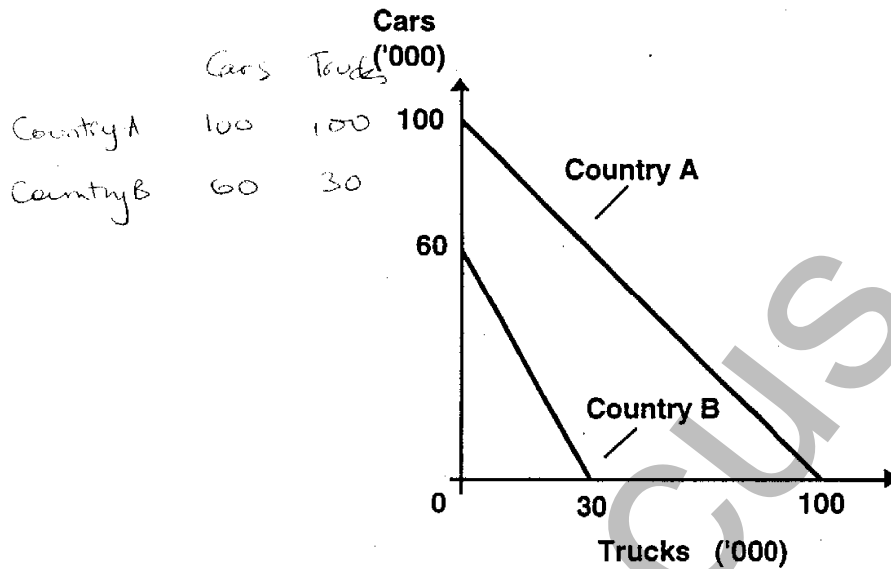
15. Which one of the following is a possible disadvantage of globalisation for Australia?

- ✓ ☒ a) greater reliance on overseas economic conditions
- b) increased range of consumer goods for Australia
- c) improved access to international sources of finance
- c) greater access to world markets for Australian producers

16. A firm reduces its production costs. This indicates the firm has improved which of the following?

- a) its dynamic efficiency
- ✓ ☒ b) its technical efficiency
- c) its allocative efficiency
- d) its product differentiation

17. The following diagram shows the maximum number of cars and trucks that can be produced by two countries using the same quantity of resources.



Which of the following statements is correct?

- a) the opportunity cost of producing a truck is higher in Country A than in Country B
- b) the opportunity cost of producing a car is higher in Country B than in Country A
- ✓ c) Country A has a comparative advantage in producing trucks
- d) Country B has a comparative advantage in producing trucks

18. By value, which of the following is the largest export market for Australian exports?

- a) New Zealand
- b) The European Union
- c) Germany and the UK
- ✓ d) the Asia Pacific Region

19. Which of the following pairs are often both characteristics of developing countries?

- a) high levels of saving and low levels of investment
- b) low levels of saving and high levels of investment
- ✓ c) low levels of saving and high foreign debt
- d) high levels of saving and low foreign debt

20. The following table shows Balance of Payments data for a nation with a floating exchange rate.

	\$m
Goods credits	30 000
Goods debits	- 40 000
Net services	(-) 10 000
Capital and Financial account balance	10 000
Net errors and omissions	0

What is the value of Income and current transfers?

- ✓ a) \$10 000
- b) (-) \$20 000
- c) \$30 000
- d) \$60 000

End of Section I

Section II

Total marks (40)

Attempt Questions 21 - 24

Allow about 1 hour and 15 minutes for this section

Answer the questions in the space provided.

Question 21 (10 marks)

Marks

It is argued that as an economy we should be seeking to achieve sustainable levels of economic growth and encompass the principle of intergenerational equity.

However, as has often been the case, market based economics have failed to allocate environmental resources efficiently.

- a) Define the term *intergenerational equity*. 1

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- b) Why is environmental management often in conflict with other economic objectives? 2

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Question 21 continues on Page 10

Question 21 (continued)

Marks

- 2

[illegible]

- 5**

TSCEOC

End of Question 21

Question 22 (10 marks)**Marks**

The following graph gives selected economic data for income distribution in Australia for 1998.

Gross weekly income earned by quintiles	Share of income %
Lowest	3.8
2nd	9.0
3rd	15.0
4th	23.9
Highest	48.3
Gini coefficient	0.44

Source ABS 1998 Australia

Use the information above to answer (a) and (b).

- a) Calculate the percentage share of Australia's income earned by the top 40 percent of income earners.

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- b) The Gini coefficient in 1982 was 0.40 in Australia. State how income distribution has changed between 1982 and 1998 in Australia?

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- c) Distinguish between the terms *income* and *wealth*.

2

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Question 22 continues on Page 12

Question 22 (continued)

Marks

d) Outline TWO different economic benefits of income inequality.

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(i)
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(ii)
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e) Explain why it can be argued that inequality in the distribution of income reduces the total satisfaction in society.

4

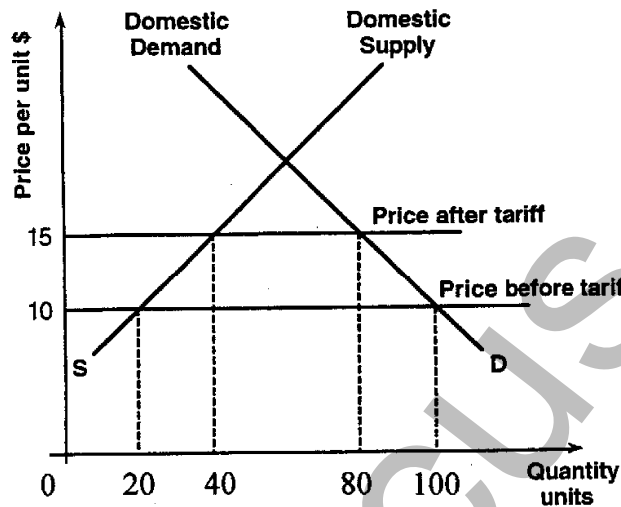
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End of Question 22

Question 23 (10 marks)

Marks

The diagram below shows the effect of a government imposing a tariff on a freely trading country that imports to satisfy domestic demand.



- a) Define the term *tariff*.

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- b) Use the diagram above to respond to the following tasks.

- (i) How much did domestic quantity supplied expand after the tariff was imposed?

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- ii) Calculate the total amount of revenue received by the government after the imposition of the tariff.

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Question 23 continues on page 14

Question 23 (continued)

Marks

- c) Explain a method of protection other than a tariff.

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- d) Give an example of an international trade agreement and outline one way it has affected Australian trade.

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- e) Outline THREE reasons used to justify reducing tariff protection in Australia.

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(i)

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(ii)

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(iii)

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End of Question 23

Question 24 10 marks)**Marks**

The table below gives selected data for a country.

Year	% change in real output on previous year	Consumer Price Index	Unemployment rate %
1	4.2	100	6.0
2	3.0	101	6.8
3	0.5	102	7.3
4	2.9	107	6.9
5	4.1	110	7.0

Use the above table to answer (a).

- a) i) Which year has the highest level of economic growth? 1

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- ii) Calculate the inflation rate in Year 4. 1

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- iii) The total number of people in the labour force was 8 million in Year 2.
Calculate the number of unemployed people in Year 2. 2

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Question 24 continued on Page 16

Question 24 (continued)

Marks

- b) Explain how structural unemployment can provide a supply-side constraint to economic growth. How can a government attempt to reduce structural unemployment?

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- c) An economy is experiencing economic growth and rising employment rates. Explain how it is possible for the unemployment rate to be rising at the same time.

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End of Question 24

Section III

Total marks (20)

Attempt either Question 25 or Question 26

Allow about 35 minutes for this section

Answer the question in a SEPARATE writing booklet.

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

- use your knowledge and the economic information provided
 - apply economic terms, concepts, relationships and theory
 - present a sustained, logical and well-structured answer to the question
-

Question 25 (20 marks)

Discuss how microeconomic policies in Australia aim to improve the efficiency of the economy.

Microeconomic reform is about making markets and industries work better, reducing the cost of doing business and providing customers with lower prices.

'Australia's economic well-being and growth depend on a competitive domestic economy and open international markets. Trade and investment policy, industry policy and microeconomic reform go hand in hand in providing Australian business with the competitive foundations and market opportunities to thrive in a globalising world'.

Trade Outcomes and Objectives Statement - Australian Federal Government 1998

OR

Question 26 (20 marks)

Discuss the use of current Australian macroeconomic policies to achieve economic objectives.

Although inflation has been high in recent months, the cause of the problem was an unusual set of circumstances - namely tax reform, the Olympics and the Australian dollar. We are not overly concerned with the strength of the underlying inflation rate.

RBA March 2001

The Government's fiscal policy continues to be guided by the primary objective of maintaining budget balance, on average, over the course of the economic cycle. This objective allows fiscal policy to respond to variations in economic growth, while ensuring that sound government finances are maintained over time.

Budget Strategy and Outlook 2001-2 Commonwealth Government

Australian Economic Forecasts			
<i>Growth rate</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01</i>
Economic growth	4.7%	4.5%	3.75%
Inflation	1.3%	2.25%	6.0%
Unemployment	7.2%	6.6%	6.5%
CAD	-5.5%	-5.2%	-4.5%

ANZ Bank August 2000

End of section III

Section IV

Total marks (20)

Attempt either Question 27 or Question 28

Allow about 35 minutes for this section

Answer the question in a SEPARATE writing booklet

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

- use your knowledge and the economic information provided
 - apply economic terms, concepts, relationships and theory
 - present a sustained, logical and well-structured answer to the question
-

Question 27 (20 marks)

Analyse the impact of globalisation on an economy other than Australia and the strategies being used to promote economic growth and development.

OR

Question 28 (20 marks)

Explain why the Australian exchange rate fluctuates and discuss the effect of these fluctuations on the Australian economy.

End of paper