

BOARD OF STUDIES
NEW SOUTH WALES

2001 HSC Specimen Paper

Economics

ACKNOWLEDGEMENTS

Question 23 – Graph and text: Reserve Bank of Australia Bulletin, December 1998

Question 24 – Table: Australian Bureau of Statistics, Australian Economic Indicators.

Question 25 – Text: Adapted from The Sydney Morning Herald.

Question 26 – Graph: Australian Bureau of Statistics, Australian Economic Indicators.

© 2000 Copyright Board of Studies NSW for and on behalf of the Crown in right of the State of New South Wales.

This document contains Material prepared by the Board of Studies NSW for and on behalf of the State of New South Wales. The Material is protected by Crown copyright.

All rights reserved. No part of the Material may be reproduced in Australia or in any other country by any process, electronic or otherwise, in any material form or transmitted to any other person or stored electronically in any form without the prior written permission of the Board of Studies NSW, except as permitted by the Copyright Act 1968. School students in NSW and teachers in schools in NSW may copy reasonable portions of the Material for the purposes of bona fide research or study. Teachers in schools in NSW may make multiple copies, where appropriate, of sections of the HSC specimen papers for classroom use under the provisions of the school's Copyright Agency Limited (CAL) licence.

When you access the Material you agree:

- to use the Material for information purposes only;
- to reproduce a single copy for personal bona fide study use only and not to reproduce any major extract or the entire Material without the prior permission of the Board of Studies NSW;
- to acknowledge that the Material is provided by the Board of Studies NSW;
- not to make any charge for providing the Material or any part of the Material to another person or in any way make commercial use of the material without the prior written consent of the Board of Studies NSW and payment of the appropriate copyright fee;
- to include this copyright notice in any copy made;
- not to modify the Material or any part of the Material without the express prior written permission of the Board of Studies NSW.

The Material may contain third party copyright materials such as photographs, diagrams, quotations, cartoons and artworks. These materials are protected by Australian and international copyright laws and may not be reproduced or transmitted in any format without the copyright owner's specific permission. Unauthorised reproduction, transmission or commercial use of such copyright materials may result in prosecution.

The Board of Studies has made all reasonable attempts to locate owners of third party copyright material and invites anyone from whom permission has not been sought to contact the Copyright Officer, ph (02) 9367 8289, fax (02) 9279 8484.

Economics

Introduction

This booklet contains the specimen examination paper for the 2001 Higher School Certificate examination in Economics. A mapping grid is also included, showing how each question in the examination relates to the syllabus outcomes and content, and to the performance bands.

The specimen paper shows the format of the New HSC examination. It has been printed on A4 paper and side-stapled to make it convenient for use in schools. Actual examination papers will be produced as A4 booklets. All New HSC papers will be printed on white paper.

The 2001 HSC specimen papers have been produced in accordance with the Board's *Principles for Setting HSC Examinations in a Standards-Referenced Framework*, published in Board Bulletin Volume 8 Number 9 (Nov/Dec 99). Questions are closely related to the outcomes of the course, and the paper as a whole is structured to allow for appropriate differentiation of student performance at all levels on the performance scale.

The papers have been designed so that students have a clear understanding of what they are required to do in each question and in working through the paper. Instructions have been standardised, and the demands of the questions have been made explicit. Key words in questions, such as 'discuss', 'analyse', and 'explain', have been used consistently in accordance with the glossary published in the Board's *Assessment Support Document*.

This specimen paper is an example of the type of examination that could be prepared within the examination specifications in the Economics syllabus. Examinations will be based on the syllabus, and will test a representative sample of syllabus outcomes. Therefore, the range and balance of outcomes tested in HSC examinations in 2001 and subsequent years may differ from those addressed in the specimen paper.

The mapping grid is an important feature of the development of the examination. It aids in ensuring that the examination as a whole samples a range of content and outcomes, and allows all students the opportunity to demonstrate their level of achievement. Where courses have components in the examination other than written papers, the grid indicates the wider range of outcomes that are assessed by including these other components.

There are a number of points to note in considering the Economics specimen paper:

- Stimulus material may vary from year to year. Stimulus material will only be provided when it is essential to answering the question.
- Free-response questions have a simple structure so that the demands of the questions are clear. The questions are accessible to all students, and allow students at all levels to demonstrate what they know, understand and can do.

- A rubric indicating general criteria for judging performance has been placed at the beginning of Section III and Section IV of the paper to clearly indicate the factors that will be used to assess responses to the question(s). These criteria are in addition to criteria specific to each question.

HSCFocus.com

Economics

HSC Specimen Examination Mapping Grid

For each item in the examination, the grid shows the marks allocated, the syllabus content and syllabus outcomes it relates to, and the bands on the performance scale it is targeting. The range of bands shown indicates the performance candidates may be able to demonstrate in their responses. That is, if an item is shown as targeting Bands 3 – 5, it indicates that candidates who demonstrate performance equivalent to the Band 3 descriptions should be able to score some marks on the item, while those who perform at Band 5 or above could reasonably be expected to gain high marks. In the case of one-mark items, candidates who demonstrate performance at or above the bands shown generally could be expected to answer the item correctly.

Question	Marks	Content	Syllabus outcomes	Targeted performance bands
1	1	Global economy: economic development	H1	2 – 3
2	1	Economic issues: employment	H1	2 – 3
3	1	Economic issues: employment	H8, H11	2 – 3
4	1	Economic issues: public goods	H8	3 – 4
5	1	Australia in the global economy: tariffs	H6	3 – 4
6	1	Economic policy: supply and demand	H1, H11	2 – 3
7	1	Economic policy: output and consumption	H8	2 – 3
8	1	Global economy: globalisation	H3	3 – 4
9	1	Economic policy: economic data	H8, H11	5 – 6
10	1	Australia in the global economy: foreign exchange	H8, H11	3 – 4
11	1	Economic issues: market failure	H1	3 – 4
12	1	Economic policy: Reserve Bank intervention	H2	2 – 3
13	1	Economic policy: budget deficit	H2	2 – 3
14	1	Australia in the global economy: foreign investment	H8	2 – 3
15	1	Economic issues/global economy: international business cycle	H4	3 – 4
16	1	Economic policy: fiscal policy	H6	3 – 4
17	1	Australia in the global economy: trade	H4, H8	4 – 5
18	1	Australia in the global economy: terms of trade	H8, H11	5 – 6
19	1	Economic policy: aggregate demand	H8	2 – 3
20	1	Economic policy: investment and income	H8, H11	4 – 5
21(a)	1	Economic policy: inflation	H1, H11	2 – 3
21(b)	2	Economic policy: economic activity	H8, H9, H11	2 – 4
21(c)	2	Economic policy: current account deficit	H1, H8	2 – 4
21(d)	5	Economic policy: fiscal policy	H1, H5, H6, H7	2 – 5
22(a)	2	Economic policy: labour productivity	H1	2 – 4
22(b)(i)	2	Economic policy: government enterprises	H1, H6, H7	2 – 4
22(b)(ii)	2	Economic policy: government enterprises	H1, H6, H7	2 – 4
22(c)	4	Economic policy: reform of government enterprises and the current account	H1, H6, H8	2 – 5
23(a)	1	Economic policy: interest rates	H11	2 – 3
23(b)	1	Economic policy: interest rates/trends	H6	2 – 3
23(c)	2	Economic Policy: impact of interest rates trends	H6, H7	2 – 4
23(d)	3	Economic policy: Reserve Bank and interest rates	H1, H2	2 – 5
23(e)	3	Economic policy: Reserve Bank and interest rates	H2, H5	2 – 6
24(a)	5	Economic issues: labour force	H1, H2, H7, H8	2 – 5

Question	Marks	Content	Syllabus outcomes	Targeted performance bands
24(b)	5	Economic issues: government employment programs	H1, H5, H6, H7, H8, H9	2 – 6
25	20	Economic issues: distribution of income	H5, H6, H7, H8, H9, H10	2 – 6
26	20	Economic issues: economic growth policy	H5, H6, H7, H8, H9, H10	2 – 6
27	20	Global economy: trade and financial flows	H3, H4, H5, H6, H8, H10	2 – 6
28	20	Global economy: levels of economic development	H3, H4, H5, H6, H8, H10	2 – 6



Sample marking guidelines for Economics

The following marking guidelines have been developed for selected questions from the 2001 HSC Specimen Examination in Economics. These guidelines indicate the approach that would be taken to marking questions.

For each question, the following are typically included:

1. The syllabus outcomes that are targeted by the question.
2. The assessment rubric from the specimen paper, where there is one, listing the set of general criteria that are used to assess responses.
3. The marking guidelines, which show the criteria to be applied to responses along with the marks to be awarded in line with the quality of the responses. For extended-response questions, performance is described at a number of levels of performance, each covering a range of marks.
4. A sample answer or some points that answers might include. Sample answers indicate the scope and depth of treatment expected, and are not intended to be prescriptive. Similarly, the points that could be included in answers are not intended to be an exhaustive list, but rather an indication of the considerations that students could include in their responses.

Marking guidelines will generally require some refinement at the Marking Centre to take account of unanticipated responses that students present. For essay-type questions, the standard described at each mark range will be made clear during pilot-marking by the selection of sample scripts.

In a standards-referenced framework, examination questions are closely linked to syllabus content and outcomes. Expectations of the question are to be clear in the wording of the question. Marking guidelines will be developed at the same time as the examination questions, by examination committees. The development of marking guidelines will be guided by the Board's *Principles for Developing Marking Guidelines Examinations in a Standards-Referenced Framework*, published in Board Bulletin Volume 9 Number 3 (May 2000).

Sample Marking Guidelines – Economics

Marks

Question 22 (10 marks)

The table gives selected information on proposed reforms of Australian public utilities.

Refer to the table on page 13 of the Specimen Paper.

Using the table and your own knowledge:

- (a) Outline what is meant by improved labour productivity.

2

Outcomes assessed: H1

MARKING GUIDELINES

Criteria	Marks
<ul style="list-style-type: none">Refers to the efficient use of resourcesProvides brief detail concerning output per worker per unit of time	2
<ul style="list-style-type: none">Refers only to output of labourNo detail concerning measurement of labour productivity	1

- (b) Explain ONE possible adverse effect of these proposed reforms of government enterprises on:

- (i) Individuals

2

Outcomes assessed: H1, H6, H7

MARKING GUIDELINES

Criteria	Marks
<ul style="list-style-type: none">Identifies and explains one possible adverse effect identified from the table for individuals	2
<ul style="list-style-type: none">States one possible adverse affect identified from the table for individuals	1

Answers could include:

- Reduction in quality or supply of utility or service due to corporatisation or privatisation

- (ii) Firms

2

Outcomes assessed: H1, H6, H7

MARKING GUIDELINES

Criteria	Marks
<ul style="list-style-type: none">Identifies and explains one possible adverse effect identified from the table for firms	2

Criteria	Marks
• States one possible adverse affect identified from the table for firms	1

Answers could include:

- Higher prices due to corporatisation or privatisation

- (c) Explain how these proposed reforms of government enterprises could lead to an improvement in Australia's current account deficit. **4**

Outcomes assessed: H1, H6, H8

MARKING GUIDELINES

Criteria	Marks
<ul style="list-style-type: none"> • Provides clear evidence of how reforms influence Australia's current account deficit • Uses appropriate examples drawn from the table 	4
<ul style="list-style-type: none"> • Provides evidence of some of the reforms that could lead to an improvement in Australia's current account deficit • Uses examples drawn from the table 	3
<ul style="list-style-type: none"> • Provides some evidence of reforms that could lead to an improvement in Australia's current account deficit • Examples may be inappropriate 	2
<ul style="list-style-type: none"> • Minimal explanation of reforms with inappropriate examples or no examples drawn from the table 	1

Answers could include:

- Increased competitiveness, efficiency and cost reduction
- Identification of utilities, refers to exports and import-competing industries
- Relationship between the reforms and the current account deficit that provides why and/or how an improvement in the current account deficit will occur
- The relationship between the reforms and increased international competitiveness

Question 27 (20 marks)

Discuss possible government responses to changes in the global economy that have affected Australia's trade and financial flows.

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

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

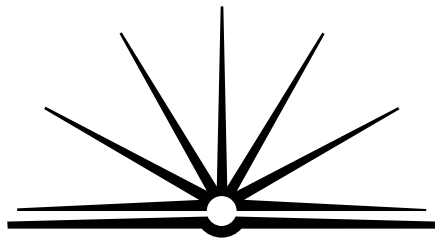
Outcomes assessed: H3, H4, H5, H6, H8, H10

MARKING GUIDELINES

Criteria	Marks
<ul style="list-style-type: none"> • Demonstrates factually precise and extensive knowledge to develop a logically sequenced answer that highlights a clear understanding of government responses to Australia's trade and financial flows • Uses relevant data to support a contemporary and comprehensive discussion that is specific to government responses affecting Australia's trade and financial flows in the global economy • Integrates economic terms, concepts, issues, relationships and theory 	17 – 20
<ul style="list-style-type: none"> • Good use of appropriate knowledge to develop an answer that highlights an understanding of government responses to Australia's trade and financial flows • Uses relevant data to support a discussion of government responses affecting Australia's international trade and financial flows in the global economy • Good use of economic terms and applies economic concepts and relationships 	13 – 16
<ul style="list-style-type: none"> • Uses correct and usually relevant information to demonstrate some knowledge and understanding of government responses to Australia's trade and financial flows • Uses relevant data to provide a descriptive response of government strategies affecting Australia's international trade and financial flows in the global economy • Uses economic terms and economic concepts and relationships 	9 – 12
<ul style="list-style-type: none"> • Demonstrates generalised knowledge describing government responses to Australia's trade and financial flows • Makes minimal use of data to support discussion of government responses affecting Australia's international trade and financial flows in the global economy • Limited use of economic terms, concepts and relationships 	5 – 8
<ul style="list-style-type: none"> • Demonstrates a basic knowledge about government responses affecting Australia's trade and financial flows in the global economy • Basic use of some appropriate terminology to communicate economic ideas 	1 – 4

Answers could include:

- Consideration of changes in the size, pattern and direction of trade and investment in Australia
- Australia as a participant in foreign exchange markets
- An explanation of the impact of changes in trade and financial flows on the Australian economy
- An identification of government responsiveness to changes in the global economy



BOARD OF STUDIES
NEW SOUTH WALES

2001
HIGHER SCHOOL CERTIFICATE
SPECIMEN EXAMINATION

Economics

General Instructions

- Reading time – 5 minutes
- Working time – 3 hours
- Write using blue or black pen
- Board-approved calculators may be used
- Write your Centre Number and Student Number at the top of page 11

Section I Pages 2 – 9

Total marks **(20)**

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

Section II Pages 11 – 18

Total marks **(40)**

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

Section III Pages 19 – 20

Total marks **(20)**

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

Section IV Page 21

Total marks **(20)**

- 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.

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 ☒ ^{correct} C ☐ D ☐

- 1 What is the best indicator of the level of economic development for an economy?
- (A) The economy's growth rate
 - (B) The quality of life of the people within the economy
 - (C) The proportion of gold in the economy's reserves
 - (D) The proportion of GDP spent on defence items
- 2 Which one of the following is an example of hidden unemployment?
- (A) The skills of the unemployed do not match the skills required in available jobs.
 - (B) Workers have been laid off by factory closures.
 - (C) There is a rise in the rate of unemployment as the rate of inflation falls.
 - (D) The unemployed no longer seek work because of a deterioration in the job market.

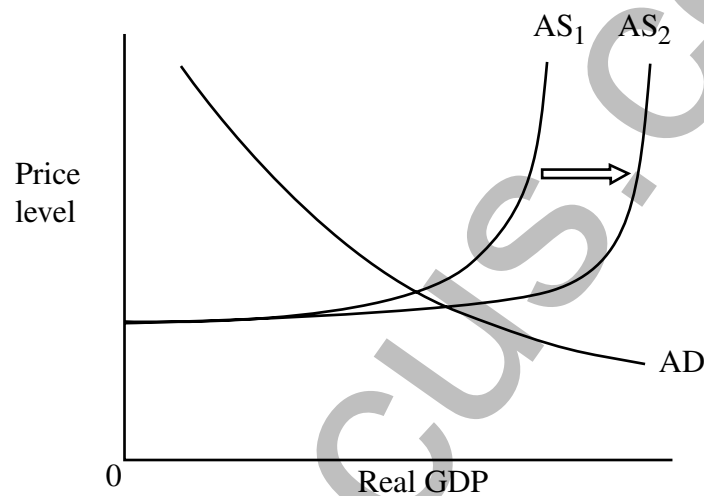
- 3 The following table shows the labour force data for a nation.

	<i>No. of persons</i>
Full-time employment	120 000
Part-time employment	62 000
Unemployment	18 000
Job vacancies	6 000

What is the unemployment rate for this nation?

- (A) 3%
 - (B) 9%
 - (C) 10%
 - (D) 15%
- 4 Why does the market system generally fail to produce public goods?
- (A) Consumers in the marketplace have little demand for public goods.
 - (B) Private industry cannot restrict the benefits to only those who are willing to pay for public goods.
 - (C) Government business enterprises can produce public goods cheaper than private industry.
 - (D) The existence of public goods increases the inequality of income distribution.

- 5 What is the likely effect of reduced tariff protection for an Australian industry?
- (A) An increase in the price paid by domestic consumers
 - (B) Removal of the foreign product from the Australian market
 - (C) A short-term increase in employment within the domestic industry
 - (D) A decrease in domestic market share for Australian firms
- 6 The following diagram shows aggregate demand and aggregate supply curves for a country.



What could cause a shift of the aggregate supply curve from AS_1 to AS_2 ?

- (A) A fall in government spending on goods and services
 - (B) A rise in government spending on goods and services
 - (C) A rise in per-unit production costs
 - (D) A fall in per-unit production costs
- 7 If a nation's output rises, what would be the most likely effect on consumption and savings?
- (A) Consumption and savings would rise.
 - (B) Consumption and savings would fall.
 - (C) Consumption would rise and savings would fall.
 - (D) Consumption would fall and savings would rise.

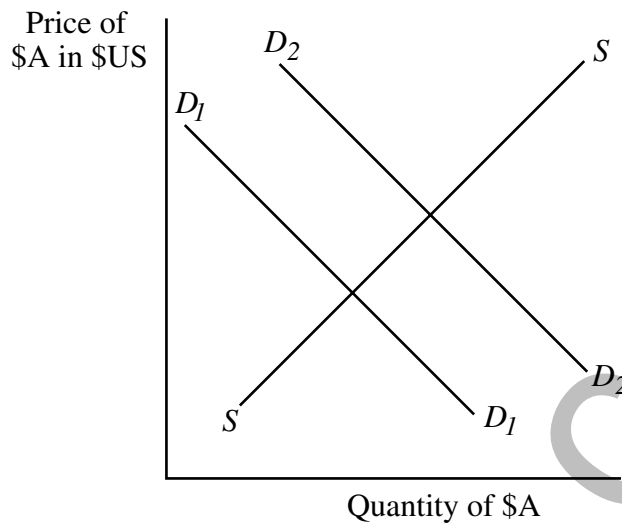
- 8 Which one of the following most likely indicates a trend towards greater globalisation?
- (A) Increases in the volatility of world interest rates
 - (B) Increases in the trade barriers between countries
 - (C) Increases in the value of global trade as a proportion of total output
 - (D) Increases in the growth rates of developing economies
- 9 The table shows selected economic data for a country.

	<i>\$ billion</i>
Savings	30
Investment	20
Taxation	10
Exports	15
Government spending	20
Imports	10

Which one of the following statements can be supported by the information in the table?

- (A) The level of national income is in equilibrium.
- (B) The level of economic activity will tend to rise.
- (C) Planned expenditure equals actual expenditure.
- (D) The level of economic activity will tend to fall.

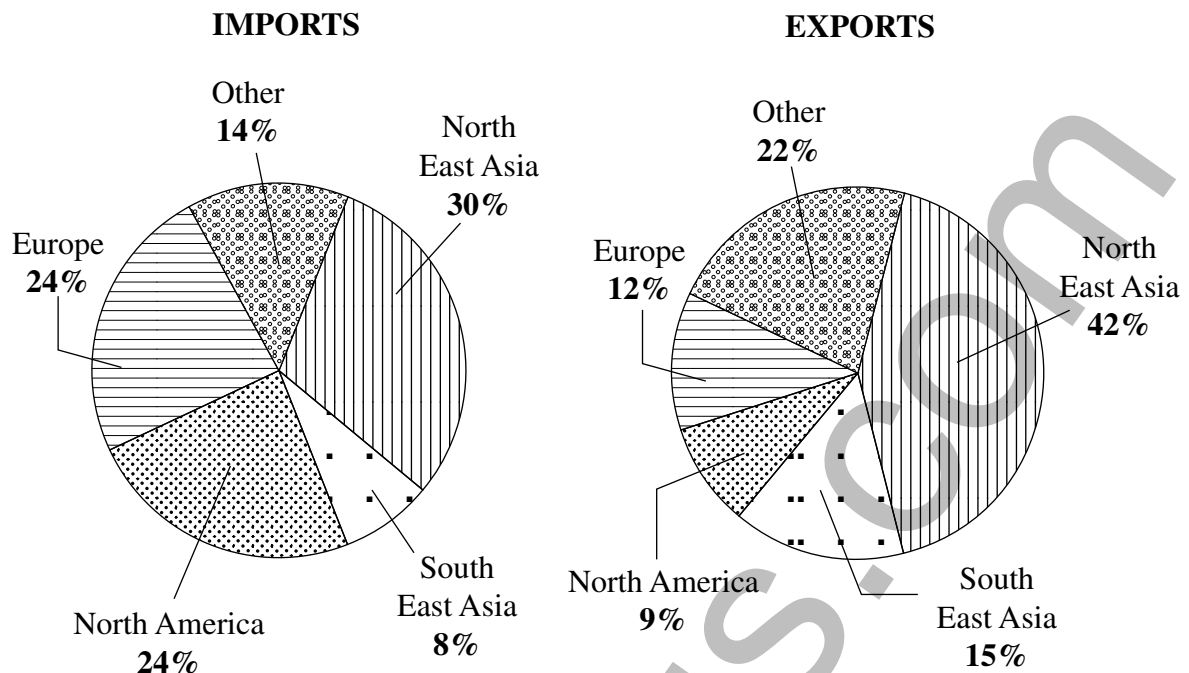
- 10 The following diagram shows the demand for and the supply of the Australian dollar in the foreign exchange market.



- Which one of the following is likely to cause a shift in the demand curve from D_1 to D_2 ?
- (A) Increased capital inflow and increased demand for imports
 - (B) Decreased capital inflow and increased demand for exports
 - (C) Decreased capital inflow and increased demand for imports
 - (D) Increased capital inflow and increased demand for exports
- 11 Which one of the following indicates market failure?
- (A) Demand and supply do not reflect all the costs and benefits of production.
 - (B) Merit goods are provided by the private sector.
 - (C) Demand and supply are in disequilibrium.
 - (D) The quantity demanded for the good is less than the quantity of the good supplied.
- 12 What are the likely effects of the Reserve Bank purchasing government securities in the short-term money market?
- (A) Increased liquidity and reduced cash rate
 - (B) Increased liquidity and increased cash rate
 - (C) Reduced liquidity and increased cash rate
 - (D) Reduced liquidity and reduced cash rate

- 13** How can a government finance its budget deficit?
- (A) By reducing expenditure
 - (B) By increasing taxation
 - (C) By reducing foreign debt
 - (D) By borrowing from the public
- 14** How would the purchase of a franchise for an Australian-owned hamburger store by a US investor be registered in Australia's balance of payments?
- (A) As a credit in the current account
 - (B) As a debit in the current account
 - (C) As a credit in the capital and financial account
 - (D) As a debit in the capital and financial account
- 15** Which one of the following would most likely increase as a result of a downturn in the international business cycle?
- (A) Export growth
 - (B) Domestic inflation
 - (C) Import prices
 - (D) Domestic unemployment
- 16** What would be two indicators of fiscal policy tightening in Australia?
- (A) Higher interest rates and reduced government spending
 - (B) Higher tax rates and reduced government spending
 - (C) Lower tax rates and increased government spending
 - (D) Lower tax rates and lower rates of interest

- 17 The graph shows the direction of Australia's trade in goods in 1998–99.



If Australia's trade in goods is in balance, which statement best describes Australia's trading position for goods?

- (A) Australia's trade surplus with European countries is offset by a trade deficit with North-East Asia.
- (B) Australia's trade deficit with South-East Asian countries is offset by trade surpluses with North American countries.
- (C) Australia's trade surplus with North-East Asian countries is offset by trade deficits with European countries.
- (D) Australia's trade deficit with European countries is offset by trade surpluses with North American countries.

- 18** The following information refers to a nation's terms of trade.

Year	Import Price Index	Export Price Index
1	100	100
2	130	104

Other things being equal, what does the change in the terms of trade from Year 1 to Year 2 mean for this nation?

- (A) The nation's current account deficit will fall.
 - (B) The nation will increase its reserves of foreign currency.
 - (C) The nation's value of exports is greater than its value of imports.
 - (D) The nation can buy fewer imports with a given volume of exports.
- 19** Which one of the following is likely to occur when aggregate demand exceeds aggregate supply?
- (A) A fall in economic activity
 - (B) A rise in unemployment
 - (C) A rise in prices
 - (D) A fall in imports
- 20** If the marginal propensity to consume is 0.8 and new investment spending is 100, what will be the increase in the level of equilibrium income?
- (A) 80
 - (B) 180
 - (C) 400
 - (D) 500

HSCFocus.com

BLANK PAGE

--	--	--	--	--

Centre Number

--	--	--	--	--	--	--	--	--

Student Number

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

Marks

Question 21 (10 marks)

The table gives selected economic data for a country.

Year	% change in real output on previous year	Unemployment rate %	Consumer Price Index	Current account deficit (% of GDP)
1	4.5	6.0	120	7.0
2	3.0	6.1	126	6.5
3	0.4	6.5	128	5.0
4	1.5	7.2	132	6.0
5	2.1	7.2	136	6.5

Using the table:

- (a) Calculate the inflation rate for Year 2.

1

.....

- (b) Describe the trend in the level of economic activity from Year 1 to Year 3.

2

.....

.....

.....

.....

Question 21 continues on page 12

Question 21 (continued)

- (c) Outline TWO possible causes of the increase in the size of the current account deficit between Years 3 and 5. **2**

Cause 1:
.....
.....

Cause 2:
.....
.....


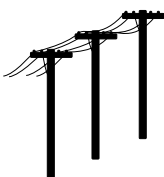

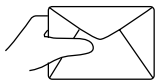
- (d) Evaluate the usefulness of contractionary fiscal policy to address the current account deficit problem in Year 5. **5**

.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

End of Question 21

Question 22 (10 marks)

The table gives selected information on proposed reforms of Australian public utilities.

Public utility	Reform	Estimate of direct effect
	End Telstra's monopoly in telecommunications	Improve labour productivity by 45 per cent and capital productivity by 22 per cent in telecommunications
	Interstate electricity grid, free trade in bulk electricity and competitive source of generation capacity	Improvement in labour and capital productivity sufficient to move all states to best practice. (Average improvement of 50 per cent for all states)
	Corporatisation and move to best practice in rail	Improve average factor productivity in rail across all states by 25 per cent
	Remove Australia Post's monopoly in letter delivery	Improve labour productivity in postal services by 12.2 per cent

Using the table and your own knowledge:

- (a) Outline what is meant by improved labour productivity.

2

.....

.....

.....

.....

Question 22 continues on page 14

Question 22 (continued)

- (b) Explain ONE possible adverse effect of these proposed reforms of government enterprises on:

(i) Individuals

2

.....

.....

.....

.....

(ii) Firms

2

.....

.....

.....

.....

- (c) Explain how these proposed reforms of government enterprises could lead to an improvement in Australia's current account deficit.

4

.....

.....

.....

.....

.....

.....

.....

.....

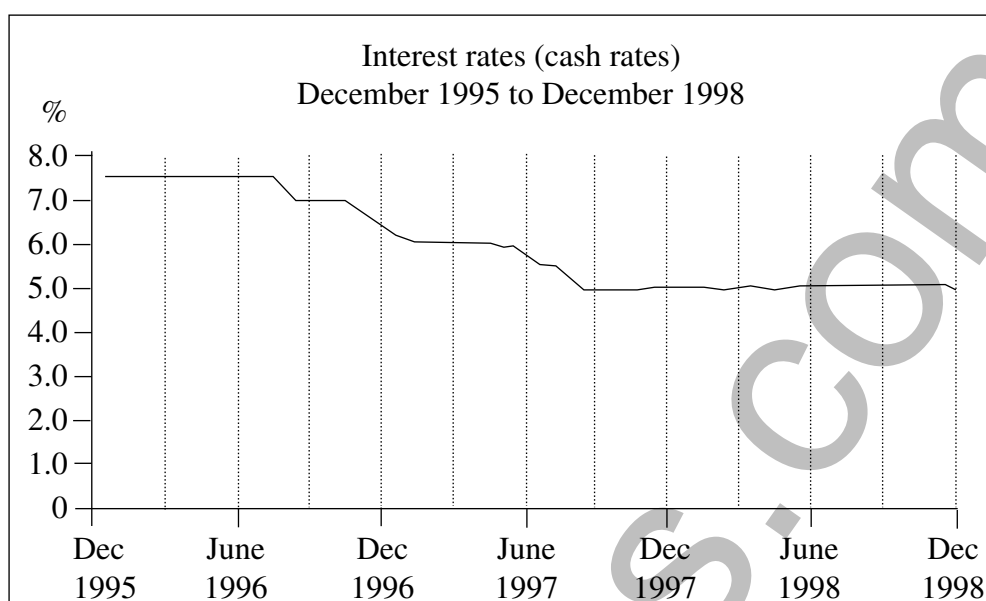
.....

.....

End of Question 22

Question 23 (10 marks)

The stimulus material provides information on interest rates for Australia.



Adapted from *Reserve Bank of Australia Bulletin*, December 1998

The past year has seen an unusual degree of turmoil in international financial markets, but the underlying trend in the international economy has been towards lower growth, lower inflation and lower world interest rates... In the medium term, Australian monetary policy aims to achieve an average inflation rate of somewhere between 2 and 3 per cent. Inflation has recently been running below 2 per cent... To date, domestic economic activity has continued to expand at a solid pace, in part reflecting the supportive stance of monetary policy: interest rates faced by borrowers are near thirty-year lows.

Reserve Bank of Australia Bulletin, December 1998

- (a) According to the graph, what was the level of interest rates in June 1998 (to the nearest whole number)?

1

Question 23 continues on page 16

Question 23 (continued)

- (b) Suggest ONE possible reason for the trend in the level of interest rates between December 1995 and December 1998 shown in the graph. **1**

.....

.....

.....

- (c) Suggest TWO benefits for the Australian economy of the trend in the level of interest rates shown in the graph. **2**

.....

.....

.....

.....

- (d) How does the Reserve Bank influence the level of interest rates in Australia? **3**

.....

.....

.....

.....

.....

.....

.....

.....

- (e) Explain why the Reserve Bank attempts to influence the level of interest rates in Australia. **3**

.....

.....

.....

.....

.....

.....

.....

.....

End of Question 23

<i>Persons looking for full-time work</i>					
	Aged 15–19	Aged 20 and over	Total rate	Proportion in long-term unemployment	Average duration of unemployment
	Per cent			Per cent	Weeks
1992–93	32.1	10.8	11.0	35.8	53.8
1993–94	32.2	10.3	10.5	36.6	57.5
1994–95	27.6	8.5	9.5	34.4	57.5
1995–96	27.8	8.9	8.9	29.6	51.7
1996–97	28.7	8.3	9.2	28.4	52.1

- 5

HSCEOC

– 17 –

Question 24 (continued)

- (b) Choose ONE current government employment program. Explain how the program is designed to improve employment outcomes for young people. **5**

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

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 writing booklet. Extra writing booklets are available.

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 the policy options for addressing inequality in the distribution of income and wealth in the Australian economy.

‘A major new study that identifies the 30 most disadvantaged communities in NSW has highlighted the growing wealth divide between Sydney and regional NSW. The study shows poverty and social disadvantage are concentrated outside Sydney in a relatively small number of postcode areas. Of NSW’s 578 postcode districts, 30 mostly rural or regional communities were found to be highly disadvantaged in a range of areas. Only two of Sydney’s suburbs are on the list, further evidence of the affluence divide between Sydney and the rest of NSW.’

Adapted from *The Sydney Morning Herald*.

The table shows the distribution of estimated market income and wealth in Australia.

Families	Estimated market income	Wealth
Lowest 20%	<1%	<1%
Second 20%	3%	3%
Third 20%	15%	12%
Fourth 20%	26%	23%
Highest 20%	57%	62%

Sources:

Income: National Centre for Social and Economic Modelling (NATSEM), University of Canberra;

Wealth: Hans Baekgaard, ‘The Changing Patterns of the Distribution of Household Wealth in Australia from 1986 to 1993’, NATSEM Conference Paper, September 1997.

OR

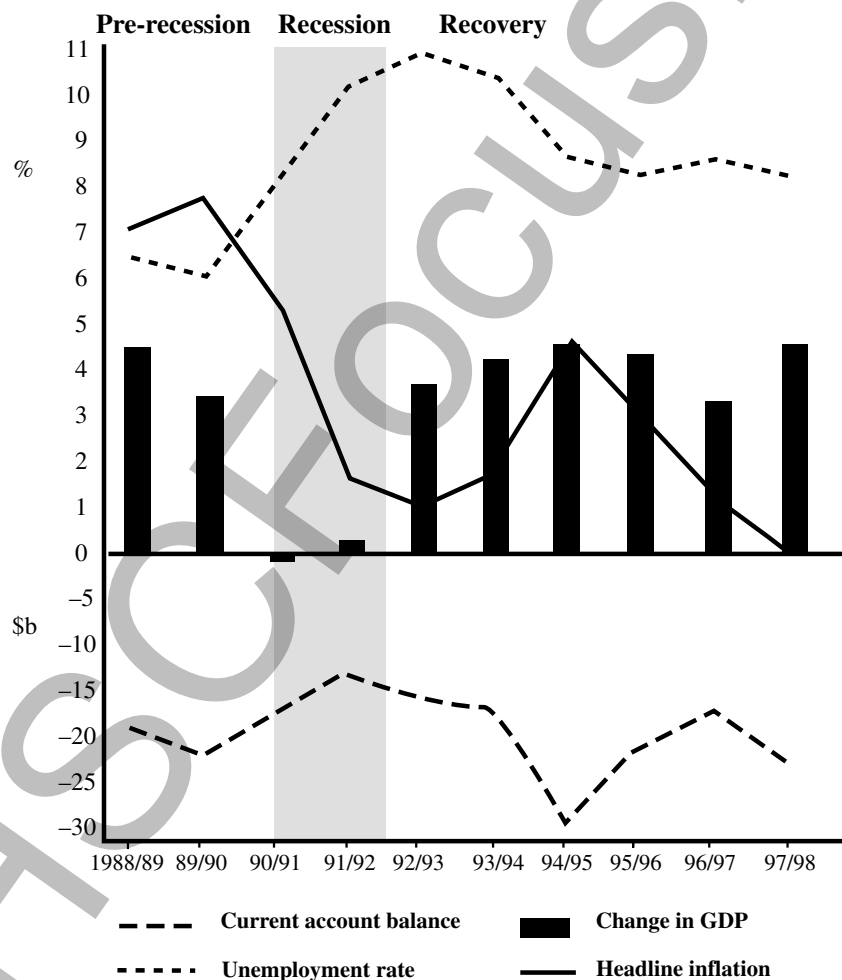
Question 26 (20 marks)

Analyse the impact of economic policies designed to promote sustained economic growth in the Australian economy.

The primary objective of the Government's medium-term fiscal strategy is to achieve fiscal balance, on average, over the course of the economic cycle. Sustainable fiscal settings help promote longer-term growth prospects by reducing Australia's vulnerability to external shocks and allowing greater flexibility to adjust to changing economic conditions.

(1999/2000 Budget Statement 1)

Indicators of economic performance



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. Extra writing booklets are available.

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

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

Question 27 (20 marks)

Discuss possible government responses to changes in the global economy that have affected Australia's trade and financial flows.

OR

Question 28 (20 marks)

Explain how an individual economy (other than Australia) is endeavouring to promote its level of economic development, in an environment where globalisation is affecting living standards.

End of paper

HSCFocus.com

BLANK PAGE