

**2008 TRIAL HIGHER SCHOOL CERTIFICATE
EXAMINATION**

ECONOMICS – MARKING GUIDELINES

The sample answers indicate features that should be found in a response that receives full marks. For the extended response questions, a set of guidelines is included rather than a sample answer.

Section I

Part A – 20 marks

Questions 1 - 20 (1 mark each)

Question	Correct Response	Outcomes Assessed	Targeted Performance Bands
1	A	H5	2-3
2	D	H2, H3	3-4
3	C	H4	4-5
4	D	H6	4-5
5	D	H1, H11	4-5
6	B	H1, H3	3-4
7	D	H2, H3	3-4
8	B	H1, H11	4-5
9	A	H1, H3	3-4
10	C	H1, H11	4-5
11	A	H3	3-4
12	D	H6	4-5
13	B	H1, H4	2-3
14	A	H1	4-5
15	A	H1, H4	3-4
16	D	H6	3-4
17	C	H6	4-5
18	B	H1, H11	5-6
19	A	H5	3-4
20	D	H2, H3	5-6

DISCLAIMER

Every effort has been made to prepare this Examination in accordance with the Board of Studies documents. No guarantee or warranty is made or implied that the Examination paper mirrors in every respect the actual HSC Examination question paper in this course. This paper does not constitute 'advice' nor can it be construed as an authoritative interpretation of Board of Studies intentions. No liability for any reliance use or purpose related to this paper is taken. Advice on HSC examination issues is only to be obtained from the NSW Board of Studies. The publisher does not accept any responsibility for accuracy of papers which have been modified.

2008 Trial HSC Examination Mapping Grid Economics

Exam Section	Question	Marks	Syllabus/Course outcomes	Targeted performance band	Answer
Section I Multiple Choice	1	1	H5	2-3	A
	2	1	H2, H3	3-4	D
	3	1	H4	3-4	C
	4	1	H6	2-3	D
	5	1	H1, H11	4-5	D
	6	1	H1, H3	2-3	B
	7	1	H2, H3	3-4	D
	8	1	H1, H11	3-4	B
	9	1	H1, H3	4-5	A
	10	1	H1, H11	4-5	C
	11	1	H3	3-4	A
	12	1	H6	3-4	D
	13	1	H1, H4	2-3	B
	14	1	H1	4-5	A
	15	1	H1, H4	3-4	A
	16	1	H6	3-4	D
	17	1	H6	3-4	C
	18	1	H1, H11	5-6	B
	19	1	H5	2-3	A
	20	1	H2, H3	5-6	D
Section II Short Answer	21 a	1	H1	2-3	
	21 b	2	H5	4-5	
	21 c	4	H6, H7	4-5	
	21 d	3	H4, H6, H7	4-5	
	22 a	1	H1	2-3	
	22 b	2	H3	2-3	
	22 c	2	H8	2-3	
	22 d	5	H2, H3	4-5	
	23 a	2	H11	3-4	
	23 b	2	H8, H14	4-5	
	23 c	3	H3, H7	4-5	
	23 d	3	H7	4-5	
	24 a	1	H1	3-4	
	24 b	1	H11	4-5	
	24 c	1	H11	4-5	
	24 d	3	H2, H3, H7	5-6	
	24 e	4	H2, H5, H6	3-4	

Exam Section	Question	Marks	Syllabus/Course outcomes	Targeted performance band	Answer
Section III Essay	25	20	H1, H2, H4, H7, H8	3-4	
	26	20	H1, H2, H4, H7, H8	3-4	
Section IV Essay	27	20	H1, H2, H4, H7, H8, H10	3-4	
	28	20	H1, H2, H4, H7, H8, H10	3-4	

Section II – 40 marks

Question 21

(a) (1 mark)

Outcomes Assessed: H1

Targeted Performance Bands: 2-3

Criteria	Mark
• Correctly defines productivity as the quantity of output per unit of labour over time	1

(b) (2 marks)

Outcomes Assessed: H5

Targeted Performance Bands: 4-5

Criteria	Marks
• Describes TWO relevant policies to promote productivity growth	2
Describes ONE relevant policy to promote productivity growth, OR	1
• Identifies TWO relevant policies to promote productivity growth	

Relevant policies can include:

- Labour market reform policies
- Training and education
- Welfare-to-work/mutual obligation
- Apprenticeship schemes
- Competition policy
- Privatization
- Reductions in the level of protection

Question 21 continues over page

Question 21 (continued)

(c) (4 marks)

Explain ONE benefit of increasing productivity for Australia's domestic economic performance and ONE benefit for external economic performance.

Outcomes Assessed: H6, H7

Targeted Performance Bands: 4-5

Criteria	Marks
<ul style="list-style-type: none"> Explains ONE relevant benefit of increasing productivity for Australia's domestic economic performance and ONE relevant benefit for external economic performance 	4
<ul style="list-style-type: none"> Explains ONE relevant benefit of increasing productivity for Australia's domestic economic performance or ONE relevant benefit for external economic performance, AND Identifies ONE relevant benefit of increasing productivity for Australia's domestic economic performance or ONE relevant benefit for external economic performance 	3
<ul style="list-style-type: none"> Explains ONE relevant benefit of increasing productivity for Australia's domestic economic performance or ONE relevant benefit for external economic performance, OR Identifies ONE relevant benefit of increasing productivity for Australia's domestic economic performance and ONE relevant benefit for external economic performance 	2
<ul style="list-style-type: none"> Identifies ONE relevant benefit of increasing productivity for Australia's domestic economic performance or ONE relevant benefit for external economic performance 	1

Benefits to Australia's domestic performance can include:

- Increased output/GDP/economic growth
- Decreased inflationary pressure
- Increased demand for labour

Benefits to Australia's external performance can include:

- Increased international competitiveness
- Increase export demand
- Improvement in balance of goods and services/net goods/net exports
- Improvement in CAD
- Increased attractiveness to FDI

Question 21 continues over page

Question 21 (continued)

(d) (3 marks)

Explain how structural change affects the level of unemployment in an economy.

Outcomes Assessed: H4, H6, H7**Targeted Performance Bands:** 4-5

Criteria	Marks
<ul style="list-style-type: none">Provides a clear and concise explanation of the causal links between structural change and changes in the level of unemployment in both the long and short term	3
<ul style="list-style-type: none">Provides a clear explanation of the links between structural change and changes in the level of unemployment in the long or short term	2
<ul style="list-style-type: none">Describes or identifies a simplistic relationship between unemployment and structural change	1

Sample answer

Structural change results in changes to the level of unemployment. In the short term as businesses respond to increased competition by increasing the use of technology and capital, or by closing down as they can no longer compete effectively, structural unemployment will increase. However, as efficient industries grow and become successful there will be an increased demand for labour and hence a fall in unemployment.

Question 22

(a) (1 mark)

Define the term globalisation.

Outcomes Assessed: H1

Targeted Performance Bands: 2-3

Criteria	Mark
• Correctly defines globalisation as the integration of national economies and the internationalisation of goods, service, finance and resource markets	1

(b) (2 marks)

Outline TWO indicators of a change in the rate of globalisation.

Outcomes Assessed: H3

Targeted Performance Bands: 2-3

Criteria	Marks
• Outlines two relevant indicators	2
• Outlines one relevant indicator	1

Indicators can include:

- International trade
- GWP
- Investment/financial flows
- Migration
- Exchange rates
- Changes in legislation
- Behaviour of transnational companies

(c) (2 marks)

Describe one measure of economic development.

Outcomes Assessed: H8

Targeted Performance Bands: 2-3

Criteria	Marks
• Clearly describes the nature and characteristics of one measure of economic development	2
• Identifies or sketches one measure of economic development	1

Indicators can include:

- Human development index
- Literacy rates
- Infant mortality
- Daily calories per capita

Question 22 continues over page

Question 22 (continued)

(d) (5 marks)

Analyse how international organisations contribute to the growth of globalisation.

Outcomes Assessed: H2, H3**Targeted Performance Bands: 4-5**

Criteria	Marks
<ul style="list-style-type: none">Provides a detailed and comprehensive explanation of the link between the actions of more than one international organisation and an increase in the pace of globalisation	5
<ul style="list-style-type: none">Provides a detailed and accurate explanation of the link between the actions of more than one international organisation and an increase in the pace of globalisation	4
<ul style="list-style-type: none">Describes or sketches in general the causal links between increases in globalisation and the actions of one or more international organisation	3
<ul style="list-style-type: none">Describes the actions of one or more international organisations in general terms	2
Identifies that a relationship exists between international organisations and globalisation, OR <ul style="list-style-type: none">Identifies one or more international organisations	1

Sample answer:

The World Bank (WB) is a global institution that furthers the economic development and wellbeing of developing nations. They perform this role by providing various forms of finance and aid which originates in developed nations. By providing advice on economic policy, assisting in the development of infrastructure and providing technical assistance for projects that improve the quality of life in developing nations the WB creates links between the developed and the developing world. The World Trade Organisation (WTO) is a multilateral organisation that seeks to work towards free trade. By reducing global levels of protection it increases rate of trade and promotes links between economies, hence increasing globalisation.

Question 23

(a) (2 marks)

Calculate the terms of trade in Year 3. (Show all working)

Outcomes Assessed: H11

Targeted Performance Bands: 3-4

Criteria	Marks
• Accurately calculates the TOT and provides correct working	2
• Accurately calculates the TOT or provides correct working	1

$$\begin{aligned}\text{Terms of Trade} &= (\text{Export Price index}/\text{Import Price Index}) \times 100 \\ &= 154/140 \times 100 \\ &= 110\end{aligned}$$

(b) (2 marks)

Outcomes Assessed: H8, H14

Targeted Performance Bands: 4-5

Outline TWO factors that could contribute to an improvement in an economy's terms of trade over time.

Criteria	Marks
• Outlines two relevant factors	2
• Outlines one relevant factor	1

Factors can include:

- Increase in demand for exported products, hence increased price of exports
- Increase in global prices of exported goods
- Increase in international competitiveness of overseas producers
- Fall in global supply of exported goods

Question 23 continues over page

Question 23 (continued)

(c) (3 marks)

Describe how an improvement in the terms of trade will impact on the current account deficit of an economy.

Outcomes Assessed: H3, H7

Targeted Performance Bands: 4-5

Criteria	Marks
<ul style="list-style-type: none"> Demonstrates a clear understanding of the inverse relationship between the terms of trade and the CAD, through the impact on the balance of goods and services 	3
<ul style="list-style-type: none"> Describes the inverse relationship between the ToT and the CAD in general terms 	2
<ul style="list-style-type: none"> Identifies an inverse relationship between the ToT and the CAD 	1

Sample Answer

An improvement in the terms of trade means that there has been an increase in export prices relative to import prices, or a given quantity of exports will allow an economy to buy a greater quantity of imports. As a result, ceteris paribus, there will be an improvement in the balance of goods and services, with higher export revenue relative to import spending. As a result there will be an improvement in the CAD.

(d) 3 marks

Outcomes Assessed: H7

Targeted Performance Bands: 4-5

Explain the impact of an increase in net foreign debt on the domestic economic performance of an economy.

Criteria	Marks
<ul style="list-style-type: none"> Demonstrates a clear understanding of the impact of FD on more than one economic indicator 	3
<ul style="list-style-type: none"> Describes the impact of a FD on domestic economic performance in general terms Or <ul style="list-style-type: none"> Demonstrates a clear understanding of the impact of FD on one economic indicator 	2
<ul style="list-style-type: none"> Identifies an inverse relationship between the FD and economic growth 	1

Sample Answer

An increase in net foreign debt acts as a constraint on economic growth, as the net outflow of servicing costs (interest on loans) reduces the available funds to invest into economic expansion. This can limit future reductions in unemployment and limit the level of economic activity.

NB: An answer that seeks to explain the Pitchford thesis is a valid alternative response to the question.

Question 24

(a) (1 mark)

Define the term economic growth

Outcomes Assessed: H1

Targeted Performance Bands: 3-4

Criteria	Mark
Defines economic growth as an increase in a nation's volume of goods and services produced over a given period of time, OR <ul style="list-style-type: none">Defines economic growth as a percentage increase in a nation's real GDP over a given period of time	1

(b) (1 mark)

Outcomes Assessed: H11

Targeted Performance Bands: 4-5

Calculate the marginal propensity to consume for this economy.

Criteria	Mark
<ul style="list-style-type: none">Identifies the MPC as 0.8	1

$$\begin{aligned}\text{Marginal propensity to consume (MPC)} &= \Delta \text{Consumption} / \Delta \text{Income} \\ &= 320 / 400 \\ &= 0.8\end{aligned}$$

(c) (1 mark)

Calculate the increase in national income if investment increases by \$50 billion.

Outcomes Assessed: H11

Targeted Performance Bands: 4-5

Criteria	Mark
<ul style="list-style-type: none">\$250 billion	1

$$\text{Increase in national income} = \text{multiplier (k)} * \text{injection}$$

$$\text{Where } k = 1/\text{MPS}$$

$$\begin{aligned}\text{Increase in national income} &= 5 * 50b \\ &= 250b\end{aligned}$$

Question 24 continued over page

Question 24 (continued)
(d) (3 marks)

Outcomes Assessed: H3, H4, H7
Targeted Performance Bands: 5-6

Explain how changes in the marginal propensity to consume will affect the growth of income following a new injection into an economy.

Criteria	Marks
• Demonstrates a clear understanding of how a change in the MPC will impact on the level of economic growth in an economy through changes in aggregate demand	3
• Describes the relationship between the MPC and economic growth in general terms	2
• Identifies that the MPC and economic growth have a direct (positive) relationship	1

Sample Answer

An increase in the MPC means that consumers will spend a greater proportion of extra income. An increase in an injection will create income for some consumers, who will spend a greater proportion of it, increasing aggregate demand. This will stimulate the rate of growth in output, GDP and hence increase the rate of economic growth. As the MPC falls and consumers save a greater proportion of extra income, any injection will have a reduced impact on economic growth.

Question 24 continues over page

Question 24 (continued)

(e) (4 marks)

Outcomes Assessed: H2, H5, H6**Targeted Performance Bands: 3-4**

Explain TWO impacts of an increase in official interest rates on the level of aggregate demand in an economy.

Criteria	Marks
<ul style="list-style-type: none"> Explains TWO relevant impacts of increasing interest rates on components of aggregate demand 	4
<ul style="list-style-type: none"> Explains ONE relevant impact of increasing interest rates on a component of aggregate demand, AND Identifies ONE relevant impact of increasing interest rates on a component of aggregate demand 	3
<ul style="list-style-type: none"> Explains ONE relevant impact of increasing interest rates on a component of aggregate demand, OR Identifies TWO relevant impacts of increasing interest rates on components of aggregate demand 	2
<ul style="list-style-type: none"> Identifies ONE relevant impact of increasing interest rates on aggregate demand 	1

Impacts can include:

- Increase in savings, hence a reduction in disposable consumption spending
- Decrease in business investment due to increased servicing costs
- Decrease in investment in export industries, hence reducing export volumes
- Decrease in consumer confidence, hence decrease consumer spending
- Decrease in borrowings, hence decrease in spending
- Decrease in government spending if it is financed by borrowing

Section III – 20 marks

Question 25

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

Targeted Performance Bands: 3-4

Discuss the causes and consequences of a high inflation in the Australian economy.

Mark Range	Criteria
17-20	<ul style="list-style-type: none">• Demonstrates a clear and comprehensive understanding of the relative importance a range of economic factors that may influence the level of inflation• Demonstrates a clear and comprehensive understanding of the relationships between inflation and a range of domestic and external economic indicators• 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
13-16	<ul style="list-style-type: none">• Demonstrates an understanding of the relative importance of a range of economic factors that may influence the level of inflation• Demonstrates an accurate understanding of the relationships between inflation and a range of domestic and external economic indicators• Consistently applies a range of economic terms with relevant concepts, relationships and theory• Uses economic data and other information to develop a logical and well-structured response
9-12	<ul style="list-style-type: none">• Describes a number of economic factors that may influence the level of inflation• Describes the relationships between inflation and some domestic and external economic indicators in general terms• Applies economic terms, concepts, relationships and theory• Uses economic data and other information to develop a coherent response
5-8	<ul style="list-style-type: none">• Outlines some factors that may contribute to inflation• Provides general impacts of inflation on some aspects of the economy• Uses some economic terms, concepts, relationships or theory• Uses some economic data or other information.
1-4	<ul style="list-style-type: none">• Sketches in general some causes and/or impacts of inflation• Uses some economic terms• Presents a limited response

Question 26

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

Targeted Performance Bands: 3-4

Discuss the impact of changes in fiscal policy on the performance of the Australian economy.

Mark Range	Criteria
17-20	<ul style="list-style-type: none">• Demonstrates a clear and concise understanding of the nature of fiscal policy and its role in the economy• Demonstrates a clear and concise understanding of the nature of the impacts of fiscal policy on a range of domestic and external economic indicators• 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
13-16	<ul style="list-style-type: none">• Demonstrates an understanding of the nature of fiscal policy and its role in the economy• Demonstrates an understanding of the nature of the impacts of fiscal policy on a range of domestic and external economic indicators• Consistently applies a range of economic terms with relevant concepts, relationships and theory• Uses economic data and other information to develop a logical and well-structured response
9-12	<ul style="list-style-type: none">• Demonstrates generalised understanding of the nature of fiscal policy• Describes the impacts of fiscal policy on a range of domestic and/or external economic indicators in general terms• Applies economic terms, concepts, relationships and theory• Uses economic data and other information to develop a coherent response
5-8	<ul style="list-style-type: none">• Demonstrates limited understanding of the nature of fiscal policy• Sets out in general or incomplete terms some impacts of fiscal policy on domestic and/or external economic indicators• Uses some economic terms, concepts, relationships or theory• Uses some economic data or other information
1-4	<ul style="list-style-type: none">• Sketches in general some impacts of fiscal policy• Uses some economic terms• Presents a limited response

Section III – 20 marks

Question 27

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

Targeted Performance Bands: 3-4

Analyse the impact of globalisation on the environment and global inequality.

Mark Range	Criteria
17-20	<ul style="list-style-type: none">• Demonstrates a clear and concise understanding of the relationship between globalisation and both environmental outcomes and changes in the level of global inequality• 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
13-16	<ul style="list-style-type: none">• Explains the relationships between globalisation and both environmental outcomes and changes in the level of global inequality, OR• Demonstrates a clear and concise understanding of the relationship between globalisation and both environmental outcomes or changes in the level of global inequality AND explains the relationship between the globalisation and the other in general terms• Consistently applies a range of economic terms with relevant concepts, relationships and theory• Uses economic data and other information to develop a logical and well-structured response
9-12	<ul style="list-style-type: none">• Describes the relationships between globalisation and both environmental outcomes and changes in the level of global inequality in general terms• Applies economic terms, concepts, relationships and theory• Uses economic data and other information to develop a coherent response
5-8	<ul style="list-style-type: none">• Sketches generalized impacts of globalisation on environmental outcomes and/or changes in the level of global inequality• Uses some economic terms, concepts, relationships or theory• Uses some economic data or other information
1-4	<ul style="list-style-type: none">• Sketches in general some causes and/or impacts of globalisation• Uses some economic terms• Presents a limited response

Question 28

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

Targeted Performance Bands: 3-4

Analyse the impacts of a continuing current account deficit on Australia's domestic economic performance

Mark Range	Criteria
17-20	<ul style="list-style-type: none">• Demonstrates a clear and concise understanding of the nature of the current account deficit and its role in the economy• Demonstrates a clear and concise understanding of the nature of the impacts of the current account deficit on a range of domestic and external economic indicators• 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
13-16	<ul style="list-style-type: none">• Demonstrates an understanding of the nature of the current account deficit and its role in the economy• Demonstrates an understanding of the nature of the impacts of the current account deficit on a range of domestic and external economic indicators• Consistently applies a range of economic terms with relevant concepts, relationships and theory• Uses economic data and other information to develop a logical and well-structured response
9-12	<ul style="list-style-type: none">• Demonstrates generalised understanding of the nature of the current account deficit• Describes the impacts of the current account deficit on a range of domestic and/or external economic indicators in general terms• Applies economic terms, concepts, relationships and theory• Uses economic data and other information to develop a coherent response
5-8	<ul style="list-style-type: none">• Demonstrates limited understanding of the nature of the current account deficit• Sketches in general or incomplete terms some impacts of the current account deficit on domestic and/or external economic indicators• Uses some economic terms, concepts, relationships or theory• Uses some economic data or other information
1-4	<ul style="list-style-type: none">• Sketches in general some impacts of the current account deficit• Uses some economic terms• Presents a limited response

HSCFocus.com