CATHOLIC SECONDARY SCHOOLS ASSOCIATION
2010 TRIAL HIGHER SCHOOL CERTIFICATE EXAMINATION
ECONOMICS – MARKING GUIDELINES

Section I
20 marks

Questions 1-20 (1 mark each)

Question	Answer	Syllabus Outcomes	Targeted Performance Bands
1	B	H1, H3, H4	2
2	C	H1, H5, H6, H7	3
3	C	H1, H2, H3, H4	3
4	A	H5, H6, H7	4
5	A	H1, H2, H6, H7	3
6	C	H3, H4, H11	3
7	B	H2, H5, H6, H7	3
8	A	H1, H5, H6, H7	3
9	A	H1, H3, H5, H6, H7	3
10	C	H1, H3, H4, H11	4
11	D	H1, H3, H4, H11	4
12	B	H1, H4, H8, H11	4
13	D	H1, H5, H6, H8	4
14	A	H1,H3, H4, H7, H8,H11	3
15	D	H1, H5, H6, H7	4
16	C	H1, H2, H5, H6	3
17	B	H1, H5, H6, H7	4
18	D	H1, H5 H6, H7	5
19	B	H1, H3, H4	4
20	C	H1, H5, H6, H11	4

Section II
40 marks

Question 21 (10 marks)
(a) (2 mark)
Outcomes Assessed: H1, H5, H6
Targeted Performance Bands: 2

Criteria	Marks
• Clearly defines the term microeconomic reform	2
• Sketches in general terms a definition of microeconomic reform	1

(b) (2 marks)
Outcomes Assessed: H1, H5,
Targeted Performance Bands: 3

Criteria	Marks
• Clearly distinguishes between reforms in the product market and factor market	2
• Provides a sketchy distinction between reforms in the product market and factor market	1

Answers could include:
- A product market refers to physical or tangible goods and services traded in the economy's various markets. Whereas a factor market refers to that market that is concerned with the trading of the means of production or the factors of production (i.e. land, labour, capital and enterprise)

(c) (2 marks)
Outcomes Assessed: H1, H2, H5, H6
Targeted Performance Bands: 3

Marking Criteria	Marks
• Clearly outlines TWO examples of recent microeconomic reform in the Australian economy	2
• Clearly outlines ONE example of recent microeconomic reform in the Australian economy OR • Sketches One or identifies TWO examples of recent microeconomic reform in the Australian economy	1

Answers could include:
- Financial sector
- Telecommunications sector
- Transport industry
- Aviation industry
- Energy and water
- National Competition policy
- Labour Market Reform
- Tax Reform
- Other

(d) (4 marks)
Outcomes Assessed: H1, H2, H5, H6
Targeted Performance Bands: 4

Criteria	Marks
• Clearly explains TWO costs and TWO benefits associated with microeconomic reform in the Australian economy	4
• Provides a limited explanation of TWO costs and TWO benefits associated with microeconomic reform in the Australian economy	2-3
• Provides a brief or sketchy outline of ONE or TWO benefits associated with microeconomic reform in the Australian economy	1

Answers could include:
Economic costs may include:
- Structural unemployment
- Greater income inequality
- Higher CAD in the short run
- Workers resistance to change causing industrial conflict resulting in loss of production

Economic benefits may include:
- Greater levels of productivity and efficiency in the economy
- Greater output/supply levels
- Encourages innovation and new methods of production

Question 22 (10 marks)
(a) (2 mark)
Outcomes Assessed: H1, H5
Targeted Performance Bands: 3

Criteria	Mark
• Clearly distinguishes between income and wealth	2
• Provides a sketchy distinction between income and wealth	1

(b) (2 mark)
Outcomes Assessed: H1, H2, H5, H6
Targeted Performance Bands: 3

Criteria	Mark
• Clearly outlines TWO factors that could influence the gap of inequality in the Australian economy	2
• Clearly outlines ONE factor that could influence the gap of inequality in the Australian economy OR • Sketches an outline of ONE or identifies TWO factors that could influence the gap of inequality in the Australian economy	1

Answers could include:

- Levels of income
- Levels of qualifications and training
- Government policies
- Age
- Gender
- Ethnicity
- Other

(c) (2 marks)
Outcomes Assessed: H1, H2, H5, H6
Targeted Performance Bands: 4

Criteria	Marks
• Clearly outlines TWO government policies designed to reduce income inequality in the Australian economy	2
• Clearly outlines ONE government policy OR provides a sketchy outline of TWO government policies designed to reduce income inequality in the Australian economy	1

Answers could include:
- Tax reform to advantage low paid workers
- Increased budget expenditures on social welfare
- Provision of employment and training programmes

(d) (4 marks)
Outcomes Assessed: H1, H2, H5, H6, H7
Targeted Performance Bands: 3

Criteria	Marks
• Clearly discusses ONE economic and ONE social cost which can arise from inequality in the Australian economy	4
• Provides a limited discussion of ONE economic and ONE social cost which can arise from inequality in the Australian economy	2-3
• Provides a brief or sketchy outline of ONE economic and/or ONE social cost which can arise from inequality in the Australian economy	1

Answers could include:
<u>Economic costs</u>
- Misallocation of resources
- A smaller multiplier effect due to lower levels of consumer spending
- Greater tax-payers money required to support welfare initiatives

<u>Social costs</u>
- Increased poverty
- Increased crime rate
- Higher incidence of depression and alcoholism
- Social divisions due to the widening gap between the 'haves' and 'have-nots'

Question 23 (10 marks)
(a) (2 mark)
Outcomes Assessed: H1
Targeted Performance Bands: 2

Criteria	Mark
• Clearly defines the term 'free trade'	2
• Provides a limited definition of the term 'free trade'	1

Free trade is a situation where there are no artificial barriers to trade imposed by governments for the purpose of shielding domestic producers from foreign competitors

(b) (4 mark)
Outcomes Assessed: H1, H3, H4
Targeted Performance Bands: 3

Criteria	Mark
• Clearly describes TWO international attempts to promote global free trade	3-4
• Describes ONE international attempt to promote free trade OR • Identifies ONE/TWO international attempts to promote global free trade	1-2

Answers could include:
- Global trade organization: World Trade Organisation (WTO)
- Regional trade agreements: EU, NAFTA, APEC, AFTA
- Bilateral trade agreements: CERTA, SAFTA, TAFTA, AUSFTA

(c) (4 marks)

Outcomes Assessed: H1, H2, H3, H4, H7

Targeted Performance Bands: 4

Criteria	Marks
• Clearly explains TWO reasons why nations may restrict free trade and the effects of such restrictions on the domestic and/or global economy	3-4
• Explains ONE reason why nations may restrict free trade and the effects of such restrictions on the domestic and/or global economy OR • Outlines ONE/TWO reasons why nations may restrict free trade	1-2

Answers could include:

Reasons why nations restrict free trade (reasons for protection)

- Infant industries argument
- Prevention of dumping
- Protection of domestic employment
- Defence
- Self-sufficiency
- Other

Effects of trade restrictions

- Misallocation of resources
- Smaller range of goods and services
- Higher prices for goods and services due to reduced competition
- Reduced domestic efficiency and productivity due to inability to produce according to the principle of comparative advantage
- Lower levels of economic growth

Question 24 (10 marks)
(a) (2 mark)
Outcomes Assessed: H1, H5, H6, H7
Targeted Performance Bands: 3

Criteria	Mark
• Clearly distinguishes between the private and social costs associated with carbon emissions	2
• Provides a limited distinction between the private and social costs associated with carbon emissions	1

Answers could include:
A social cost refers to the price that society has to bear, as a result of private actions, to clean up the environment. However, private costs refer to the market prices that an individual has to pay in obtaining a product or service.

(b) (2 marks)
Outcomes Assessed: H1, H5, H6, H7
Targeted Performance Bands: 3

Criteria	Marks
• Clearly outlines ONE possible conflict between the goals of economic growth and the preservation of the natural environment	2
• Sketches an outline of ONE possible conflict between the goals of economic growth and the preservation of the natural environment	1

Answers could include:
- In order to preserve our environment, society's actions and the constant drive to increase economic growth may have to be curbed or restrained. For example, as we use more fossil fuels to energize our industries, we are in fact causing greater gas emissions into the atmosphere, which in turn is said to be contributing to climatic change for our planet.

(c) (2 marks)
Outcomes Assessed: H1, H5, H6, H7, H8
Targeted Performance Bands: 4

Criteria	Marks
• Clearly explains ONE economic method that a government may use to reduce carbon pollution	2
• Provides a limited explanation or identifies ONE economic method that a government may use to reduce carbon pollution	1

Answers could include:
- Carbon Pollution Reduction Scheme (CPRS)
- Carbon quota system
- Carbon tax
- Fines and/or penalties for pollution
- Other

(d) (4 marks)

Outcomes Assessed: H1, H5, H6, H7

Targeted Performance Bands: 4

Criteria	Marks
• Clearly uses TWO examples to discuss how market failure causes the misallocation of scarce resources in Australia	3-4
• Provides a limited discussion of how market failure causes the misallocation of scarce resources in Australia	1-2

Answers could include:

- Market failure refers to situations where the market forces fail to bring about the desired outcomes for our society. Market failure brings about social costs. Examples: pollution from cars; industries and CO_2 emissions and so on.

Section III
20 marks

Question 25 (20 marks)
Outcomes Assessed: H1, H2, H3, H4, H5, H6, H7, H8, H10
Targeted Performance Bands: 4

Criteria	Marks
• Demonstrates a clear and concise understanding of the factors that have contributed to Australia's recent economic growth performance • Demonstrates a detailed assessment of the impact of Australia's economic performance on Australia's macroeconomic objectives • Integrates appropriate economic terms, relevant concepts, relationships and theory • Synthesises own information with the information provided to develop a sustained, logical and well-structured response	17-20
• Demonstrates an understanding of the factors that have contributed to Australia's recent economic growth performance • Demonstrates a reasonable assessment of the impact of Australia's economic performance on Australia's macroeconomic objectives • Consistently applies appropriate economic terms, relevant concepts, relationships and theory • Uses own information and the information provided to develop a logical and well-structured response	13-16
• Provides a generalised description of some of the factors that have contributed to Australia's recent economic growth performance • Demonstrates a generalised assessment of the impact of Australia's economic performance on Australia's macroeconomic objectives • Applies appropriate economic terms, concepts, and relationships • Uses own information and the information provided to develop a coherent response	9-12
• Sketches some of the factors that have contributed to Australia's recent economic growth performance • Makes some reference to the relationship between growth performance and Australia's macroeconomic objectives • Uses some appropriate economic terms, concepts, and relationships • Uses information to develop a generalised response	5-8
• Identifies some of the factors that have contributed to Australia's recent economic growth performance • Lists elements of macroeconomic objectives • Uses some economic terms and/or concepts • Presents a limited response	1-4

Answers could include:

- Definition of the concept of economic growth

- Factors contributing to growth (identifying elements of aggregate demand):
  - Consumption
  - Investment
  - Government spending
  - Net exports
  - Levels of global growth or economic activity

  Factors may be discussed in both a theoretical and/or contemporary context

- Government economic policy
  - Uses of fiscal policy and its aims
  - Uses of monetary policy and its aims

- Macroeconomic objectives:
  - Full employment
  - Sustainable growth
  - Price stability
  - External balance
  - Environmental protection

- Analysis of policies/factors impacting on macroeconomic objectives
  - short term impacts
  - long term impacts

Question 26 (20 marks)
Outcomes Assessed: H1, H2, H5, H6, H7, H8, H10
Targeted Performance Bands: 4

Criteria	Marks
• Demonstrates a clear and concise understanding of the effectiveness of government policy initiatives at managing unemployment and the extent to which these initiatives conflict with other macroeconomic objectives in the Australian economy • Integrates appropriate economic terms, relevant concepts, relationships and theory • Synthesises own information with the information provided to develop a sustained, logical and well-structured response	17-20
• Demonstrates an understanding of the effectiveness of government policy initiatives at managing unemployment and the extent to which these initiatives conflict with other macroeconomic objectives in the Australian economy • Consistently applies appropriate economic terms, relevant concepts, relationships and theory • Uses own information and the information provided to develop a logical and well-structured response	13-16
• Provides a generalised description of government policy initiatives at managing unemployment and the extent to which these initiatives conflict with other macroeconomic objectives in the Australian economy • Applies appropriate economic terms, concepts, and relationships • Uses own information and the information provided to develop a coherent response	9-12
• Sketches some of the government's policy initiatives at managing unemployment and some reference to the extent to which these initiatives conflict with other macroeconomic objectives in the Australian economy • Uses some appropriate economic terms, concepts, and relationships • Uses information to develop a generalised response	5-8
• Identifies some aspects of the government's policy initiatives at managing unemployment in the Australian economy • Uses some economic terms and/or concepts • Presents a limited response	1-4

Answers could include:

Outline of government economic policies:
- Fiscal policy
- Monetary policy
- Labour market policies
- Microeconomic reform

- Each of these policies are discussed in both a theoretical and contemporary context
- Aims of each policy are discussed in a theoretical context

- Macroeconomic objectives:
  - Economic growth
  - Price stability
  - Full employment
- Effectiveness of policies (limitations)
  - International factors
  - Time lag
  - Policy conflicts
  - Short run
  - Long run

Section IV
20 marks

Question 27 (20 marks)
Outcomes Assessed: H1, H3, H4, H5, H6, H7, H8, H10
Targeted Performance Bands: 4-5

Criteria	Marks
• Demonstrates a clear and comprehensive understanding of the causes of an appreciation in the value of the Australian dollar and the effects of a sustained appreciation of the currency on the Australian economy • Integrates appropriate economic terms, relevant concepts, relationships and theory • Synthesises own information to develop a sustained, logical and well-structured response	17-20
• Demonstrates an understanding of the causes of an appreciation in the value of the Australian dollar and the effects of a sustained appreciation of the currency on the Australian economy • Consistently applies appropriate economic terms, relevant concepts, relationships and theory • Uses own information to develop a logical and well-structured response	13-16
• Provides a generalised description of some of the causes of an appreciation in the value of the Australian dollar and some of the effects of a sustained appreciation of the currency on the Australian economy • Applies appropriate economic terms, concepts, and relationships • Uses own information to develop a coherent response	9-12
• Sketches in general terms some of the causes of an appreciation in the value of the Australian dollar and makes a limited reference to some of the effects of a sustained appreciation of the currency on the Australian economy • Uses some appropriate economic terms, concepts, and relationships • Uses own information to develop a generalised response	5-8
• Identifies some of the causes of an appreciation in the value of the Australian dollar and/or lists some of the effects of a sustained appreciation of the currency on the Australian economy • Uses some economic terms and/or concepts • Presents a limited response	1-4

Answers could include:

Causes

- Definition of flexible/floating exchange rate
- Distinguish between managed, fixed or floating/flexible exchange rate systems
- Increase in demand for the Australian dollar
- Decrease in supply of the Australian dollar
- Increase in Australian interest rates or a decrease in overseas interest rates causing an increased foreign investment

Impacts

- Rise in commodity prices leading to an improvement in our terms of trade
- Reduced servicing costs on Australia's foreign debt
- Reduction in the relative value of Australia's exchange rate (valuation effect)
- Reduced inflationary pressures in Australia
- Reduced international competitiveness for Australia
- Increases in the current account deficit
- Reduction in the value of foreign assets in Australian dollar terms (valuation effect)

Question 28 (20 marks)
Outcomes Assessed: H1, H3, H4, H5, H6, H7, H8, H10
Targeted Performance Bands: 4-5

Criteria	Marks
• Demonstrates a clear and comprehensive analysis of the impact of globalisation on ONE economy other than Australia with particular reference to its economic growth, development and environmental consequences • Integrates appropriate economic terms, relevant concepts, relationships and theory • Synthesises own information to develop a sustained, logical and well-structured response	17-20
• Analyses the impact of globalisation on ONE economy other than Australia with particular reference to its economic growth, development and environmental consequences • Consistently applies appropriate economic terms, relevant concepts, relationships and theory • Uses own information to develop a logical and well-structured response	13-16
• Provides a generalised description of some of the impacts of globalisation on ONE economy other than Australia with some reference to its economic growth, development and environmental consequences • Applies appropriate economic terms, concepts, and relationships • Uses own information to develop a coherent response	9-12
• Briefly outlines some of the impacts of globalisation on ONE economy other than Australia with limited reference to its economic growth, development and environmental consequences • Uses some appropriate economic terms, concepts, and relationships • Uses own information to develop a generalised response	5-8
• Identifies/lists some of the impacts of globalisation on ONE economy other than Australia • Uses some economic terms and/or concepts • Presents a limited response	1-4

Answers could include:

- Definition of 'globalisation'
- Globalisation: trade, investment, technology, finance and labour
- Distinction between 'growth' and 'development'
- Trade and financial flows
- Free trade and protection
- Positive aspects of globalisation (e.g. individual nation accepting their global responsibility)
- Negative aspects of globalisation (e.g. exploitation of non-renewable resources, inequalities in the distribution of global income and wealth)
- Economic growth, development and the quality of life
- Trade, investment and transnational corporations
- Environmental consequences
- Integration of case study
- Use of economic data such as development indicators

Centre Number

Student Number

CATHOLIC SECONDARY SCHOOLS
ASSOCIATION OF NEW SOUTH WALES

2010
TRIAL HIGHER SCHOOL CERTIFICATE EXAMINATION

Economics

Morning Session
Wednesday, 11 August 2010

General Instructions

- Reading time – 5 minutes
- Working time – 3 hours
- Write using blue or black pen
- Board-approved calculators may be used
- Use Multiple Choice Answer Sheet provided
- Write your Centre Number and Student Number at the top of this page and pages 9, 11, 13 and 15

Total marks – 100

Section I Pages 2-8

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

Section II Pages 9-16

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

Section III Pages 17-18

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

Section IV Page 19

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

Section I

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

Use the Multiple Choice Answer Sheet provided.

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1 Which of the following best defines the term 'globalisation'?

(A) The increasing divergence of domestic business cycles in the global economy

(B) The increasing economic integration of domestic economies in the global economy

(C) The increasing tendency towards transition economies in the global economy

(D) The increasing tendency towards global divisions in the global economy

2 Other things being equal, which of the following government policies would result in a Gini co-efficient moving closer to zero?

(A) The implementation of an energy tax applied to all households

(B) A decrease in the level of compulsory superannuation payments

(C) An increase in subsidies paid to low-income earners for access to medical services

(D) A decrease in the marginal rate of taxation for high-income earners

3 In which account in Australia's Balance of Payments would Portfolio and Direct Investment transactions be recorded?

(A) The current account

(B) The capital account

(C) The financial account

(D) The net income account

4 What TWO methods could an Australian government use to finance a deficit?

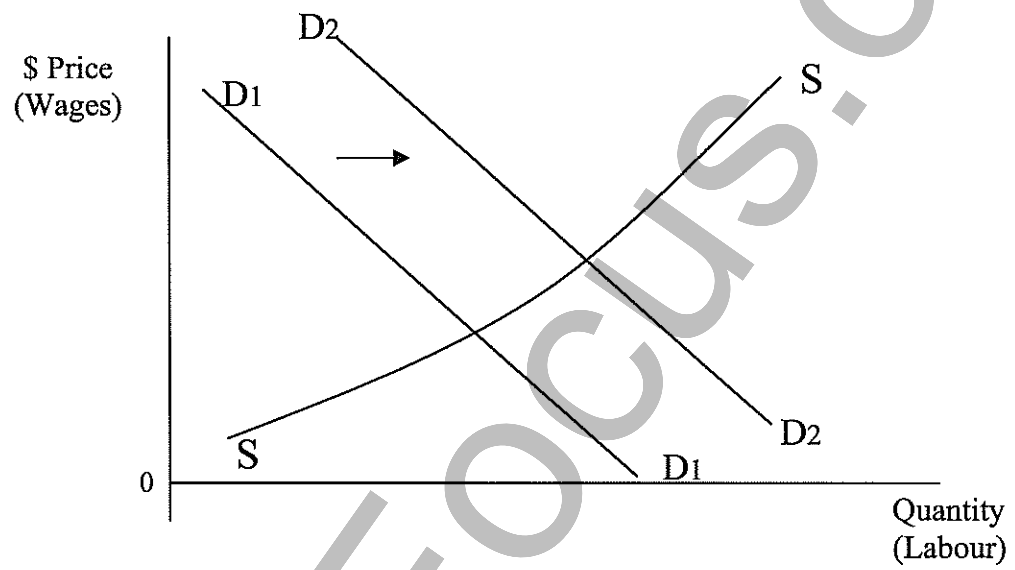
(A) Sell newly issued Commonwealth Government Securities (CGS) and borrow from the RBA

(B) Sell previously issued Commonwealth Government Securities (CGS) and sell public assets

(C) Borrow from the RBA and cut the rate of income tax

(D) Borrow from overseas and sell previously issued Commonwealth Government Securities

5 The Aggregate Supply/Aggregate Demand diagram below shows the movement of Aggregate demand for labour (AD) over time



Which of the following factors could cause the demand for labour to shift from D1 to D2?

(A) The introduction of government subsidies for apprenticeships

(B) Increased migration to Australia

(C) Increased high school retention rates

(D) Decreased incentives to work longer hours

The table below shows selected data for a nation

Year	Export Price Index	Import Price Index
1	100	106
2	109	117
3	118	120
4	122	126

6 In which year were fewer exports required to pay for the same volume of imports?

(A) Year 1

(B) Year 2

(C) Year 3

(D) Year 4

7 Which of the following is a negative consequence of microeconomic reform?

(A) Increased competition in the marketplace

(B) Increased structural unemployment

(C) Increased efficiency within specific industries

(D) Increased prices across all businesses

8 Which of the following economic policies could be used to directly assist domestic businesses to compete with foreign competitors?

(A) Trade policy and microeconomic reform

(B) Monetary policy and labour market policy

(C) Fiscal policy and labour market policy

(D) Trade policy and monetary policy

9 Which of the following best describes recent trends in global protection levels?

(A) Global protection levels for manufactured goods have been falling but global agricultural protection has remained relatively high

(B) Global protection levels for manufactured goods have increased but global agricultural protection has been virtually eliminated

(C) Global protection levels for manufactured goods have increased but global agricultural protection has not fallen

(D) Global protection levels for manufactured goods have been falling but global agricultural protection has been eliminated

10 If the RBA increases the Cash Rate by 1% over a relatively short term, what is the likely impact this will have on the Foreign Exchange Market?

(A) There will be a decrease in demand for Australian dollars and the Australian dollar will depreciate
(B) There will be an increase in supply of Australian dollars and the Australian dollar will appreciate
(C) There will be an increase in demand for Australian dollars and the Australian dollar will appreciate
(D) There will be a decrease in supply of Australian dollars and the Australian dollar will depreciate

The following economic data relates to a hypothetical economy's balance of Payments

Balance of Payments (BOP)	$bn
Net Goods	20
Net Services	13
Net current Transfers	-2
Capital Account	-6
Financial Account	-16
Net Income	?

11 What is the value of the net income account?

(A) - $19bn
(B) $22bn
(C) - $22bn
(D) - $9bn

The economic indicators shown in the table below refer to a hypothetical economy over time.

	Current Account ($bn)	Real GDP ($bn)
Year 1	$55bn	$900bn
Year 2	$60bn	$1,100bn

12 Which of the following statements below is correct?

(A) The current account as a percentage of real GDP increased and external stability worsened
(B) The current account as a percentage of real GDP decreased and external stability improved
(C) The current account as a percentage of real GDP decreased and external stability worsened
(D) The current account as a percentage of real GDP increased and external stability improved

13 Which of the following macroeconomic policies would be appropriate to implement if inflationary pressures were to emerge in the Australian economy?

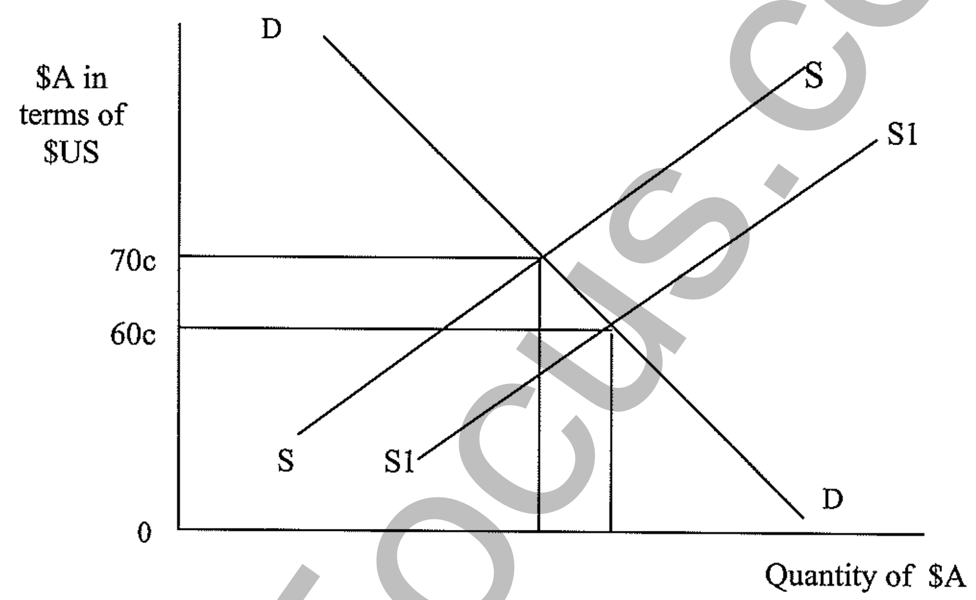
(A) Fiscal policy through increased government spending and decreased taxation

(B) Fiscal policy through increased government spending and increased taxation

(C) Monetary policy through the RBA lowering the cash rate through the purchase of government bonds and securities

(D) Monetary policy through the RBA increasing the cash rate through the sale of government bonds and securities

The following diagram shows a floating exchange rate market for the Australian economy



14 Which of the following is likely to be a direct impact of the exchange rate movement that is depicted in the diagram above?

(A) An increase in the international competitiveness of Australian business firms

(B) A decrease in the servicing costs of the Australian foreign debt

(C) A decrease in the Net Income deficit on the Australian Current Account

(D) A decrease in the Balance on Goods and Services on the Current Account

The table below shows selected data for a hypothetical economy

Year	GDP ($M)	Literacy levels (% of population)	Mortality Rate (Per 1000 population)	Consumer price Index (CPI)
1999	5000	69	78	140
2009	8590	82	45	165

15 According to the data in the table, which statement correctly describes what this economy has experienced over the last decade?

(A) A decrease in real GDP and a decline in living standards

(B) A decrease in real GDP and improved living standards

(C) An increase in real GDP and a decline in living standards

(D) An increase in real GDP and improved living standards

16 Which of the following institutions is the current industrial relations framework in Australia?

(A) AIRC

(B) Workchoices

(C) FWA

(D) AFPC

17 Which of the following factors would cause the participation rate to fall and the unemployment rate to increase?

(A) An increase in school students seeking employment and reduced levels of business investment

(B) An increase in the number of disillusioned job seekers and the implementation of micro reform in the Australian economy

(C) A lowering of the compulsory age of retirement and increased levels of consumer confidence

(D) A decrease in the number of full-time carers and reduced levels of government expenditure

18 Which of the following represents a positive externality associated with the construction of a new highway?

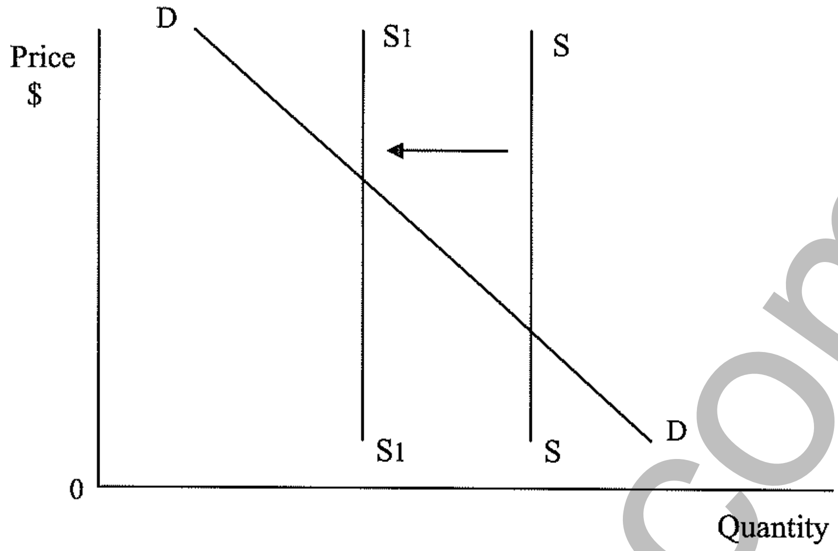
(A) Environmental damage associated with the removal of land to construct the highway

(B) Increased noise levels in the area that the highway is constructed in

(C) Reduced levels of acceptable air quality

(D) Decreased delays for businesses transporting goods

The diagram below shows the impact of a change in the quota for imported electronic goods



19 Which of the following statements demonstrates the impact of a change in the quota of electronic goods?

(A) The quota has decreased and domestic white good producers experience more competition

(B) The quota has decreased and domestic white good producers experience less competition

(C) The quota has increased and domestic white good producers experience more competition

(D) The quota has increased and domestic white good producers experience less competition

The table below shows selected data for a hypothetical economy

Year	MPC
1	0.6
2	0.75
3	0.7

20 Which of the following statements is true for this economy in year 2?

(A) The simple multiplier is 2.5 and national income would tend to increase over year 1

(B) The simple multiplier is 2.5 and national income would tend to decrease from year 1

(C) The simple multiplier is 4 and national income would tend to increase over year 1

(D) The simple multiplier is 4 and national income would tend to decrease from year 1

Economics

Centre Number

Student Number

Section II

40 marks
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)

> "Leaders re-affirmed their strong commitment to microeconomic reform, recognising that micro reform enhances Australia's productivity and international competitiveness, deepening the supply potential of the economy, driving its ability to adapt faster and raising its potential for growth."
>
> COAG-Council of Australian Government, Feb. 2009

(a) Define the term microeconomic reform **2**

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(b) Distinguish between reforms in the 'product market' and 'factor market' **2**

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Question 21 continues on page 10

Question 21 (continued)

(c) Outline TWO examples of recent microeconomic reform in the Australian economy **2**

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(d) Explain TWO costs and TWO benefits associated with microeconomic reform in the Australian economy **4**

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End of Question 21

CATHOLIC SECONDARY SCHOOLS ASSOCIATION OF NEW SOUTH WALES
2010 TRIAL HIGHER SCHOOL CERTIFICATE EXAMINATION

Economics

Centre Number

Section II (continued)

Student Number

Question 22(10 marks)

> "More than half of the elderly in Australia have been living below the poverty line, living lifestyles of less than what is considered normal"… The Age, Sept.15th 2009
>
> "Full time female managers on average earn 25% less than their counterparts and men are twice as likely to become managers than women"… The Age July 16th 2009

(a) Distinguish between income and wealth **2**

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(b) Outline TWO factors that could influence the gap of income inequality in the Australian economy **2**

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Question 22 continues on page 12

Question 22 (continued)

(c) Outline TWO government policies designed to reduce income inequality in the Australian economy **2**

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(d) Discuss ONE economic and ONE social cost which can arise from inequality in the Australian economy **4**

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End of Question 22

Economics

Centre Number

Student Number

Section II (continued)

Question 23 (10 marks)

> One of the most fundamental assumptions of economists around the world is that trade is a good thing and that economies will achieve the fastest levels of growth in a free trade environment.........
>
> Despite the economic arguments in favour of free trade, historically most countries have tended to impose at least some form of protection...

Source: Australia in the Global Economy, 2007 Edition, Dixon & Omahony, p21 and 23

(a) Define the term 'Free trade'. **2**

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(b) Describe TWO international attempts to promote global free trade **4**

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Question 23 continues on page 14

Question 23 (continued)

(c) Explain TWO reasons why nations may restrict free trade and the effects of such restrictions on the domestic and/or global economy **4**

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End of Question 23

CATHOLIC SECONDARY SCHOOLS ASSOCIATION OF NEW SOUTH WALES
2010 TRIAL HIGHER SCHOOL CERTIFICATE EXAMINATION

Economics

Section II (continued)

Centre Number

Student Number

Question 24 (10 marks)

> "....One of the greatest challenges we face is climate change and the threat it poses to the environment. In December last year, after many years delay, Australia ratified the Kyoto Protocol. We are determined to be part of the solution to climate change- not just part of the problem. We have acted to begin the process of developing a comprehensive emissions trading or carbon pollution reduction scheme to bring down CO2 emissions over time..."
>
> Excerpts from Kevin Rudd's speech to the UN, Sept. 26th, 2008

(a) Distinguish between the private and social costs associated with carbon emissions **2**

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(b) Outline ONE possible conflict between the goals of economic growth and the preservation of the natural environment **2**

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Question 24 continues on page 16

Question 24 (continued)

(c) Explain ONE economic method that a government may use to reduce carbon pollution **2**

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(d) Using TWO examples, discuss how market failure causes the misallocation of scarce resources in Australia **4**

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End of Question 24

Economics

Section III

20 marks
Attempt either Questions 25 or Question 26
Allow about 35 minutes for this section

Answer the question in a SEPARATE writing booklet.

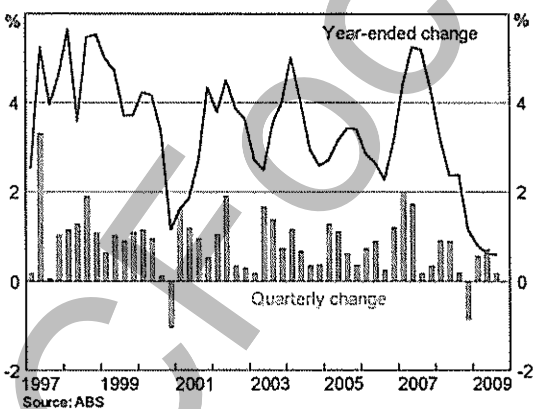
In your answer you will be assessed on how well you:

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

Question 25 (20 marks)

Analyse the factors that have contributed to Australia's recent economic growth performance and assess the impact of this performance on Australia's macroeconomic objectives

Australia's GDP:
1997 - 2009



The Australian economy has avoided a "technical" recession and recent indicators are pointing towards an ongoing improvement in economic conditions. Retail spending is holding up better than expected, despite the drying out of the government cash handouts and is being supported by sharp improvements in sentiment and equities. A broad uptrend is still evident in housing finance and housing price pressures are intensifying.

Business sentiment has also improved significantly and there are signs that firms are reconsidering plans to defer or cancel investment spending. It is also looking more likely that the unemployment rate will now peak below 7% and inflationary pressures may turn out to be stronger than earlier forecast. The global credit crisis continues to thaw and the global economy increasingly appears at a turning point.

Accordingly, we believe that the RBA will continue to gradually raise interest rates..... Our forecasts are for two more 25bp rate moves before Christmas, which would take the official rate to 3.75%. Thereafter, we believe that interest rates could be hovering around 4.50% by the middle of next year and move closer to 5% by the end of 2010.

Source: St George Bank-November 2009 Economic Outlook

OR

1900-1

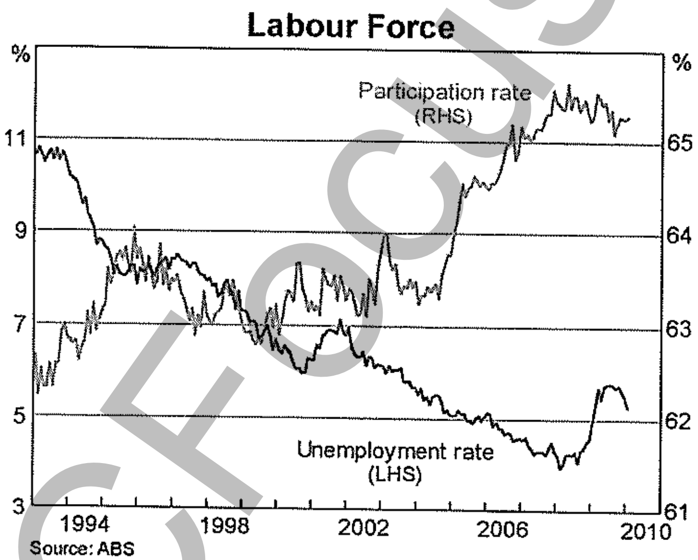
In your answer you will be assessed on how well you:

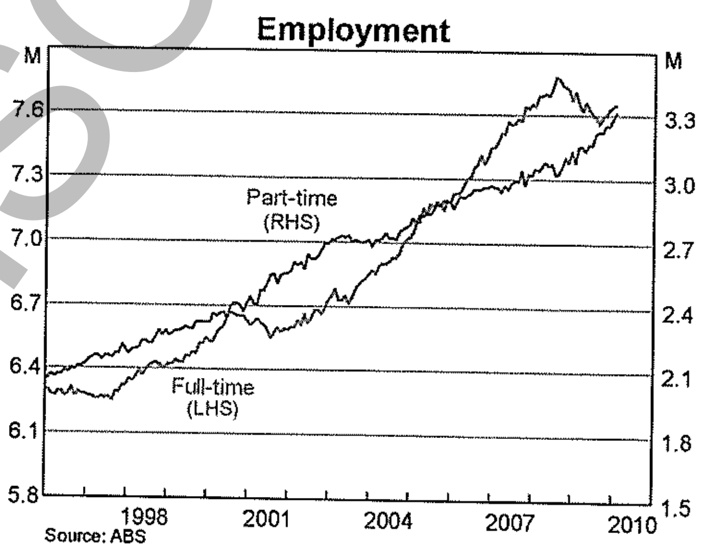
- demonstrate knowledge and understanding relevant to the question
- use information provided
- apply relevant economic terms, concepts, relationships and theory
- present a sustained, logical and cohesive response

Question 26 (20 mark)

Analyse the effectiveness of government policy initiatives aimed at managing unemployment in Australia and examine the extent to which these initiatives may conflict with other macroeconomic objectives in the Australian economy

> After the global economic slowdown in 2001, the Australian economy saw a gradual but sustained decrease in the unemployment rate towards record low levels in early 2008. More recently however, the onset of the global financial crisis and its inevitable dampening impacts on the Australian economy has seen unemployment begin to increase.
>
> *Source:* *Leading Edge Economics-Economic issues in Australia, 2009*





Section IV

20 marks
Attempt either Questions 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:

- 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)

Analyse the causes of an appreciation in the value of the Australian dollar and the impact of a sustained appreciation of the currency on the Australian economy.

OR

Question 28 (20 marks)

Analyse the impact of globalisation on ONE economy other than Australia with particular reference to its economic growth, development and environmental consequences.

End of paper

EXAMINERS

Keith Chidiac (Convener)	Trinity Catholic College, Auburn
Linda Busetto	Patrician Brothers College, Fairfield
Tony Nader	Mount Saint Joseph, Milperra
Stephen Corbett	Loyola Senior High School, Rooty Hill
Sonia Prees	Trinity Catholic College, Auburn

Centre Number

Student Number

CATHOLIC SECONDARY SCHOOLS ASSOCIATION OF NEW SOUTH WALES
YEAR 12 TRIAL HIGHER SCHOOL CERTIFICATE EXAMINATION 2010

ECONOMICS – 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 have changed 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:

correct

A ~~●~~ B ~~●~~ C ○ D ○

ATTEMPT ALL QUESTIONS

Question					
	1	A ○	B ○	C ○	D ○
	2	A ○	B ○	C ○	D ○
	3	A ○	B ○	C ○	D ○
	4	A ○	B ○	C ○	D ○
	5	A ○	B ○	C ○	D ○
	6	A ○	B ○	C ○	D ○
	7	A ○	B ○	C ○	D ○
	8	A ○	B ○	C ○	D ○
	9	A ○	B ○	C ○	D ○
	10	A ○	B ○	C ○	D ○

Continued over the page

1900-3

11	A ◯	B ◯	C ◯	D ◯
12	A ◯	B ◯	C ◯	D ◯
13	A ◯	B ◯	C ◯	D ◯
14	A ◯	B ◯	C ◯	D ◯
15	A ◯	B ◯	C ◯	D ◯
16	A ◯	B ◯	C ◯	D ◯
17	A ◯	B ◯	C ◯	D ◯
18	A ◯	B ◯	C ◯	D ◯
19	A ◯	B ◯	C ◯	D ◯
20	A ◯	B ◯	C ◯	D ◯