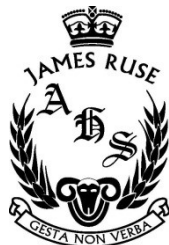


James Ruse Agricultural High School



2021

HIGHER
SCHOOL
CERTIFICATE
TRIAL EXAMINATION

Economics

**General
Instructions**

- Reading time – 5 minutes
- Working time – 3 hours
- Write using black pen
- NESA approved calculators may be used

**Total marks:
100**

Section I – 20 marks (pages 2–6)

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

Section II – 40 marks (pages 8–16)

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

Section III – 20 marks (pages 17–18)

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

Section IV – 20 marks (page 19)

- 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 for Questions 1–20.

1. What is the theoretical basis of international trade?

- A. Absolute advantage
- B. Purchasing power parity
- C. Law of diminishing marginal utility
- D. Comparative advantage

2. The table below shows labour market data for a hypothetical economy.

Year	Participation Rate	Unemployment Rate
1	66%	5%
2	61%	6.5%

Which of the following combinations would explain the changes from Year 1 to Year 2?

- A. Increased superannuation rates and job training packages
- B. Increased school leaving age and a downturn in the global economy
- C. Increased retirement age and structural change in the economy
- D. Increased child care subsidies and job training packages

3. Which of the following is a major aim of Microeconomic Reform?

- A. To put downward pressure on prices
- B. To put upward pressure on prices
- C. Improve the efficiency of demand
- D. Improve the efficiency of supply

4. Which one of the following economic policies will tend to increase aggregate demand?

- A. An increase in government spending
- B. A decrease in government spending
- C. An increase in interest rates
- D. An increase in taxation

5. How could a decrease in the demand for goods and services from overseas buyers impact an economy?
- A. Increased export sales and increased economic growth
 - B. Increased import sales and increased economic growth
 - C. Decreased export sales and decreased economic growth
 - D. Decreased import sales and decreased economic growth

The table below shows international investment transactions for an economy. Use the information to answer question 6.

<i>Year</i>	<i>Equity investment abroad</i> <i>(\$ billion)</i>	<i>Foreign liabilities</i> <i>(\$ billion)</i>
1	120	180
2	300	360

6. From Year 1 to Year 2, which statement is correct for this economy?
- A. Equity investment as a proportion of foreign liabilities is increasing
 - B. Equity investment as a proportion of foreign liabilities is decreasing
 - C. The economy will experience a worsening of its balance of payments
 - D. The economy will experience an improvement in its balance of trade
7. Which of the following would improve international competitiveness?
- A. Low inflation rate, low productivity growth, appreciating \$A
 - B. High inflation rate, high productivity growth, appreciating \$A
 - C. Low inflation rate, high productivity growth, depreciating \$A
 - D. High inflation rate, low productivity growth, depreciating \$A
8. What is an example of discretionary fiscal policy taken by the Australian government during an economic downturn?
- A. An increase in unemployment benefits paid as a result of the economic downturn
 - B. A stimulus package of \$1,500 for job keeper as a result of the economic downturn
 - C. A fall in company tax revenue as a result of the economic downturn
 - D. A fall in income tax receipts as a result of the economic downturn

The table below refers to a hypothetical economy. Use the information to answer question 9.

	\$ billion
Exports	\$200
Government Spending	\$160
Imports	\$170
Savings	\$180
Investment	\$220
Taxation	\$140

9. Based on the information provided, which of the following statements is correct?
- A. There will be an increase in the unemployment rate
 - B. The country is in recession
 - C. There is a budget surplus
 - D. The country has a trade surplus
10. How does microeconomic reform affect aggregate supply and the level of economic activity?
- A. Aggregate supply will increase, and this will reduce prices, and increase the level of economic activity
 - B. Aggregate supply will decrease, and this will reduce prices, and increase the level of economic activity
 - C. Aggregate supply and aggregate demand will increase, and this will increase prices, and the level of economic activity
 - D. Aggregate supply and aggregate demand will decrease, and this will decrease prices, level of economic activity
11. Which of the following organisations could assist a country experiencing a Balance of Payments and exchange rate crisis due to a world recession?
- A. The World Trade Organisation
 - B. The European Union
 - C. The International Monetary Fund
 - D. The World Bank

The figures show selected data for a hypothetical economy. Use the information to answer question 12.

$$C = 2000 + 0.75Y$$

$$I = 3000$$

12. What is the equilibrium level of national income and the value of the simple multiplier?
- A. $Y = \$20,000$ and $k = 1.3$
 - B. $Y = 8,000$ and $k = 1.3$
 - C. $Y = \$20,000$ and $k = 4$
 - D. $Y = \$8,000$ and $k = 4$
13. Which of the following is a possible cause of cost push inflation?
- A. Labour skill shortages
 - B. An increase in interest rates
 - C. Changes to the Industrial Relations Commission
 - D. A rise in the level of consumption spending
14. Which conflict of economic objectives is demonstrated by the Phillips curve?
- A. Inflation and unemployment
 - B. Unemployment and economic growth
 - C. Inflation and income distribution
 - D. Economic growth and the current account deficit
15. Which international organisation is most concerned with helping poorer countries with their economic development?
- A. The International Monetary Fund
 - B. The World Trade Organisation
 - C. The United Nations
 - D. The World Bank
16. Which of the following is the most accurate description of economic development?
- A. An increase in real GDP growth over time
 - B. A measure of labour and capital productivity over time
 - C. An outward shift in an economy's production possibility frontier
 - D. A broad measure of welfare in an economy including indicators of health, education, environmental quality, and material living standards

17. How does the effect of a subsidy differ from the effect of a tariff?
- A. A subsidy helps to reduce production costs while a tariff does not
 - B. A subsidy is less efficient than a tariff
 - C. A subsidy can lower prices for consumers while a tariff can not
 - D. A subsidy provides revenue for the government while a tariff does not
18. What are the main economic objectives of government?
- A. Environmental management, structural change and external stability
 - B. Equal distribution of income, full employment and microeconomic reforms
 - C. Price stability, economic growth and microeconomic reforms
 - D. Economic growth, full employment, price stability and external balance
19. A British company purchases an Australian company involved in mining. Where would this item appear in the balance of payments?
- A. A credit in current transfers
 - B. A debit in the capital and financial account
 - C. A credit in the capital and financial account
 - D. A credit in the current account
20. Which of the following most likely indicates an expansion in globalisation?
- A. Increases in the volatility of foreign direct investment
 - B. Increases in bi-lateral trade agreements between countries
 - C. Increases in the value of global trade as a proportion of total output
 - D. Increases in the growth rates of developing nations

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Section II

Total marks (40)

Attempt Questions 21 – 24

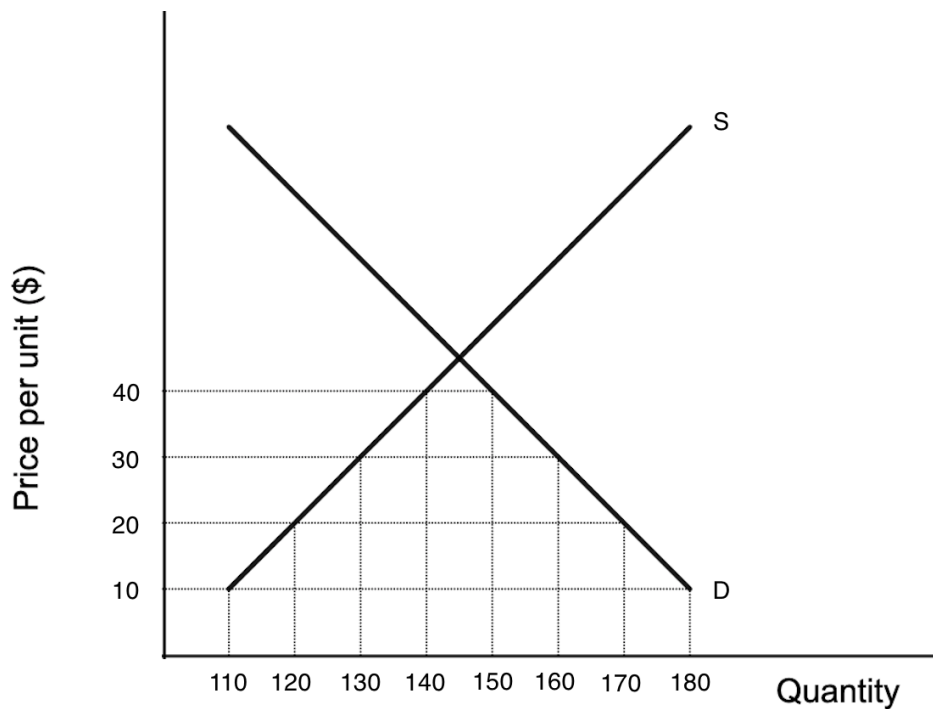
Allow about 1 hour and 15 minutes for this section

Answer the questions in the spaces provided.

These spaces provide guidance for the expected length of response.

Question 21 (10 marks)

Consider an economy in which the government implements a tariff of \$20 in addition to the world price of \$20.



- (a) Indicate on the diagram above the change in domestic production. **1**
- (b) What import quota could the government introduce to have the same effect on domestic output as a \$10 tariff? **1**

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Question 21 continues on page 10

Question 22 (10 marks)

Labour Force Statistics for a hypothetical Economy

Category	Number (in Millions)
Total Adult Population	243.2
Employed persons	142.4
Unemployed persons	12.5

- (a) Define the labour force. **1**

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- (b) Using the information from the table above, calculate the following for the hypothetical economy: **3**

i) The size of the labour force

.....

ii) The unemployment rate

.....

iii) The participation rate

.....

Question 22 continues on page 12

Question 23 (10 marks)

- (a) If a country's HDI moves from 0.784 to 0.692, identify whether economic development has improved or worsened. **1**

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- (b) Define the concept of Gross World Product. **2**

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- (c) Distinguish between economic growth and economic development. **2**

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Question 23 continues on page 14

Question 24 (10 marks)

(a) In a hypothetical economy, $MPS = 0.2$.

What is the change in national income if investment increases by \$80 million? **2**

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(b) Explain the relationship between the marginal propensity to consume and the level of national output. **2**

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Question 24 continues on page 16

- (c) Explain how the multiplier process causes an increase in national income to be greater than the initial increase in expenditure. 2

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- (d) Explain the sources of economic growth in Australia. 4

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End of Question 24

Section III

Total marks (20)

Attempt Questions 25 or Question 26

Allow about 35 minutes for this section

Answer the questions in the writing booklets provided. Extra writing booklets are available.

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

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

Question 25 (20 marks)

Discuss the impact of an increase in global protection policies on the Australian economy. In your response, refer to the stimulus provided.

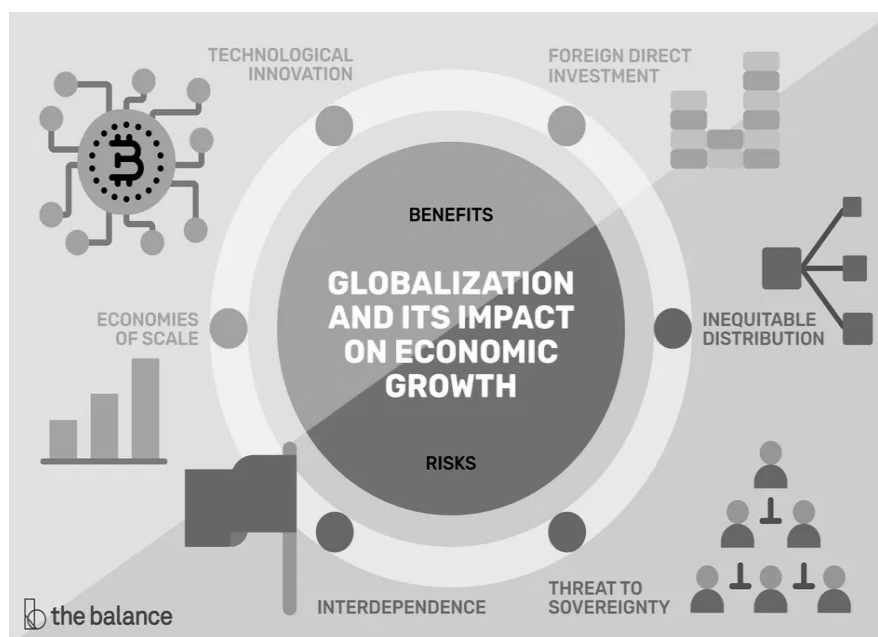


Figure 1: Source: www.thebalance.com

Free trade agreements contribute to greater economic activity and job creation in Australia, and deliver opportunities for big and small Australian businesses to benefit from greater trade and investment. They also give Australian businesses and consumers improved access to a wider range of competitively priced goods and services, new technologies, and innovative practices.

(Department of Foreign Affairs and Trade 2019)

End of Question 25

Question 26 (20 marks)

Discuss the consequences of low economic growth within the Australian economy. In your response, refer to the stimulus provided.

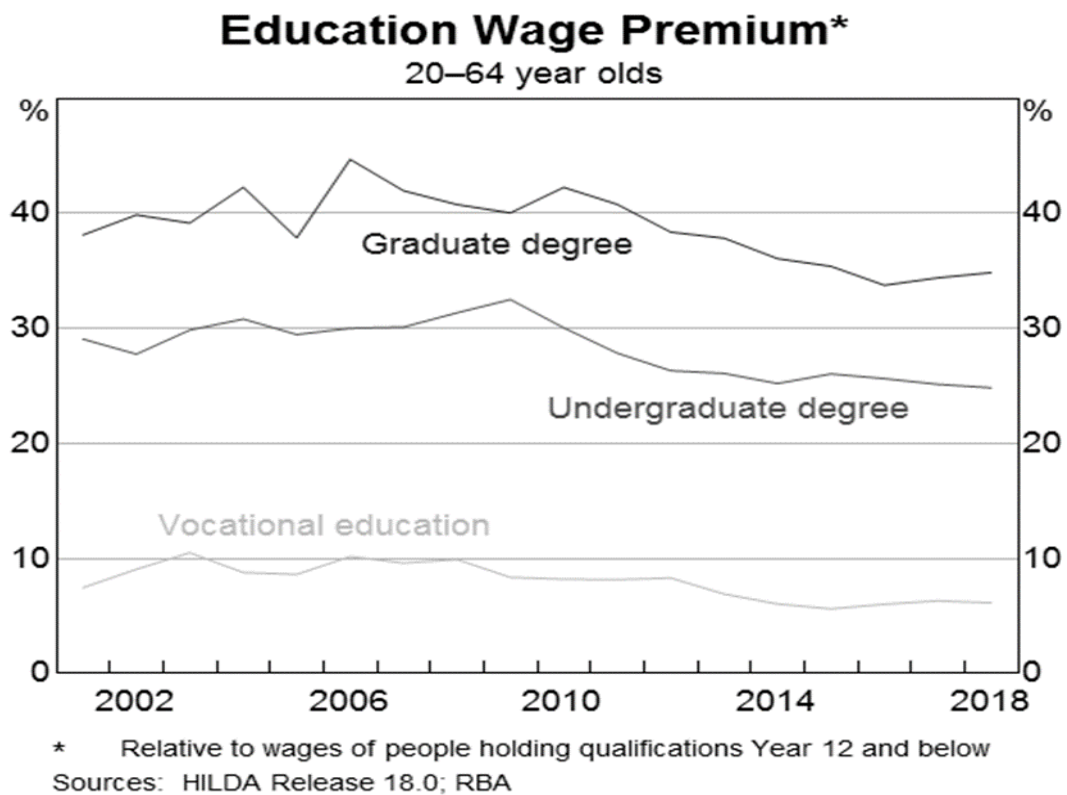


Figure 1: Source: Reserve Bank of Australia 2020

Changes brought about by new technologies are rapidly reshaping how we work and live. All these changes have a direct effect on the labour market, which is a fundamental part of how the economy works. (Reserve Bank of Australia, March 2020)

The call for caution comes as the unions push for a 3.5 per cent wage increase, or \$26.38 a week extra, on grounds that it will turn around record low wage growth and boost demand in the economy. But in a strongly-worded submission the federal government said studies showed “greater impacts on employment [from minimum wage increases] are likely when the economy is in a recession or a prolonged slowdown”.

“Given the continuing uncertain global and domestic economic outlook, higher labour costs during this challenging period could present a major constraint to small business recovery and may dampen employment in the sector,” it said. (Financial Review April 5th 2021)

End of Question 26

Section IV

Total marks (20)

Attempt Questions 27 or Question 28

Allow about 35 minutes for this section

Answer the questions in the writing booklets provided. Extra writing booklets are available.

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

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

Question 27 (20 marks)

Assess the effectiveness of the Reserve Bank of Australia's expansionary monetary policy in achieving its objectives.

OR

Question 28 (20 marks)

Explain the impact of changes in Australia's Balance of Payments on the performance of the Australian economy.

End of paper

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General Instructions

*Choose the MOST correct answer A, B, C, or D by filling in the response circle completely.
Attempt all questions.*

Question	A	B	C	D
1	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
5	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
6	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
7	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
8	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
9	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
10	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
11	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
12	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
13	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
14	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
15	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
16	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
17	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
18	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
19	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
20	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Economics Trial HSC 2021

ANSWERS

Multiple choice

<i>Nature of question</i>	
1 D	11 C
2 B	12 C
3 D	13 A
4 A	14 A
5 C	15 D
6 A	16 D
7 C	17 C
8 B	18 D
9 D	19 C
10 A	20 C

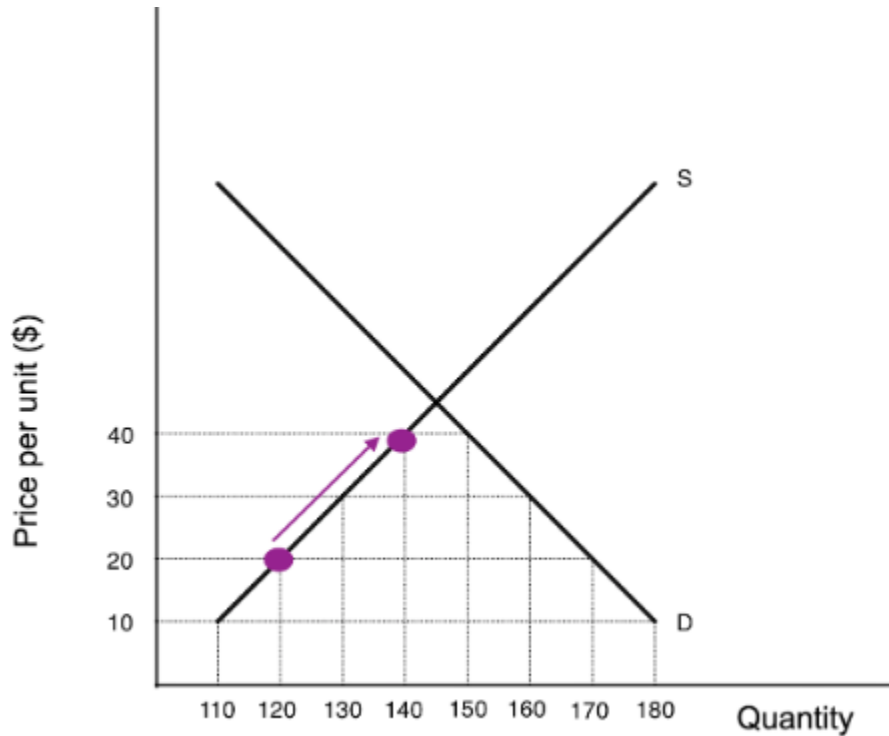
21. (10 marks)

a. Indicate on the diagram above the change in domestic production.

1

Criteria	Marks
· Correctly identifies the change in domestic production	1

Answers could include:



Areas for improvement:

- *Some students need to work on their understanding of protection graphs and what different points and areas represent.*
- *This question was generally done well.*

- b. What import quota could the government introduce to have the same effect on domestic output as a \$10 tariff? 1

Criteria	Marks
· Correctly identifies the import quota.	1

Answers could include:

An import quota of 30 units would have the impact as a tariff of \$10.

Areas for improvement:

- **Students need to ensure they express units after providing their calculation.**

- c. Outline ONE reason for protection in an economy. 2

Criteria	Marks
· Outlines one reason for protection	2
· Identifies one reason for protection	1

Answers could include:

- **Infant industry argument**
- **Domestic employment**
- **Dumping**
- **Defence**

Areas for improvement:

- **Answers generally done well.**

d. Discuss the effects of different protectionist policies on the domestic economy. 6

Criteria	Marks
· Demonstrates a clear and comprehensive understanding of the points for and against a range of protectionist policies on the domestic economy	5 – 6
· Demonstrates an understanding of the effects of protectionist policies on the domestic economy	3 – 4
· Demonstrates a limited understanding of the effects of protectionist policies.	1 – 2

Answers could include:

Tariffs reduce the quantity of imports into a country. In doing so, a tariff will reduce the quantity of imports needed by lifting prices so that quantity supplied by domestic producers increases. A tariff also generates tax revenue for a government. Government revenue from tariffs can be used in micro reform that allows infant industries to become more efficient over time. The revenue would be equal to the price of the tariff times the quantity imported. However, tariffs have the effect of increasing prices for consumers.

Quotas are a limit on imports allowed into a country. Quotas push prices up in an economy and in doing so, encourages domestic producers to enter the market. However, consumer will pay more for goods and services.

Subsidies also reduce the quantity of imports into a country. Subsidies reduce the quantity of imports needed by enabling domestic producers to supply more at every price point. Subsidies have the potential to lower prices for domestic consumers. However, subsidies put financial pressure on the government to fund. Furthermore, money could be used to fund microeconomic reform to improve productivity. In the long run subsidies can reduce GDP.

Areas for improvement:

- **Students needed to explore a range of protectionist policies.**
- **Students needed to clearly explain (link cause and effect).**
- **Some students deviated from question and explored reductions in protection. The question was asking about the effects of protection.**
- **Discuss asks you to explore points for and against each policy.**

22. (10 marks)

a. Define the labour force.

1

Criteria	Marks
· Correctly defines the labour force	1

Answers could include:

Labour force is that part of the population aged over 15 which is willing and able to work and includes those in employment (full and part-time) as well as those unemployed but who are actively seeking work

Areas for improvement:

- **It is really important here that you are accurate in your definition. Some people wrote everyone that can work. This is wrong. Some people have dropped out of looking for work in this age group and aren't included in the definition. Be Careful.**

b. Using the information from the table above, calculate the following for the hypothetical economy:

3

Criteria	Marks
· Correctly calculates the size of the labour force, the unemployment rate, and the participation rate	3
· Correctly calculates any TWO of the labour force statistics	2
· Correctly calculates ONE of the labour force statistics	1

Answers could include:

- **labour force = Employed + Unemployed**
142.4 + 12.5 = 154.9 million
- **unemployment rate = $\frac{\text{Number of unemployed}}{\text{Total labour force}} \times 100$**
 $\frac{12.5}{154.9} \times 100 = 8.1\%$
- **participation rate = $\frac{\text{Labour Force}}{\text{Working age population}} \times 100$**
 $\frac{154.9}{243.2} \times 100 = 63.7\%$

c. Examine the causes and impacts of underemployment in the current Australian economy. 6

Criteria	Marks
· Clearly examines the causes and impacts of underemployment	5-6
· Examines some causes and impacts of underemployment	3-4
· Makes simple comments about underemployment	1-2

Answers could include:

Causes

Slowing of the business cycle, excess supply of workers in some industries, the gig economy, technology changes, shift to part-time and temporary work, workers working for more years (both as younger workers and older workers). Immigration.

Impacts

Lower standard of living, lower wage growth, lower economic growth, lower aggregate supply, increased poverty, increased levels of debt, increased mental health issues, structural unemployment as workers don't upskill enough.

Areas for improvement:

- Again many people did this very well. However, they did not answer the whole question and wrote a great answer on causes and nothing on impacts or visa versa. You have to check what you have written and ensure it answers what the question is asking. Don't simply rush through your answer.

Question 23 (10 marks)

- (a) If a country's HDI moves from 0.784 to 0.692, identify whether economic development has improved or worsened. 1

Criteria	Marks
· Correctly identifies that economic development has worsened	1

Answers could include:

Economic development has worsened since the HDI has fallen from 0.784 to 0.692

- (b) Define the concept of economic development. 2

Criteria	Marks
· Provides an accurate definition of economic development and shows an understanding of the features and/or measures used	2
· Gives some features of what economic development involves	1

Answers could include:

Economic development measures the welfare or wellbeing of the nation. It includes changes in economic growth but also includes indicators of health and education, and environmental quality. The Human Development Index (HDI) is the most common measure of its performance.

(c) Distinguish between economic growth and economic development.

2

Criteria	Marks
· Clearly distinguishes between economic growth and economic development by showing an understanding of the main features of each	2
· Refers to the features of economic growth and economic development	1

Answers could include:

Economic growth is usually measured using GDP per capita and looks at a monetary value of goods and services produced by an economy, whereas economic development looks at human wellbeing and is a much broader measure. It mainly uses HDI, which covers life expectancy at birth, levels of educational attainment and GNI per capita. The main difference between economic growth and economic development is the scope of what it measures.

Areas for improvement:

- ***People's definitions here were untidy. People were saying things like Economic growth is GDP and Human development. This is a lazy definition of Economic growth and you are leaving yourself open to not receiving the marks you are capable of achieving.***

- (d) Examine how a country other than Australia has used economic policies to improve their economic development. 5

Criteria	Marks
· Provides detailed features of more than one strategy an economy other than Australia has used to promote economic development and their impact	5
· Shows a strong understanding of the features and outcomes of more than one policy used by a country other than Australia to improve their economic development	4
· Provides detailed features of one strategy an economy other than Australia has used to promote economic development and its impact	3
· Shows an understanding of the features and outcomes of one policy used by a country other than Australia to improve their economic development	2
· Refers to any policy used by a country other than Australia to improve their economic development	1

Answers could include:

Due to the range of answers available, an answer is exceedingly difficult to provide.

Students should be able to name the country, name the policy, provide key features of the policy and relate to how the policy will help to improve economic development.

Stronger responses will include statistical evidence (most likely changes in HDI) relating to improvement in economic development as a result of the policy.

Areas for improvement:

- ***The biggest issue here was that some people couldnt draw the link between how the economic policy actually improved Economic development. It was like SEZ gave people better wages so their standard of living improved. There is no link here. The other problem was people simply wrote about a policy that was not an economic policy but was development policy. Not what the question asked.***

Question 24 (10 marks)

(a) What is the change in national income if investment increases by \$80 million? **2**

Criteria	Marks
· Correctly calculates the multiplier and the change in national income	1
· Correctly calculates the multiplier	

Answers could include:

When the $MPS = 0.2$, the multiplier is equal to 5 in this hypothetical economy. If investment increases by \$80 million, the effect on national income would be equal to \$400 million.

Areas to improve:

- **Answers were generally done well. Students demonstrated a good understanding of how to calculate the multiplier and how to derive the change in the level of national income.**

(b) Explain the relationship between the marginal propensity to consume and the level of national output. **2**

Criteria	Marks
· Clearly explains the relationship between the MPC and the level of national output	2
· Identifies the relationship between the MPC and the level of national output	1

Answers could include:

When the MPC increases, the level of national output also increases. An increase in the MPC would put upward pressure on the level of consumption and aggregate demand ($AD=C+I+G+X-M$). An increase in aggregate demand would encourage businesses to produce more, stimulating national output.

Areas to improve:

- **Some students struggled to clearly explain ideas**

- (c) Explain how the multiplier process causes an increase in national income to be greater than the initial increase in expenditure. 2

Criteria	Marks
· Clearly explains how the multiplier causes an increase in national income to be greater than the initial increase in expenditure	2
· Makes one relevant statement	1

Answers could include:

An increase in expenditure (e.g. investment) will generate an increase in income to the recipient. Assuming a two sector economy, this additional income could either be spent or saved ($MPC+MPS=1$). The proportion that is spent would act as a second wave of injections into the economy, which will increase production and income. Again, a proportion of this will either be spent or saved. When all the income generated by all the spending waves is added together, the total change in national income will be greater than the initial injection.

Areas to improve:

- ***Answers/understanding were very convoluted. Students need to develop a clearer understanding of how the multiplier works.***

(d) Explain the sources of economic growth in Australia.

4

Criteria	Marks
· Demonstrates a thorough understanding of the sources of economic growth in Australia	4
· Demonstrates a sound understanding of the sources of economic growth in Australia	3
· Demonstrates some understanding of the sources of economic growth in Australia	2
· Provides some relevant information	1

Answers could include:

- **AD/AS**
- **AD/AS diagram**
- **Components of AD/AS**
- **Microeconomic and macroeconomic reform**
- **Population increase which can lead to point 1**

Areas to improve:

- **Students made statements/points which were not explained. For example, “exports contribute to growth”. These statements are correct, but student has not explained how exports contribute to growth. Rather, student needed to say “demand for Australian exports enables Australian producers to produce more goods and services, contributing to Australia’s national output. Further, exports help to create jobs in relevant sectors, which increases employment rates and income levels. This would help to boost consumption levels in an economy. As $AD=C+I+G+X-M$, an increase in consumption would lead to an increase in AD and therefore economic growth”.**
- **Student answers were very narrow – focusing on just exports for example. There were a RANGE of possible answers for this question (see above) and students should have explored a number of factors, as per the question which asked for “sources” (plural).**

Question 25 (20 marks)

Discuss the impact of an increase in global protection policies on the Australian economy. In your response, refer to the stimulus provided.

MARKING GUIDELINES

Criteria	Marks
<ul style="list-style-type: none">• Demonstrates a clear and comprehensive knowledge and understanding of the impact of an increase in global protection policies on the Australian economy• Identifies issues and provides points for and/or against an increase in global protection levels and how they impact 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 cohesive response	17-20
<ul style="list-style-type: none">• Demonstrates a clear knowledge and understanding of the impact of an increase in global protection policies on the Australian economy• Identifies issues and provides points for and/or against an increase in global protection levels• Consistently uses appropriate economic terms, relevant concepts, relationships, and theory• Uses own information and the information provided to develop a logical and cohesive response	13-16
<ul style="list-style-type: none">• Describes the impact of an increase in global protection policies on the Australian economy• Refers to points for and/or against protection in general• Uses appropriate economic terms, concepts, and relationships• Uses own information and the information provided to develop a coherent response	9-12
<ul style="list-style-type: none">• Outlines some impacts of an increase in global protection policies on the Australian economy• Uses some appropriate economic terms, concepts, and relationships• Uses information to develop a generalised response	5-8
<ul style="list-style-type: none">• Lists some impacts of an increase in global protection policies on the Australian economy• Uses some economic terms and/or concepts• Presents a limited response	1-4

Answers could include:

- **Diagram showing the imposition of a tariff and its effects on the domestic economy**
- **Reduction in economic activity/economic growth**
- **Possibility of retaliation**
- **Decreased efficiency and productivity**
- **Possible improved self-sufficiency through necessity**
- **Protection reduces the benefits of free trade with reference to less efficient use of resources**
- **Increased unemployment, particularly in export industries such as tourism and mining**
- **China US trade tensions or China Australia trade tensions**
- **Brexit**

Areas for improvement:

- **This question in the main was handled very well. Some areas of concern were people not quoting the sources clearly. Some people embedded the sources in their answer which is fine however it was very hard to find where they did it. This is a very dangerous practice as a marker could miss it and then put you in a lower band accordingly.**
- **People gave a description of protection and found it hard to link it to an effect on the Australian economy. One of the easiest examples is the current spat we have with China and the effect it is having on our wine, beef, coal and agricultural industries. It is more than simply we cant trade with them. It flows through to effect employment, economic growth and standard of living. When answering this question you need to expand the effects to their fullest extent to receive the high grades that you need.**

Question 26 (20 marks)

Discuss the consequences of low economic growth within the Australian economy. In your response, refer to the stimulus provided.

MARKING GUIDELINES

Criteria	Marks
<ul style="list-style-type: none">• Demonstrates a clear and comprehensive knowledge and understanding of the consequences of low economic growth within the Australian economy• Identifies issues and provides points for and/or against the consequences of low economic growth within 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 cohesive response	17-20
<ul style="list-style-type: none">• Demonstrates clear knowledge and understanding of the consequences of low economic growth within the Australian economy• Identifies issues OR provides points for and/or against low economic growth within the Australian economy• Consistently uses appropriate economic terms, relevant concepts, relationships, and theory• Uses own information and the information provided to develop a logical and cohesive response	13-16
<ul style="list-style-type: none">• Describes how low economic growth has occurred in the Australian economy• Refers to low economic growth within the Australian economy and possible causes and/or consequences• Uses appropriate economic terms, concepts, and relationships• Uses own information and/or the information provided to develop a coherent response	9-12
<ul style="list-style-type: none">• Outlines some consequences of low economic growth• Uses some appropriate economic terms, concepts, and relationships• Uses information to develop a generalised response	5-8
<ul style="list-style-type: none">• Makes some mention of economic growth• Uses some economic terms and/or concepts• Presents a limited response	1-4

Answers could include:

- **Causes of the low economic growth such as slower global growth, increased protectionism, COVID, restructuring of industries**
- **Increased unemployment**
- **Low wage growth**
- **Challenges for balancing the budget or creating a surplus**
- **Low interest rates and associated benefits and impacts**
- **Possibility of external stability issues**
- **Minimal inflationary pressures**
- **Decreased standard of living**
- **Increased government debt/foreign debt**

Areas for improvement:

- **From memory I think only 1 or 2 people attempted this question which I was a little surprised about as it is a very good question with a logical progression when you are structuring an answer.**
- **The few that did attempt it did it well. They need to show the flow of low economic growth to all the factors that are affected by it: employment, trade, BoP, standard of living standards allocative efficiency, inflation, consumer confidence, government policies and costs. You didn't need to have all of these but if you had a few only, then you needed to supplement what you had written with statistics and examples from the present with examples of COVID etc or within a historical context of past recessions.**

Question 27 (20 marks)

Assess the effectiveness of the Reserve Bank of Australia's expansionary monetary policy in achieving its objectives.

MARKING GUIDELINES

Criteria	Marks
<ul style="list-style-type: none">· Provides a sustained, logical and cohesive response.· Integrates relevant economic terms, concepts, relationships and theories.· Demonstrates clear and comprehensive understanding of monetary policy in the Australian economy.· Makes a well-informed judgement about the effectiveness of monetary policy in achieving its objectives.	17-20
<ul style="list-style-type: none">· Provides a logical and cohesive response.· Applies relevant economic terms, concepts, relationships and theories.· Demonstrates sound knowledge and understanding of monetary policy in the Australian economy.· Makes some informed judgements about the effectiveness of monetary policy in achieving its objectives.	13-16
<ul style="list-style-type: none">· Develops a coherent response· Uses economic terms, concepts, relationships and theories.· Demonstrates some understanding of the effectiveness and/or effects of monetary policy on its objectives.	9-12
<ul style="list-style-type: none">· Develops a generalised response.· Uses some economic terms and concepts.· Demonstrates some understanding of monetary policy and/or how it impacts.	5-8
<ul style="list-style-type: none">· Presents a limited response.· Uses some economic terms and concepts.· Identifies some aspects of monetary policy or its impacts.	1-4

Answers could include:

- **The three objectives of monetary policy:**
 - **The stability of the currency**
 - **The maintenance of full employment in Australia**
 - **The economic prosperity and welfare of the people of Australia.**
- **Monetary Policy**
 - **Definition**
 - **Implementation (Commonwealth Government Securities Exchange Settlement Accounts and RBA interest rate corridor)**
 - **Contractionary versus expansionary stance**
 - **Transmission mechanism**
 - **Price stability versus full employment**
 - **NAIRU (Non-Accelerating Inflation Rate of Unemployment)**
 - **Current cash rate changes and impact on consumption, investment and trade (aggregate demand)**
 - **Subdued growth**
 - **Impact of drought/farm production**
 - **Consolidation of labour and the rise of the gig economy**
 - **Unemployment**
 - **Underemployment**
 - **Low wage growth**

Limitations:

- **high household debt/wealth effect**
- **subdued consumer confidence**
- **global political and economic uncertainty**
- **banks restricted lending practices and inconsistencies between RBA and bank rates**
- **time lags**
- **housing boom/housing decline**
- **construction boom.**

Areas for improvement:

- **Majority of students were knowledgeable in the three key objectives of the Reserve Bank i.e. economic growth, price stability and full employment (NOT UNEMPLOYMENT - OBVIOUSLY NOT A GOAL).**
- **Students could have explored the limitations of monetary policy further e.g. impact lag, need for consumer confidence to encourage spending, global issues (deters investment), need for it to work in conjunction with fiscal policy, it is already quite low (0.1%) and there is not much room to further reduce, it is encouraging further borrowing for housing rather than what it is designed to do which is encourage spending on other goods and services, conflicting objectives**

e.g. inflation and unemployment, tendency back to the natural rate of unemployment (Long Run Phillips Curve).

- *Students need to develop topic sentences that address the question. In this case, students needed to make a comment on effectiveness on each of the three objectives.*
- *Students could have explored monetary policy processes further e.g. the policy interest rate corridor and DMOs as per the marking criteria.*
- *Some students used graphs really well (e.g. the Consumption Function and the Phillips Curve). Students could have integrated more graphs to support ideas.*

Question 28 (20 marks)

Explain the impact of changes in Australia's Balance of Payments on the performance of the Australian economy.

Criteria	Marks
<ul style="list-style-type: none">· Provides a sustained, logical and cohesive response.· Integrates relevant economic terms, concepts, relationships and theories.· Demonstrates clear and comprehensive understanding of the changes in Australia's Balance of Payments.· Makes a well-informed judgement about the impact of changes in Australia's Balance of Payments on the performance of the Australian economy.	17-20
<ul style="list-style-type: none">· Provides a logical and cohesive response.· Applies relevant economic terms, concepts, relationships and theories.· Demonstrates sound understanding of the changes in Australia's Balance of Payments. .· Makes some informed judgements about the impact of changes in Australia's Balance of Payments on the performance of the Australian economy.	13-16
<ul style="list-style-type: none">· Develops a coherent response· Uses economic terms, concepts, relationships and theories.· Demonstrates some understanding of the impacts of changes in Australia's Balance of Payments on the performance of the Australian economy.	9-12
<ul style="list-style-type: none">· Develops a generalised response.· Uses some economic terms and concepts.· Demonstrates some understanding of the Balance of Payments and/or the impacts.	5-8
<ul style="list-style-type: none">· Presents a limited response.· Uses some economic terms and concepts.· Identifies some aspects of the Balance of Payments or its impacts.	1-4

Answers could include:

- **Move to a Current Account Surplus in recent years**
- **BOGS surpluses**

- ***Increased services exports (pre COVID)***
- ***Improved resources sector***
- ***Lower foreign liabilities***
- ***Improvements in Australia's Net Primary Income***
- ***Increased Australian investment abroad***
- ***Impact of compulsory superannuation introduction***
- ***Lower global interest rates***
- ***Ability for investors to borrow more***
- ***Improved external stability***

Areas for improvement:

- ***Students needed to have a clearer understanding of key trends/changes in the balance of payments, before going into the impact on the Australian economy. Trends/changes that would have been explored include: Australia's persistent CAD pre 2019, Australia currently running a CAS, Australia's trade balance moving into surplus due to strong growth in commodities, Australia's TOT have improved, Australia's NPI, Australia's net foreign liabilities and heavy dependency on foreign investment.***
- ***The impact of these changes could include reference to national output, external stability, inflation, employment levels.***
- ***Students struggled to logically organise ideas. I think an essay plan would have helped, particularly for this question.***