



Fort Street High School

**Student Number**

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**2010**  
HIGHER SCHOOL CERTIFICATE  
TRIAL EXAMINATION

# Economics

## General Instructions

- Reading Time: 5 minutes
- Working Time: 3 hours
- Write using black or blue pen
- Board-approved calculators may be used
- Write your Student Number at the top of each page (write your name if you do not have your Student Number)

**Total Marks – 100**

### Section I

**Total Marks (20)**

Attempt Questions 1 – 20

Allow about 35 minutes for this section

### Section II

**Total Marks (40)**

Attempt Questions 21 – 24

Allow about 1 hour 15 minutes for this section

### Section III

**Total Marks (20)**

Attempt either Question 25 or Question 26

Allow about 35 minutes for this section

### Section IV

**Total Marks (20)**

Attempt either Question 27 or Question 28

Allow about 35 minutes for this section

This paper **MUST NOT** be removed from the examination room

## Section I

**20 Marks**

**Attempt Questions 1 – 20**

**Allow about 35 minutes for this section**

Use the multiple-choice answer sheet provided

Select the alternative A, B, C or D that best answers the question.

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

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

1. Which of the following is not a method of protection?
  - (A) Local content rules
  - (B) Export incentives
  - (C) Dumping
  - (D) Voluntary export restraints
  
2. Which of the following groups of people are not excluded from official labour force statistics?
  - (A) Full-time students
  - (B) Casual employees
  - (C) Retirees
  - (D) Housewives & househusbands
  
3. Which of the following transactions would be recorded as a credit in the Net Income component of Australia's Current Account?
  - (A) A dividend payment by an Australian company to an Estonian investor
  - (B) An Australian emigrant to the US sending part of her wage to her family in Australia
  - (C) A payment by an Australian importer to an Italian freight business
  - (D) An interest payment by an Argentinian for a loan from an Australian bank

4. Which of the following is true of the North American Free Trade Agreement?
- (A) It is a multilateral agreement negotiated by the World Trade Organisation
  - (B) It is a bilateral trade agreement
  - (C) Its members include Argentina, Brazil and Chile
  - (D) It is a regional trading bloc
5. What is the likely result of the granting of a subsidy to domestic producers?
- (A) Inflation will increase due to more expensive imports
  - (B) The supply from domestic producers will increase
  - (C) Resource allocation will be more efficient
  - (D) The price of exported items will rise
6. Which of the following statements is true for an economy in which aggregate demand is accelerating faster than aggregate supply?
- (A) International competitiveness will fall and real fixed-incomes will fall
  - (B) International competitiveness will rise and real fixed-incomes will fall
  - (C) International competitiveness will fall and real fixed-incomes will rise
  - (D) International competitiveness will rise and real fixed-incomes will rise
7. What is the cash rate target in Australia?
- (A) The Reserve Bank of Australia's inflation rate objective
  - (B) The quantity of money that the Reserve Bank aims to print each year
  - (C) The rate of economic growth that the Reserve Bank targets
  - (D) The interest rate objective that the Reserve Bank sets at its Board meetings
8. Which of the following best describes technical efficiency?
- (A) The extent to which resources are used in ways that contribute most to community wellbeing
  - (B) The extent to which goods and services are produced in an ecologically sustainable manner
  - (C) The extent to which resources can be used to produce more output over time and the extent to which production can be altered quickly and at low cost in response to changes in economic circumstances
  - (D) The extent to which goods and services are produced with the minimum required inputs

9. Which type of unemployment refers to people who are not registered with Centrelink or an accredited job agency?
- (A) Cyclical unemployment  
 (B) Frictional unemployment  
 (C) Hidden unemployment  
 (D) Structural unemployment
10. Which of the following is an element of the current formal industrial relations system?
- (A) Australian Workplace Agreements  
 (B) Australian Fair Pay Commission  
 (C) Enterprise Agreements  
 (D) Australian Industrial Relations Commission
11. Which of the following would be the most effective long-term policy to implement when an economy reaches its natural rate of unemployment?
- (A) Raising the cash rate  
 (B) Increasing rates of income tax  
 (C) Increasing the printing of money  
 (D) Increasing government expenditure on education
12. The table shows selected data for an economy

<b>Year</b>	<b>Unemployment Rate</b>	<b>Consumer Price Index</b>	<b>Foreign Debt as a % of GDP</b>
<b>1</b>	5.5%	125	38.2%
<b>2</b>	5.3%	129	45.5%
<b>3</b>	4.9%	137	52.2%

Given the changes in the data from Year 1 to Year 2 and from Year 2 to Year 3, what can be concluded about this economy?

- (A) Economic growth has been positive and external stability has deteriorated  
 (B) Inflation has increased and external stability has improved  
 (C) External stability has deteriorated and economic growth has been negative  
 (D) Economic growth has been positive and inflation has fallen

13. The table shows the income Gini coefficients for two economies

	Economy A	Economy B
Year 1	0.23	0.61
Year 2	0.28	0.68

Which of the following statements relating to the information in the table is correct?

- (A) Economy B has a more equal distribution of income than Economy A
  - (B) The Lorenz curve for both Economy A and Economy B has moved closer to the Line of Equality in Year 2
  - (C) Economy A is likely to be a developed country while Economy B is likely to be a developing country
  - (D) Economy A and Economy B have increased welfare payments in Year 2
14. The table shows selected data for an economy.

Savings = \$175	Planned Expenditure = \$350	MPS = 0.6
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What is the equilibrium level of income in the economy?

- (A) \$125
  - (B) \$1312.50
  - (C) \$525
  - (D) \$875
15. Which of the following accurately describes the implementation lag for monetary policy?
- (A) Short-term
  - (B) Medium-term
  - (C) Long-term
  - (D) Non-existent
16. Which of the following is true when the social benefits of a good are not factored into the price mechanism?
- (A) The good is over-priced and under-consumed
  - (B) The good is under-priced and over-consumed
  - (C) The production and consumption of the good results in negative externalities
  - (D) The consumption of the good causes inflation

17. Which of the following accurately defines the debt-servicing ratio?
- (A) The proportion of Gross Domestic Product used to make repayments on foreign debt
  - (B) The proportion of export revenue used to make repayments on foreign debt
  - (C) The proportion of export revenue used to make repayments on foreign liabilities
  - (D) The proportion of Gross Domestic Product used to make repayments on foreign liabilities

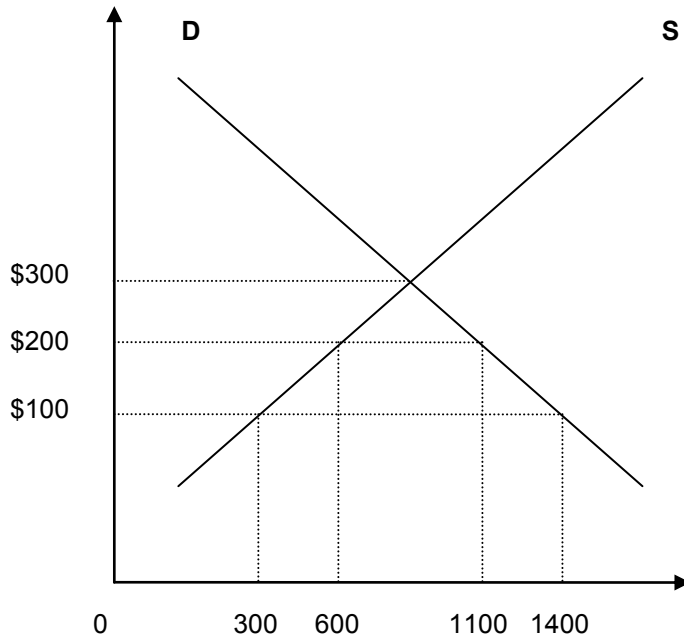
18. The table shows selected data for an economy.

Year	Nominal GDP	CPI
1	\$479bn	100
2	\$518bn	108
3	\$571bn	117

What is the real economic growth rate for Year 3?

- (A) 10.2%
  - (B) 1.6%
  - (C) 9.9%
  - (D) 1.8%
19. Which of the following is a possible cause of demand-pull inflation?
- (A) The anticipation of higher prices in the near-future
  - (B) A decrease in domestic interest rates
  - (C) A cut in the production of oil by OPEC
  - (D) The depreciation of the Australian dollar

20. The following diagram shows the impact of the introduction of a tariff



What is the increase in revenue for domestic producers after the imposition of the tariff?

- (A) \$120000
- (B) \$50000
- (C) \$90000
- (D) \$190000

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 spaces provided.

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**Question 21** (10 marks)

**Marks**

(a) Identify ONE indicator of globalisation

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(b) Account for the international convergence in economic policies in recent decades

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**Question 21 continues on page 9**



(c) Explain how the International Monetary Fund influences the global economy 3

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(d) Discuss the impact of increasing financial and investment flows on the global economy 4

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**End of Question 21**

**Question 22** (10 marks)

(a) Define fiscal policy 1

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(b) Explain how lowering the company tax rate could reduce a budget deficit 2

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(c) Outline TWO functions of automatic stabilisers in the Australian economy 2

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**Question 22 continues on page 11**

(d) Analyse the economic implications of Australia's current budget outcome

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**End of Question 22**

**Question 23** (10 marks)

- (a) Define the Capital and Financial Account 1

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- (b) Outline TWO trends in Australia's financial flows in the past thirty years 2

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- (c) Account for Australia's sustained Current Account Deficit 3

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**Question 23 continues on page 13**

(d) Discuss the consequences of a sustained worsening of Australia's Current Account Deficit 4

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**Question 24** (10 marks)

(a) Define economic growth 1

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(b) Outline ONE argument for and ONE argument against increasing economic growth rates 2

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(c) Explain how fiscal policy can be used to improve Australia's external stability 3

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**Question 24 continues on page 15**



# 2010 TRIAL HIGHER SCHOOL CERTIFICATE EXAMINATION

## Economics

### Section III

20 marks

Attempt EITHER Question 25 OR Question 26

Allow about 35 minutes for this section

Answer the question on the writing paper provided. Extra writing paper is available.

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

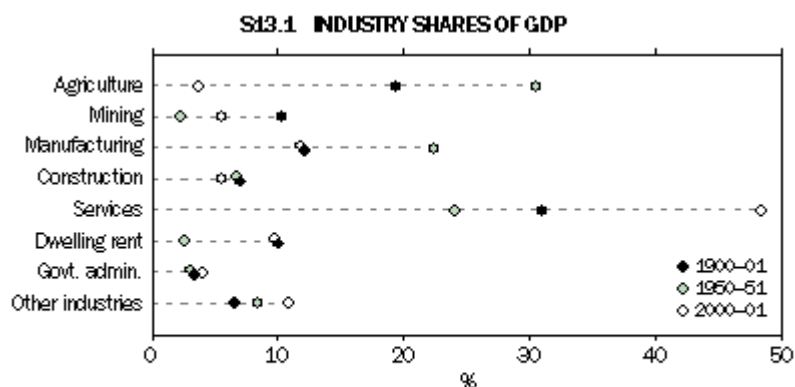
- use your knowledge and the economic information provided
- apply economic terms, concepts, relationships and theory
- present a sustained, logical and well-structured answer to the question

#### Question 25 (20 marks)

Examine the causes and consequences of structural change in the Australian economy over the past thirty years

“One of the central economic problems facing Australia was that large parts of the economy had become inefficient, inward-looking and inflexible – unable to respond well to the changes and challenges that were arising from rapid advances in technology, global integration and fiercer overseas competition.”

- Microeconomic Reforms and Australian Productivity: Exploring the Links, *Productivity Commission*



Source: NG Butlin (1985) for the period 1900-01 to 1938-39; Australian National Accounts for the period 1948-49 to 2002-03.



OR

Answer the question on the writing paper provided. Extra writing paper is available.

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

- use your knowledge and the economic information provided
  - apply economic terms, concepts, relationships and theory
  - present a sustained, logical and well-structured answer to the question
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**Question 26** (20 marks)

Discuss the impact of globalisation on Australia and the global economy

Long-term annual growth rate in HDI (%)	
Country	1980 - 2007
Norway	0.28
Australia	0.40
Iceland	0.33
Canada	0.31
Ireland	0.52
Netherlands	0.30
Sweden	0.32
France	0.34
Switzerland	0.25
Japan	0.29

UNDP Human Development Report 2009

“Globalisation has been denounced as increasing economic inequality within and between national communities and eroding the sovereignty of states and national identities. Economically, it has been presented as generating a 'race for the bottom' between national governments as they attempt to attract investment by undercutting competition by offering regimes of low taxation and labour conditions. Together with the liberalisation of international trade, the race for the bottom is presented as contributing to a diminution of public revenue (traditionally raised through taxation and tariff) that limits the ability of national governments to provide publicly funded services to their most disadvantaged citizens.” - *Globalisation: Perceptions and Threats to National Government in Australia*; Parliamentary Library Research Paper 27, 2001

## **Section IV**

**20 marks**

**Attempt EITHER Question 27 OR Question 28**

**Allow about 35 minutes for this section**

Answer the question on the writing paper provided. Start the question on a new page.

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

- use economic data
  - apply economic terms, concepts, relationships and theory
  - present a sustained, logical and well-structured answer to the question
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### **Question 27 (20 marks)**

Discuss the impact of recent reforms of the labour market on the Australian economy

**OR**

### **Question 28 (20 marks)**

Evaluate the recent economic policy mix to address unemployment in Australia

**End of paper**