

EBE Economics Trial HSC Exam 2010

Marking Guidelines

Section I Multiple Choice

Suggested answers

1. D	8. A	15. A
2. B	9. C	16. D
3. B	10. B	17. B
4. D	11. C	18. B
5. C	12. D	19. D
6. B	13. B	20. C
7. C	14. D	

Section II Short answers

Question 21

Question 21 (a)

Criteria	Marks
<ul style="list-style-type: none"> <input type="radio"/> Correctly defines the labour force as consisting of all those who are employed or unemployed in an economy at a given point of time 	2
<ul style="list-style-type: none"> <input type="radio"/> Provides a limited definition 	1

Question 21 (b)

Criteria	Marks
<ul style="list-style-type: none"> <input type="radio"/> Provides TWO relevant, clear, concise and detailed impacts of an increase in the level of Australia's LFPR 	4
<ul style="list-style-type: none"> <input type="radio"/> Provides TWO relevant, clear and concise impacts of an increase in the level of Australia's LFPR 	3
<ul style="list-style-type: none"> <input type="radio"/> Provides ONE relevant, clear and concise and detailed impact of an increase in the level of Australia's LFPR 	2
<p>Or</p> <ul style="list-style-type: none"> <input type="radio"/> Sketches in general terms TWO impacts of an increase in the level of Australia's LFPR 	
<ul style="list-style-type: none"> <input type="radio"/> Lists at least ONE impact of an increase in the level of Australia's LFPR 	1

Answers could include:

A higher participation rate means more of the working age population are in the labour force, which can reduce upward pressure on wages thus keeping labour costs lower and increasing the competitiveness of Australian manufacturers. It can also lead to higher productivity. Both of these put less pressure on inflation in the economy.

Question 21 (c)

Criteria	Marks
<ul style="list-style-type: none"> ○ Provides relevant, clear and concise explanation of ONE benefit and ONE cost of increasing control by the federal government over labour market policy 	4
<ul style="list-style-type: none"> ○ Provides an explanation of ONE benefit and ONE cost of increasing control by the federal government over labour market policy 	3
<ul style="list-style-type: none"> ○ Provides relevant, clear and concise explanation of ONE benefit or ONE cost of increasing control by the federal government over labour market policy <p>OR</p> <ul style="list-style-type: none"> ○ Sketches in general terms ONE benefit and ONE cost of increasing control by the federal government over labour market policy 	2
<ul style="list-style-type: none"> ○ Sketches in general terms ONE benefit or ONE cost of increasing control by the federal government over labour market policy <p>OR</p> <ul style="list-style-type: none"> ○ Identifies ONE benefit and ONE cost of increasing control by the federal government over labour market policy 	1

Answers could include:

- Benefits could include: the comparative wage justice principle and maintenance of real wages for low income earners; less educated and unskilled workers are not disadvantaged by reduced bargaining power;
- Costs may include: institutionalised inflation; disadvantages those industries that can not afford wage increases; more industrial conflicts.

Question 22 (a)

Criteria	Marks
<ul style="list-style-type: none"> ○ Correctly defines balance of payments as a record of transactions between Australia and the rest of the world 	1

Question 22 (b)

Criteria	Marks
<ul style="list-style-type: none"> ○ Provides relevant, clear and concise explanation of TWO impacts of an increase in the level of Australia's net foreign debt on the balance of payments 	4
<ul style="list-style-type: none"> ○ Provides an explanation of TWO impacts of an increase in the level of Australia's net foreign debt on the balance of payments 	3
<ul style="list-style-type: none"> ○ Sketches in general terms the impact of TWO impacts of an increase in the level of Australia's net foreign debt on the balance of payments <p>Or</p> <ul style="list-style-type: none"> ○ Provides relevant, clear and concise explanation of ONE impact of an increase in the level of Australia's net foreign debt on the balance of payments 	2
<ul style="list-style-type: none"> ○ Identifies at least one impact of an increase in the level of Australia's net foreign debt on the balance of payments 	1

Answers could include:

- Increase in the net income deficit
- Increase in the current account deficit
- Debt trap

Question 22 (c)

Criteria	Marks
<ul style="list-style-type: none"> ○ Provides a range of relevant, clear and concise reasons for the trend in Australia's level of net foreign debt 	5
<ul style="list-style-type: none"> ○ Provides relevant, clear and concise reasons for the trend in Australia's level of net foreign 	4

debt	
o Sketches in general terms reasons for the trend in Australia's level of net foreign debt	3
o Sketches in general terms at least one reason for the trend in Australia's level of net foreign debt	2
o Identifies at least one reason for the trend in Australia's level of net foreign debt	1

Answers could include:

- o Persistent CADs since the 1980s
- o Shift from equity to debt financing during the 1980s
- o Long term depreciation of the currency since the float in 1983
- o Decline in domestic savings leading to increased reliance on foreign savings
- o Federal budget deficits

Question 23 (a)

Criteria	Marks
o Correctly identifies the trend as an appreciation and correctly defines an appreciation as an increase in the purchasing power of a currency.	2
o Correctly identifies the trend as an appreciation.	1

Question 23 (b)

Criteria	Marks
o Provides TWO relevant, clear and concise and detailed effects of an appreciation in the Australian dollar exchange rate	4
o Provides TWO relevant, clear and concise effects of an appreciation in the Australian dollar exchange rate	3
o Provides ONE relevant, clear and concise and detailed effect of an appreciation in the Australian dollar exchange rate	2
Or	
o Sketches in general terms TWO effects of an appreciation in the Australian dollar exchange rate	
o Lists at least ONE effect of an appreciation in the Australian dollar exchange rate	1

Answers could include:

- o Exports become more expensive, imports become cheaper
- o Rising import spending
- o Reduced international competitiveness
- o Reduced capital inflows (foreign investment)
- o Reduced value of foreign income earned by Australians
- o Valuation effect
- o Increased purchasing power for Australian consumers
- o Decreased cost of debt servicing
- o Reduced inflationary pressures

Question 23 (c)

Criteria	Marks
o Provides relevant, clear and concise explanation of ONE benefit and ONE cost of a floating exchange rate	4
o Provides an explanation of ONE benefit and ONE cost of a floating exchange rate	3
o Provides relevant, clear and concise explanation of ONE benefit or ONE cost of a floating exchange rate	2
OR	
o Sketches in general terms ONE benefit and ONE cost of a floating exchange rate	
o Sketches in general terms ONE benefit or ONE cost of a floating exchange rate	1
OR	
o Identifies ONE benefit and ONE cost of a floating exchange rate	

Answers could include:

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- Benefits:
 - More realistic price for the Australian dollar, based on market forces
 - Discourages speculation of an upcoming devaluation or revaluation
 - Increased independence of the Reserve bank
 - Insulates the economy from external shocks
 - In line with other nations in the global economy
- Costs:
 - Increased volatility
 - Uncertainty for investors and savers
 - Can overshoot
 - Speculative bubbles can occur
 - May prompt RBA to dirty the float

Question 24 (a)

Criteria	Marks
○ Correctly identifies an industry which has experienced deregulation	1

Answers could include:

- Airline industry
- Telecommunications industry
- Finance industry

Question 24 (b)

Criteria	Marks
○ Provides TWO relevant, clear and concise and detailed effects of deregulation in an economy	4
○ Provides TWO relevant, clear and concise effects of deregulation in an economy	3
○ Provides ONE relevant, clear and concise and detailed effect of deregulation in an economy	2
Or	
○ Sketches in general terms TWO effects of deregulation in an economy	
○ Lists at least ONE effect of deregulation in an economy	1

Answers could include:

- Increased competition by removing regulations affecting entry into an industry
- Decreased prices due to increased competition and the elimination of pricing arrangements.
- More efficient industries as it strengthens the incentives for technological innovation.

Question 24 (c)

Criteria	Marks
○ Provides relevant, clear and concise explanation of the reasons for deregulation of a specific product or factor market	4
○ Provides an explanation of the reasons for deregulation of a specific product or factor market	3
○ Sketches in general terms of the reasons for deregulation of a specific product or factor market	2
○ Identifies of the reasons for deregulation of a specific product or factor market	1

Answers could include:

- Taxation Reform was implemented to increase incentives to work, save and invest. A more efficient and equitable taxation system with lower compliance costs will result in higher levels of productivity, saving and investment.

Section III Extended response

Question 25

MARKING GUIDELINES Criteria	Marks
<ul style="list-style-type: none"> • Synthesises own knowledge with economic information provided to develop a sustained, logical and well structured response • Integrates an extensive and appropriate range of economic terms with relevant concepts, relationships and theory • Provides clear and comprehensive arguments of the impact of variations in the level of global economic growth on quality of life in the global economy 	17–20
<ul style="list-style-type: none"> • Synthesises own knowledge with economic information provided to develop a logical and well structured response • Integrates an appropriate range of economic terms with relevant concepts, relationships and theory • Provides sound arguments identifying the impact of variations in the level of global economic growth on quality of life in the global economy 	13–16
<ul style="list-style-type: none"> • Uses own knowledge with economic information provided to develop a coherent response • Applies appropriate economic terms, concepts and relationships • Sketches in general terms arguments identifying the impact of variations in the level of global economic growth on quality of life in the global economy 	9–12
<ul style="list-style-type: none"> • Uses economic information provided to develop a generalised response • Uses some appropriate economic terms, concepts and relationships • Makes reference to some aspects of variations in the level of global economic growth on quality of life in the global economy 	5–8
<ul style="list-style-type: none"> • Presents a limited response • Uses some economic terms and/or concepts relating to global economic growth and/or quality of life in the global economy 	1–4

Answers could include:

- Nature of the global economy –global economic growth and GWP
- Globalisation
- Quality of life –HDI, economic growth V economic development
- Impact of variations in the international business cycle
- Impact of trade agreements and blocs
- Effect on distribution of income and wealth
- Environmental consequences
- Implications for government policies.
- Reference to a casestudy

Question 26

Analyse the reasons for recent trends in the level of Australia's trade and investment

MARKING GUIDELINES Criteria	Marks
<ul style="list-style-type: none">• Synthesises own knowledge with economic information provided to develop a sustained, logical and well structured response• Integrates an extensive and appropriate range of economic terms with relevant concepts, relationships and theory• Provides clear and comprehensive arguments for the reasons for recent trends in the level of Australia's trade and investment	17–20
<ul style="list-style-type: none">• Synthesises own knowledge with economic information provided to develop a logical and well structured response• Integrates an appropriate range of economic terms with relevant concepts, relationships and theory• Provides sound arguments identifying the reasons for recent trends in the level of Australia's trade and investment	13–16
<ul style="list-style-type: none">• Uses own knowledge with economic information provided to develop a coherent response• Applies appropriate economic terms, concepts and relationships• Sketches in general terms arguments identifying the reasons for recent trends in the level of Australia's trade and investment	9–12
<ul style="list-style-type: none">• Uses economic information provided to develop a generalised response• Uses some appropriate economic terms, concepts and relationships• Makes reference to some aspects of recent trends in the level of Australia's trade and investment	5–8
<ul style="list-style-type: none">• Presents a limited response• Uses some economic terms and/or concepts relating to Australia's trade and/or investment	1–4

Answers could include:

- Recent trends in the value, composition and direction of Australia's imports and exports. Specific data given to illustrate the trends.
- Recent trends in the value, composition and direction of Australia's financial flows described giving specific data and examples.
- Reasons for the recent trends – deregulation of the financial sector, reduced levels of protection, more integrated global economy, changes in the international business cycle.
- Implications for the Australian economy – Balance of Payments, Current Account and effect of interest payments on financial flows, effect on exchange rate, foreign ownership.

Section IV Extended response

Question 27

MARKING GUIDELINES Criteria	Marks
<ul style="list-style-type: none"> • Integrates an extensive and appropriate range of economic terms with relevant concepts, relationships, theories and use of economic data • Demonstrates superior economic analysis in a sustained, logical and well structured response • Provides a clear, comprehensive and balanced understanding of the effectiveness of economic policy in managing unemployment and the distribution of income in the Australian economy 	17–20
<ul style="list-style-type: none"> • Integrates an appropriate range of economic terms with relevant concepts, relationships, theory and use of economic data • Demonstrates a sound economic analysis in a logical and well structured response • Provides a sound understanding of how changes in the global economy impact on Australia’s economic growth and external stability <p>OR</p> <ul style="list-style-type: none"> • Provides a clear, comprehensive understanding of the effectiveness of economic policy in managing unemployment and the distribution of income in the Australian economy 	13–16
<ul style="list-style-type: none"> • Applies appropriate economic terms, concepts and relationships • Develops a coherent response • Sketches in general terms the effectiveness of economic policy in managing unemployment and the distribution of income in the Australian economy <p>OR</p> <ul style="list-style-type: none"> • Provides a sound understanding of the effectiveness of economic policy in managing unemployment and the distribution of income in the Australian economy 	9–12
<ul style="list-style-type: none"> • Uses some appropriate economic terms, concepts and relationships • Develops a generalised response • Sketches in general terms the effectiveness of economic policy in managing unemployment and the distribution of income in the Australian economy • Makes reference to some aspects of the effectiveness of economic policy in managing unemployment and the distribution of income in the Australian economy 	5–8
<ul style="list-style-type: none"> • Presents a limited response • Uses some economic terms and/or concepts relating to economic policy, unemployment and/or inflation 	1–4

Answers could include:

- Definition and measurement of unemployment and distribution of income in Australia (gini coefficient and Lorenz curve)
- Recent trends
- Causes of trends in unemployment
 - Low aggregate demand
 - Structural change
 - Technological change
 - Labour productivity and flexibility
- Examination of government policies to manage unemployment -effectiveness
 - Expansionary fiscal policy
 - Microeconomic reform of the labour market
 - Monetary policy
- Examination of government policies to manage distribution of income –effectiveness
 - Fiscal policy-social security
 - Taxation reform
 - Education and training

Question 28

MARKING GUIDELINES Criteria	Marks
<ul style="list-style-type: none"> Integrates an extensive and appropriate range of economic terms with relevant concepts, relationships, theories and use of economic data Demonstrates superior economic analysis in a sustained, logical and well structured response Provides a clear, comprehensive and balanced understanding of the effectiveness of economic policy in managing economic growth and inflation in the Australian economy. 	17–20
<ul style="list-style-type: none"> Integrates an appropriate range of economic terms with relevant concepts, relationships, theory and use of economic data Demonstrates a sound economic analysis in a logical and well structured response Provides a sound understanding of the effectiveness of economic policy in managing economic growth and inflation in the Australian economy. <p>OR</p> <ul style="list-style-type: none"> Provides a clear, comprehensive understanding of the effectiveness of economic policy in managing economic growth and inflation in the Australian economy. 	13–16
<ul style="list-style-type: none"> Applies appropriate economic terms, concepts and relationships Develops a coherent response Sketches in general terms the effectiveness of economic policy in managing economic growth and inflation in the Australian economy. <p>OR</p> <ul style="list-style-type: none"> Provides a sound understanding of the effectiveness of economic policy in managing economic growth and inflation in the Australian economy. 	9–12
<ul style="list-style-type: none"> Uses some appropriate economic terms, concepts and relationships Develops a generalised response Sketches in general terms the effectiveness of economic policy in managing economic growth and inflation in the Australian economy. Makes reference to some aspects of the effectiveness of economic policy in managing economic growth and inflation in the Australian economy. 	5–8
<ul style="list-style-type: none"> Presents a limited response Uses some economic terms and/or concepts relating to economic growth and/or inflation 	1–4

Answers could include:

- Definition and measurement of economic growth and inflation in Australia
- Recent trends
- Causes of trends in economic growth
 - Low aggregate demand
 - Structural change
 - Technological change
 - Labour productivity and flexibility
- Examination of government policies to manage economic growth -effectiveness
 - Expansionary fiscal policy
 - Microeconomic reform of the labour market
 - Monetary policy
- Examination of government policies to manage inflation –effectiveness
 - Monetary Policy
 - Microeconomic reform – labour market reform, reduced protection, increased competition