

BOARD OF STUDIES
NEW SOUTH WALES

2013 HSC Economics Marking Guidelines

Section I

Multiple-choice Answer Key

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

Section II

Question 21 (a)

| Criteria | Marks |
|--|-------|
| • Demonstrates a sound understanding of the costs AND benefits of the proposal | 4 |
| • Demonstrates a sound understanding of EITHER the costs OR the benefits of the proposal and sketches in general terms the other | 3 |
| • Demonstrates a sound understanding of EITHER the costs OR benefits of the proposal | 2 |
| • Sketches in general terms the costs AND benefits of the proposal | |
| • States EITHER a cost OR a benefit of the proposal | 1 |

Sample answer:

The bypass may lead to a loss of business in the town as motorists use it to avoid travelling through the town. The bypass may also reduce the value of property near the route of the bypass due to the noise pollution and the loss of farmland. On the other hand, the bypass will reduce traffic congestion in the town to the benefit of local residents. Moreover, pedestrian safety in the town should improve as the bypass diverts highway traffic away from the more highly populated town centre.

Answers could include:

- Less noise pollution for town residents
- Improved travel time for highway users
- Improved highway traffic safety
- Environmental impact of bypass

Question 21 (b)

| Criteria | Marks |
|---|--------------|
| • Demonstrates a clear and comprehensive understanding of the relationship between globalisation and environmental sustainability | 6 |
| • Demonstrates a sound understanding of the relationship between globalisation and environmental sustainability | 5 |
| • Demonstrates an understanding of a relationship between globalisation and environmental sustainability | 4 |
| • Sketches in general terms how globalisation has influenced environmental sustainability | 3 |
| • Makes a relevant statement about an effect of globalisation on environmental sustainability | 2 |
| • Makes a relevant statement about globalisation or environmental sustainability | 1 |

Sample answer:

Globalisation has both negative and positive effects on environmental sustainability. Globalisation has increased trade and Gross World Product. It has also resulted in an increase in industrialisation and urbanisation in both developed and developing countries. The demand for resources to support this growth has resulted in a depletion of natural resources, environmental degradation and increased pollution and carbon emissions. The combination of these has meant a significant decline in global environmental sustainability. However, increasing development has also resulted in a growing global awareness of the need to improve the sustainability of economic growth and brought attention to issues such as global warming. International agreements such as the Kyoto and Montreal Protocol and research into green technologies have been possible through globalisation and hold the key to improve environmental sustainability for future generations.

Answers could include:

- The extent to which conflicts between growth and the environment have been managed
- Any measures to manage economic growth
- Any measures to manage the environment
- Specific references to Australia or any other country
- A purely theoretical response that does not refer to actual examples

Question 22 (a)

| Criteria | Marks |
|---|-------|
| • Correctly calculates a change in national income that results from a \$100 million increase in investment | 1 |

Sample answer:

\$250 million

Question 22 (b)

| Criteria | Marks |
|---|-------|
| • Sketches in general terms how economic growth in a major trading partner might influence economic growth in Australia | 2 |
| • Makes a general statement about economic growth in a major trading partner and economic growth in Australia | 1 |

Sample answer:

Faster economic growth in a major trading partner will increase demand for Australian-produced goods increasing exports and hence, Australia's economic growth.

Answers could include:

- Growth in exports/trade
- Growth in foreign investment
- Growth in import consumption
- Growth in investment in export industries
- Growth in any other AD factor influenced by the trading partner

Question 22 (c)

| Criteria | Marks |
|--|--------------|
| • Demonstrates a clear understanding of how an increase in Australia's MPS will affect economic growth | 3 |
| • Demonstrates an understanding of how an increase in Australia's MPS will affect economic growth | 2 |
| • Demonstrates a limited understanding of how an increase in Australia's MPS will affect economic growth | 1 |

Sample answer:

An increase in the MPS will reduce Australia's economic growth in two main ways. First a smaller proportion of each additional dollar earned is spent on consumption. Secondly, the multiplier effect of change in, for example, government spending is smaller.

Answers could include:

- Increased savings leakage
- Decreased consumption injection
- Decreased multiplier effect of exports or investment
- Economic growth decreases

Question 22 (d)

| Criteria | Marks |
|---|--------------|
| • Demonstrates a clear and concise understanding of the implications of slower economic growth for the Australian Government budget | 4 |
| • Demonstrates a sound understanding of the implications of slower economic growth for the Australian Government budget | 3 |
| • Sketches in general terms the implications of slower economic growth for the Australian Government budget | 2 |
| • States some implication(s) of slower economic growth on the Australian Government budget | 1 |

Sample answer:

Slower economic growth will tend to reduce personal income tax receipts as the unemployment rate rises. Moreover, higher unemployment implies that Government spending on transfer payments will rise. Therefore, government revenue falls and expenditure increases simultaneously.

Answers could include:

- Decreased company tax revenues
- Decreased income tax revenues
- Decreased GST revenues
- Decrease in any demand-related revenues
- Increased government transfer payments
- Increased government expenditure on any stimulus measures

Question 23 (a)

| Criteria | Marks |
|---|-------|
| • Demonstrates a clear understanding of the difference between the current account deficit and foreign debt | 2 |
| • Sketches in general terms the features of the current account deficit OR foreign debt | 1 |

Sample answer:

A current account deficit results when expenditure on goods, services and income overseas exceeds the receipt of income from overseas. The foreign debt is the sum of outstanding loans owed by Australian residents to overseas residents.

Answers could include:

- Annual net outflows overseas
- Sum of components of CAD
- Stock of total overseas debt
- CAD adds to foreign debt

Question 23 (b)

| Criteria | Marks |
|---|-------|
| • Demonstrates a clear understanding of how the level of national savings can influence the current account | 3 |
| • Sketches in general terms how the level of national savings can influence the current account | 2 |
| • Demonstrates a limited understanding of how the level of national savings can influence the current account | 1 |

Sample answer:

Insufficient national savings means that a country must borrow from overseas to finance domestic investment. This leads to a flow of income to overseas lenders in the form of interest payments and dividends. This flow is recorded as a debit in the net primary income component of the current account.

Answers could include:

- Effect on foreign borrowing
- Effect on net income balance
- Repayments/interest on foreign borrowing
- Dividends paid to foreign investors
- Impact on imports and the balance of trade on the current account
- Savings/investment gap

Question 23 (c)

| Criteria | Marks |
|---|-------|
| <ul style="list-style-type: none"> • Demonstrates a clear and concise understanding of BOTH the positive and negative implications of a current account deficit for the Australian economy | 5 |
| <ul style="list-style-type: none"> • Demonstrates an understanding of BOTH the positive and negative implications of a current account deficit for the Australian economy OR <ul style="list-style-type: none"> • Demonstrates a clear and concise understanding of EITHER positive OR negative implications of a current account deficit for the Australian economy and a sound understanding of the other | 4 |
| <ul style="list-style-type: none"> • Demonstrates a clear and concise understanding of EITHER positive OR negative implications of a current account deficit for the Australian economy OR <ul style="list-style-type: none"> • Demonstrates an understanding of EITHER positive OR negative implications of a current account deficit for the Australian economy and sketches the other in general terms | 3 |
| <ul style="list-style-type: none"> • Sketches in general terms BOTH the positive and negative implications of a current account deficit for the Australian economy OR <ul style="list-style-type: none"> • Demonstrates an understanding of EITHER positive OR negative implications of a current account deficit for the Australian economy | 2 |
| <ul style="list-style-type: none"> • Sketches in general terms EITHER the positive OR negative implications of a current account deficit for the Australian economy OR <ul style="list-style-type: none"> • Lists some positive AND/OR negative implications of a current account deficit for the Australian economy | 1 |

Sample answer:

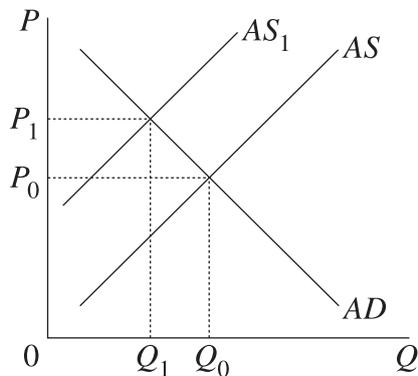
A positive implication of Australia's CAD is that it reflects the willingness of foreign creditors to invest in the Australian economy. This helps to develop local productive resources which contributes to Australia's economic growth and employment. A negative implication of Australia's CAD is that it increases the exposure of the Australian economy to external shocks. In particular, it leaves Australia vulnerable to foreign investors suddenly losing confidence in the economy and withdrawing their investment or demanding higher interest rates in return. In each case, a sudden slow down in economic growth can result.

Answers could include:

- Greater foreign investment
- Growth in economy exceeds repayments
- Greater productive capacity/long-term growth
- Greater repayments leakage/lower growth
- Lower foreign investor confidence
- Depreciation of the Australian dollar
- Greater foreign ownership

Question 24 (a)

| Criteria | Marks |
|---|-------|
| <ul style="list-style-type: none"> • Correctly draws an aggregate supply curve that has shifted to the left • Correctly labels the new equilibrium price and quantity | 2 |
| <ul style="list-style-type: none"> • Correctly draws an aggregate supply curve that has shifted to the left OR <ul style="list-style-type: none"> • Labels a correct new equilibrium price and quantity | 1 |

Sample answer:

Answers could include:

- New AS₁ curve to the left
- New equilibrium price P₁
- New equilibrium quantity Q₁

Question 24 (b)

| Criteria | Marks |
|---|-------|
| <ul style="list-style-type: none"> • Sketches in general terms how deregulation of product markets affects inflation | 2 |
| <ul style="list-style-type: none"> • States an effect of deregulation of product markets on inflation | 1 |

Sample answer:

Deregulation of product markets allows more firms to enter the market. This leads to increased competition which lowers prices and hence inflation.

Answers could include:

- Greater price competition
- Greater efficiency/lower costs
- Lower inflation/price stability

Question 24 (c)

| Criteria | Marks |
|---|-------|
| • Sketches in general terms a characteristic and/or feature of a centralised labour market policy | 2 |
| • States a feature of a centralised labour market policy | 1 |

Sample answer:

A feature of centralised labour market policies is the use of awards to determine minimum wages and conditions across each occupation class.

Answers could include:

- Awards – minimum wage
- Greater role of industrial tribunals (IRC)
- More minimum conditions
- Fewer individual agreements
- Fewer enterprise agreements

Question 24 (d)

| Criteria | Marks |
|---|-------|
| • Sketches in general terms BOTH an advantage and a disadvantage of moving from a fixed exchange to a floating exchange rate system | 4 |
| • Sketches in general terms EITHER an advantage or disadvantage of moving from a fixed exchange rate to a floating exchange rate system and states the other | 3 |
| • Sketches in general terms EITHER an advantage or disadvantage of moving from a fixed exchange rate to a floating exchange rate system OR • States BOTH an advantage and a disadvantage of moving from a fixed exchange to a floating exchange rate system | 2 |
| • States EITHER an advantage or a disadvantage of moving from a fixed exchange to a floating exchange rate system | 1 |

Sample answer:

One advantage of a floating exchange rate system is that if demand for a country's exports falls, then a floating exchange rate can depreciate and increase export competitiveness. One disadvantage of floating exchange rates is the volatility and uncertainty that make it difficult for business to manage/exchange rate risk.

Answers could include:

- Depreciation/competitiveness
- Appreciation/lower inflation
- Less pressure on currency reserves
- Greater volatility/uncertainty
- Depreciation/imported inflation

Section III

Question 25

| Criteria | Marks |
|---|-------|
| <ul style="list-style-type: none"> • Synthesises own knowledge and understanding, with the information provided, to develop a sustained, logical and cohesive response • Integrates relevant economic terms, concepts, relationships and theory • Clearly and comprehensively demonstrates how movements in the Australian dollar can affect the performance of the Australian economy | 17–20 |
| <ul style="list-style-type: none"> • Synthesises own knowledge and understanding, with the information provided, to develop a logical and cohesive response • Applies relevant economic terms, concepts, relationships and theory • Demonstrates sound knowledge and understanding of how movements in the Australian dollar can affect the performance of the Australian economy | 13–16 |
| <ul style="list-style-type: none"> • Uses own knowledge and understanding with the information provided to develop a coherent response • Uses relevant economic terms and concepts and shows some relationships • Sketches in general terms how movements in the Australian dollar can affect the performance of the Australian economy | 9–12 |
| <ul style="list-style-type: none"> • Develops a generalised response • Uses some economic terms and concepts • States some aspects of how movements in the Australian dollar can affect the performance of the Australian economy | 5–8 |
| <ul style="list-style-type: none"> • Presents a limited response • Uses some economic terms or concepts • Lists any effects of movements in the Australian dollar on the performance of the Australian economy | 1–4 |

Answers could include:

- Commodity prices
- External demand
- Economic growth
- Real exchange rate
- International competitiveness
- Structural change
- Traded sectors – mining vs manufacturing, tourism
- Import competition
- Protection, tariffs, non-tariff assistance
- Structural unemployment
- Immigration, skilled immigration
- Balance of payments, balance of trade
- Composition of trade
- Foreign investment
- Monetary policy, interest rates
- Fiscal position, taxation revenues
- Real wages
- Income distribution

Question 26

| Criteria | Marks |
|--|-------|
| <ul style="list-style-type: none"> • Synthesises own knowledge and understanding, with the information provided, to develop a sustained, logical and cohesive response • Integrates relevant economic terms, concepts, relationships and theory • Clearly and comprehensively demonstrates how Australia's macroeconomic policy mix affects economic growth and inflation in the domestic economy | 17–20 |
| <ul style="list-style-type: none"> • Synthesises own knowledge and understanding, with the information provided, to develop a logical and cohesive response. • Applies relevant economic terms, concepts, relationships and theory • Demonstrates sound knowledge and understanding of how Australia's macroeconomic policy mix affects economic growth and inflation in the domestic economy <p>OR</p> <ul style="list-style-type: none"> • Clearly and comprehensively demonstrates how Australia's macroeconomic policy mix affects EITHER economic growth OR inflation in the domestic economy and sketches in general terms the other | 13–16 |
| <ul style="list-style-type: none"> • Uses own knowledge and understanding with the information provided to develop a coherent response • Uses relevant economic terms and concepts and shows some relationships • Sketches in general terms how Australia's macroeconomic policy mix affects economic growth and inflation in the domestic economy <p>OR</p> <ul style="list-style-type: none"> • Demonstrates sound knowledge and understanding of how Australia's macroeconomic policy mix affects EITHER economic growth OR inflation in the domestic economy and states some aspects of the other | 9–12 |
| <ul style="list-style-type: none"> • Develops a generalised response • Uses some economic terms and concepts • States some aspects of how Australia's macroeconomic policies affect economic growth AND/OR inflation in the domestic economy | 5–8 |
| <ul style="list-style-type: none"> • Presents a limited response • Uses some economic terms or concepts • Lists any effects of Australia's macroeconomic policies on economic growth AND/OR inflation in the domestic economy | 1–4 |

Answers could include:

- | | |
|--|---|
| <ul style="list-style-type: none"> • Fiscal policy • Taxation revenue, spending • Stimulus • Multipliers • Structural Monetary policy • Interest rates • Inflation target • Underlying vs headline CPI | <ul style="list-style-type: none"> • Unemployment • Phillips curve • Wages growth • Australian dollar • Competitiveness • Mining /resources boom • GFC |
|--|---|

Section IV

Question 27

| Criteria | Marks |
|---|-------|
| <ul style="list-style-type: none"> Integrates relevant economic terms, concepts, relationships and theories Provides a sustained, logical and cohesive response Demonstrates a clear and comprehensive understanding of the effects of domestic AND global free trade and protection policies on the Australian economy Clearly draws out and relates implications of domestic AND global free trade and protection policies for the Australian economy | 17–20 |
| <ul style="list-style-type: none"> Applies relevant economic terms, concepts, relationships and theories Provides a logical and cohesive response Demonstrates a sound understanding of the effects of domestic AND global free trade and protection policies on the Australian economy <p>OR</p> <ul style="list-style-type: none"> Demonstrates a clear and comprehensive understanding of the effects of EITHER domestic OR global free trade and protection policies on the Australian economy and sketches in general terms the other Demonstrates some implications of domestic AND global free trade and protection policies for the Australian economy | 13–16 |
| <ul style="list-style-type: none"> Uses economic terms and concepts and shows some relationships Develops a coherent response Sketches in general terms the effects of domestic AND global free trade and protection policies on the Australian economy <p>OR</p> <ul style="list-style-type: none"> Demonstrates a sound understanding of the effects of EITHER domestic OR global free trade and protection policies on the Australian economy and states some of the aspects of the other May refer to implications of domestic AND/OR global free trade policies for the Australian economy | 9–12 |
| <ul style="list-style-type: none"> Uses some economic terms and concepts Develops a generalised response Sketches in general terms the effects of EITHER domestic OR global free trade and protection policies on the Australian economy <p>OR</p> <ul style="list-style-type: none"> States some effects of domestic AND global free trade and protection policies on the Australian economy | 5–8 |
| <ul style="list-style-type: none"> Uses some economic terms and/or concepts Presents a limited response Lists features of domestic AND/OR global free trade and protection policies | 1–4 |

Answers could include:

- Free trade
- Absolute and Comparative advantage
- Diversification
- Efficient allocation of resources
- Trading blocs
- WTO, APEC
- Bilateral, multilateral agreements
- Tariff protection
- Non-tariff protection, subsidies
- Industry plans – TCF, Motor vehicles
- Level playing field
- Employment
- Consumer
- The role of structural change and its impact on domestic industry
- Structural unemployment

Question 28

| Criteria | Marks |
|---|-------|
| <ul style="list-style-type: none"> • Integrates relevant economic terms, concepts, relationships and theories • Provides a sustained, logical and cohesive response • Demonstrates a clear and comprehensive knowledge and understanding of the causes and effects of unemployment on the Australian economy • Clearly draws out and relates implications of unemployment for the Australian economy | 17–20 |
| <ul style="list-style-type: none"> • Applies relevant economic terms, concepts, relationships and theories • Provides a logical and cohesive response • Demonstrates a sound knowledge and understanding of the causes and effects of unemployment on the Australian economy <p>OR</p> <ul style="list-style-type: none"> • Demonstrates a clear comprehensive knowledge and understanding of EITHER the causes OR effects of unemployment on the Australian economy and sketches in general terms the other • Demonstrates some implications of unemployment for the Australian economy | 13–16 |
| <ul style="list-style-type: none"> • Uses economic terms and concepts and shows some relationships • Develops a coherent response • Sketches in general terms the causes and effects of unemployment on the Australian economy <p>OR</p> <ul style="list-style-type: none"> • Demonstrates a sound knowledge and understanding of EITHER causes OR effects of unemployment on the Australian economy and states some of the aspects of the other • May refer to implications of unemployment for the Australian economy | 9–12 |
| <ul style="list-style-type: none"> • Uses some economic terms and concepts • Develops a generalised response • Sketches in general terms EITHER the causes OR effects of unemployment on the Australian economy <p>OR</p> <ul style="list-style-type: none"> • States some aspects of the causes and effects of unemployment on the Australian economy | 5–8 |
| <ul style="list-style-type: none"> • Uses some economic terms and concepts • Develops a generalised response • Lists features of the causes AND / OR effects of unemployment on the Australian economy | 1–4 |

Answers could include:

- Types of unemployment
- Economic cycles and cyclical employment
- Underemployment and hidden unemployment
- Participation rate
- Recession, GFC
- Confidence, spending effects
- Social costs
- Fiscal position, automatic stabilisers
- Booms, Commodity/resource booms
- Structural change –industries, states
- Long-term and frictional unemployment
- Labour market policies
- Education and training
- Minimum wages
- Centralised vs decentralised labour market
- Labour mobility

Economics

2013 HSC Examination Mapping Grid

Section I

| Question | Marks | Content | Syllabus outcomes |
|----------|-------|------------------------------------|-------------------|
| 1 | 1 | International Organisations | H1, H2 |
| 2 | 1 | Protection/Reasons | H1, H6 |
| 3 | 1 | Income Distribution | H1, H9 |
| 4 | 1 | Free trade agreements | H1, H6 |
| 5 | 1 | Unemployment/Policies | H1, H6 |
| 6 | 1 | Fiscal Policy/Outcomes | H1, H6 |
| 7 | 1 | Labour Market/Inflation | H2, H6 |
| 8 | 1 | Policy/NAIRU | H5, H6 |
| 9 | 1 | Externalities | H1, H7 |
| 10 | 1 | Balance of Payments | H9, H11 |
| 11 | 1 | Unemployment/Types | H1, H7 |
| 12 | 1 | Microeconomic reform/Productivity | H1, H6 |
| 13 | 1 | Exchange rates/Monetary Policy | H5, H6 |
| 14 | 1 | Fiscal Policy | H1, H7 |
| 15 | 1 | Economic Growth/Multiplier | H1, H11 |
| 16 | 1 | Monetary Policy/Exchange Rates | H4, H6 |
| 17 | 1 | Monetary Policy/Implementation | H1, H5 |
| 18 | 1 | Inflation | H1, H11 |
| 19 | 1 | Balance of payments/Terms of Trade | H8, H11 |
| 20 | 1 | Protection/Tariffs | H6, H11 |

Section II

| Question | Marks | Content | Syllabus outcomes |
|----------|-------|---|-------------------|
| 21 (a) | 4 | Market Failure/Externalities | H1, H7 |
| 21 (b) | 6 | Globalisation/Environmental Sustainability/Case Study | H1, H4, H6, H7 |
| 22 (a) | 1 | Economic Growth/Multiplier | H1, H11 |
| 22 (b) | 2 | Economic Growth | H1, H4 |
| 22 (c) | 3 | Economic Growth | H1, H2 |
| 22 (d) | 4 | Economic Growth/Fiscal Policy | H1, H7 |
| 23 (a) | 2 | Balance of Payments | H1 |
| 23 (b) | 3 | Balance of Payments | H1, H2, H7 |
| 23 (c) | 5 | Balance of Payments/Economic Issues | H1, H7 |
| 24 (a) | 2 | Economic Growth/Aggregate Supply | H1, H11 |
| 24 (b) | 2 | Microeconomic Policies | H1, H6 |
| 24 (c) | 2 | Labour Market Policies | H1 |
| 24 (d) | 4 | Exchange Rates | H1, H5 |

Section III

| Question | Marks | Content | Syllabus outcomes |
|-----------------|--------------|--|--------------------------|
| 25 | 20 | Exchange Rates/Economic Growth | H1, H4, H7, H8, H9, H10 |
| 26 | 20 | Macroeconomic Policy/Economic Growth/Inflation | H1, H2, H6, H9, H10 |

Section IV

| Question | Marks | Content | Syllabus outcomes |
|-----------------|--------------|---|--------------------------|
| 27 | 20 | Free Trade and Protection/Economic Issues | H1, H2, H4, H6 H8, H10 |
| 28 | 20 | Unemployment/Economic Issues | H1, H7, H10 |