

2014 HSC Economics Marking Guidelines

Section I

Multiple-choice Answer Key

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

Section II

Question 21 (a)

Criteria	Marks
<ul style="list-style-type: none"> Demonstrates a clear understanding of the difference between local content rules and export incentives 	2
<ul style="list-style-type: none"> Sketches in general terms the features of local content rules OR export incentives 	1

Sample answer:

Local content rules specify that products imported to or exported from a country must contain a minimum percentage of locally made parts. Export incentives, on the other hand, give domestic producers assistance such as loan subsidies or technical advice to encourage them to export their output.

Question 21 (b)

Criteria	Marks
<ul style="list-style-type: none"> Demonstrates a clear understanding of the likely implications, for both farmers and consumers in Australia, of the United States subsidising its farmers 	4
<ul style="list-style-type: none"> Demonstrates a clear understanding of the likely implications, for farmers or consumers in Australia, and sketches in general terms the implications for the other group, of the United States subsidising its farmers 	3
<ul style="list-style-type: none"> Sketches in general terms the likely implications, for farmers and/or consumers in Australia, of the United States subsidising its farmers 	2
<ul style="list-style-type: none"> States a likely implication for farmers or consumers in Australia of the United States subsidising its farmers 	1

Sample answer:

One likely effect of United States subsidies is lower world prices and therefore reduced prices and profit margins for Australian farmers, many of whom may be unable to compete and may be forced out of production. Australian consumers may enjoy lower prices and increased supply and choice in agricultural products as a result of the United States farmer subsidies.

Question 21 (c)

Criteria	Marks
<ul style="list-style-type: none"> • Demonstrates a clear understanding of at least two reasons that a domestic industry could use to argue for its protection 	4
<ul style="list-style-type: none"> • Demonstrates a clear understanding of one reason that a domestic industry could use to argue for its protection and sketches in general terms another argument 	3
<ul style="list-style-type: none"> • Sketches in general terms at least two reasons that a domestic industry could use to argue for its protection <p>OR</p> <ul style="list-style-type: none"> • Demonstrates a clear understanding of one reason that a domestic industry could use to argue for its protection 	2
<ul style="list-style-type: none"> • States some reason(s) that a domestic industry could use to argue for its protection 	1

Sample answer:

One reason that a domestic industry could use to argue for its protection is the presence of dumping of similar foreign-made products at prices below production costs that force domestic producers out of business. The government might be asked to impose special tariffs.

Another reason the domestic industry may argue for protection is the infant industry argument; a new domestic industry requires protection to grow and gain the economies of scale that make it competitive with imports.

Question 22 (a)

Criteria	Marks
• Demonstrates how one factor can cause an exchange rate depreciation	2
• States one cause of an exchange rate depreciation	1

Sample answer:

One cause of an exchange rate depreciation is a fall in demand for a country's exports. Less demand for exports will lead to a decrease in demand for the country's currency, thus depreciating the exchange rate.

Question 22 (b)

Criteria	Marks
• Demonstrates a clear understanding of how Australia's trade weighted index can decline even as the Australian dollar appreciates against the euro	3
• Sketches in general terms how Australia's trade weighted index can decline even as the Australian dollar appreciates against the euro	2
• Demonstrates a limited understanding of how Australia's trade weighted index can decline even as the Australian dollar appreciates against the euro	1

Sample answer:

The TWI is the value of the AUD against a weighted basket of the currencies of its major trading partners. This includes the euro but is dominated by the \$US and Asian currencies.

While on the one hand the AUD could have appreciated against the euro due to the European crisis, the AUD may be weaker in the TWI due to lower commodity prices, causing its decline against currencies of the US and Asia.

Question 22 (c)

Criteria	Marks
<ul style="list-style-type: none"> Clearly shows how rising interest rates affect both the current account AND the capital and financial account of the balance of payments 	5
<ul style="list-style-type: none"> Clearly shows how rising interest rates affect EITHER the current account OR the capital and financial account of the balance of payments, and sketches in general terms the other 	4
<ul style="list-style-type: none"> Clearly shows the effect(s) of rising interest rates on EITHER the current account OR the capital and financial account of the balance of payments OR <ul style="list-style-type: none"> Sketches in general terms the effect(s) of rising interest rates on both the current account AND the capital and financial account of the balance of payments 	3
<ul style="list-style-type: none"> Sketches in general terms at least one effect of rising interest rates on EITHER the current account OR the capital and financial account of the balance of payments 	2
<ul style="list-style-type: none"> States some aspects of how interest rates affect the current account AND/OR the capital and financial account of the balance of payments 	1

Sample answer:

Rising interest rates will discourage individuals from spending which will lead to low imports thus improving the trade balance on the current account. On the other hand, rising interest rates will tend to appreciate the exchange rate, making imports cheaper and exports more expensive leading to a worsening in the trade balance.

Rising interest rates will increase income payable on existing debt to overseas investors on the income account of the current account. It will also cause an inflow of foreign investment which will credit the financial account.

Question 23 (a)

Criteria	Marks
• Demonstrates a clear understanding of the difference between the working age population and the labour force	2
• Sketches in general terms the features of the working age population OR the labour force	1

Sample answer:

The working age population includes anyone over the age of 15 who can participate in the labour force. The labour force refers to that proportion of the working age population who are either in work or not working but available and actively seeking work.

Question 23 (b)

Criteria	Marks
• Demonstrates a clear understanding of why an economy's labour force participation rate might decline	4
• Demonstrates an understanding of why an economy's labour force participation rate might decline	3
• Sketches in general terms why an economy's labour force participation rate might decline	2
• States a reason why an economy's labour force participation rate might decline	1

Sample answer:

The participation rate can decline as a result of an economic slowdown as a reduction in the number of available jobs discourages people from seeking work. These discouraged workers are not counted in the labour force; they are hidden unemployed. The participation rate can also decline if young people decide to spend longer in full-time study, rather than seeking paid employment. In both cases, once an unemployed person stops actively seeking work (for whatever reason), they are no longer officially counted as part of the labour force and hence the participation rate (other things being equal) declines.

Question 23 (c)

Criteria	Marks
<ul style="list-style-type: none"> • Demonstrates a clear relationship between a change in the participation rate and its effects on BOTH federal government revenues AND expenditures 	4
<ul style="list-style-type: none"> • Demonstrates a clear relationship between a change in the participation rate and its effects on EITHER federal government revenues OR expenditures and sketches its effects on the other in general terms 	3
<ul style="list-style-type: none"> • Sketches in general terms the effects of a change in the participation rate on BOTH federal government revenues AND expenditures OR <ul style="list-style-type: none"> • Demonstrates a clear relationship between a change in the participation rate and its effects on EITHER federal government revenues OR expenditures 	2
<ul style="list-style-type: none"> • Sketches in general terms the effects of a change in the participation rate on EITHER federal government revenues OR expenditures OR <ul style="list-style-type: none"> • Lists some effects of a change in the participation rate on federal government revenues AND/OR expenditures 	1

Sample answer:

An increase in the participation rate could mean more people are working which will increase income tax revenues. Also, people will have more disposable income leading to increased consumption and GST revenues.

An increase in the participation rate could increase transfer payments or government expenditures due to a larger number of unemployed.

Question 24 (a)

Criteria	Marks
<ul style="list-style-type: none"> Clearly demonstrates an understanding of BOTH one cost AND one benefit of microeconomic reform 	4
<ul style="list-style-type: none"> Clearly demonstrates an understanding of EITHER one cost OR one benefit of microeconomic reform and sketches in general terms the other 	3
<ul style="list-style-type: none"> Clearly demonstrates an understanding of EITHER one cost OR one benefit of microeconomic reform OR <ul style="list-style-type: none"> Sketches in general terms BOTH one cost AND one benefit of microeconomic reform 	2
<ul style="list-style-type: none"> States some aspect(s) of microeconomic reform 	1

Sample answer:

A cost of microeconomic reform (such as tariff reform) in the short run is the unemployment that may arise due to the structural adjustment in the economy. This occurs because of the mismatch of skills between the labour force and industry.

A benefit of microeconomic reform is sustainable economic growth that will occur in the long run. This occurs because resources are allocated to industries that are more efficient in the economy and able to compete against foreign imports.

Question 24 (b)

Criteria	Marks
<ul style="list-style-type: none"> • Demonstrates a clear and comprehensive understanding of the limitations of BOTH fiscal policy AND monetary policy in addressing an economic slowdown 	6
<ul style="list-style-type: none"> • Demonstrates a clear understanding of the limitations of BOTH fiscal policy AND monetary policy in addressing an economic slowdown 	5
<ul style="list-style-type: none"> • Demonstrates a clear understanding of the limitations of EITHER fiscal policy OR monetary policy in addressing an economic slowdown and sketches the other in general terms 	4
<ul style="list-style-type: none"> • Sketches in general terms the limitations of BOTH fiscal policy AND monetary policy in addressing an economic slowdown <p>OR</p> <ul style="list-style-type: none"> • Demonstrates a clear understanding of the limitations of EITHER fiscal policy or monetary policy in addressing an economic slowdown 	3
<ul style="list-style-type: none"> • Makes a relevant statement about the limitations of fiscal policy AND/OR monetary policy in addressing an economic slowdown 	2
<ul style="list-style-type: none"> • Makes a relevant statement about the use of fiscal policy AND/OR monetary policy in addressing an economic slowdown 	1

Sample answer:

The limitations of fiscal policy include political constraints – taxation and spending decisions are the outcome of political compromise rather than being economically optimal. Implementation of fiscal policy is also subject to time lags due to the time required to pass necessary legislation through parliament.

Monetary policy is subject to shorter time lags than fiscal policy since it is managed by the politically independent Central Bank. Nevertheless, changes in official interest rates take time to affect the real economy as consumers and businesses do not change their spending and borrowing behaviour immediately.

Monetary policy is subject to global influences to a greater extent than fiscal policy. For example, low global interest rates will put upward pressure on a country's exchange rate if the local Central Bank does not reduce local interest rates.

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 theories • Demonstrates a clear and comprehensive understanding of how labour market policies AND fiscal policies can be used to reduce income and wealth inequality 	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 theories • Demonstrates a sound understanding of how labour market policies AND fiscal policies can be used to reduce income and wealth inequality <p>OR</p> <ul style="list-style-type: none"> • Demonstrates a clear and comprehensive understanding of how EITHER labour market policies OR fiscal policies can be used to reduce income and wealth inequality 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 economic terms and concepts and shows some relationships • Sketches in general terms how labour market policies AND fiscal policies can be used to reduce income and wealth inequality <p>OR</p> <ul style="list-style-type: none"> • Demonstrates a sound understanding of how EITHER labour market policies OR fiscal policies can be used to reduce income and wealth inequality and states some of the aspects of the other 	9–12
<ul style="list-style-type: none"> • Uses some economic terms and concepts • Develops a generalised response • Sketches in general terms how EITHER labour market policies OR fiscal policies can be used to reduce income and wealth inequality <p>OR</p> <ul style="list-style-type: none"> • States some aspects of how labour market policies and fiscal policies can be used to reduce income and wealth inequality 	5–8
<ul style="list-style-type: none"> • Uses some economic terms and/or concepts • Presents a limited response • Lists features of labour market policies and fiscal policies 	1–4

Answers could include:

- Fiscal stimulus (means tested)
- Transfer payments eg aged pension, disability pension, unemployment benefits
- Progressive taxation

- Redistribution of income in budget
- Means testing
- Increase in tax-free threshold
- Childcare rebate
- School-aged child bonus
- Low income tax offset
- Medicare levy
- Minimum wage
- Unfair dismissal protection
- Safety Net / National Employment Standards
- Gonski Reforms
- Spending on Vocational Education and Training
- Structural Assistance Package for retrenched workers

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 theories • Demonstrates a clear and comprehensive understanding of the causes of inflation AND its effects on 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 theories • Demonstrates a sound understanding of the causes of inflation AND its effects on the Australian economy <p>OR</p> <ul style="list-style-type: none"> • Demonstrates a clear and comprehensive understanding of EITHER the causes of inflation OR its effects on the Australian 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 economic terms and concepts and shows some relationships • Sketches in general terms the causes AND effects of inflation 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 inflation on the Australian economy and states some of the aspects of the other 	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 inflation on the Australian economy <p>OR</p> <ul style="list-style-type: none"> • States some aspects of the causes AND effects of inflation on the Australian economy 	5–8
<ul style="list-style-type: none"> • Uses some economic terms and concepts • Develops a generalised response • States some causes OR effects of inflation on the Australian economy 	1–4

Answers could include:

- Demand Pull Inflation eg mining boom
- Cost Push Inflation eg labour market skills shortage
- Inflationary expectations eg economic uncertainty
- Imported inflation eg rising import prices
- Governments increasing indirect taxes eg carbon tax
- Imposing price controls

- Increasing charges for goods and services provided by government
- Excessive increases in the money supply (monetary inflation)
- Economic growth constraints
- Distorts economic decision-making
- Increased wage demands (wage-price inflationary spiral/hyper inflation/stagflation/Phillips curve)
- Unequal income distribution and wealth effects
- Higher unemployment
- Reduced international competitiveness
- Exchange rate volatility
- Higher interest rates
- Lower purchasing power
- Misallocation of resources (due to distorted price level and cost structure)
- Reduced *real* savings and *real* investment
- Effects on various groups (consumers, employers, producers, investors, savers, exporters, governments)
- Refer to low inflation in the '90s quote
- Refer to the *overall* positive correlation between CPI, Earnings and Cash Rate (besides during GFC)

Section IV

Question 27

Criteria	Marks
<ul style="list-style-type: none"> Integrates relevant economic terms, concepts, relationships and theory Provides a sustained, logical and cohesive response Demonstrates a clear and comprehensive understanding of the strategies used to promote economic growth and development in an economy other than Australia 	17–20
<ul style="list-style-type: none"> Applies relevant economic terms, concepts, relationships and theory Provides a logical and cohesive response Demonstrates a sound understanding of the strategies used to promote economic growth and development in an economy other than Australia 	13–16
<ul style="list-style-type: none"> Uses relevant economic terms and concepts and shows some relationships Develops a coherent response Sketches in general terms strategies used to promote economic growth and/or development in an economy other than Australia 	9–12
<ul style="list-style-type: none"> Develops a generalised response Uses some economic terms and concepts States some aspects of strategies used to promote economic growth and/or development in an economy other than Australia 	5–8
<ul style="list-style-type: none"> Presents a limited response Minimal use of economic terms or concepts Limited reference to economic growth and/or development in an economy other than Australia 	1–4

Answers could include:

- Trade policies eg free trade agreements
- Private and foreign investment policies
- Taxation policies
- Special economic zones
- Export assistance policies
- Membership of international economic organisations
- Agricultural and land reform policies
- Education policies
- Environmental sustainability policies eg renewable energy policies
- Clean air and water initiatives
- Infrastructure programs
- Legal and political reforms
- Health care
- Social welfare reforms

Question 28

Criteria	Marks
<ul style="list-style-type: none"> Integrates relevant economic terms, concepts, relationships and theory Provides a sustained, logical and cohesive response Demonstrates a clear and comprehensive understanding of the role of government in attempting to achieve environmental sustainability in Australia 	17–20
<ul style="list-style-type: none"> Applies relevant economic terms, concepts, relationships and theory Provides a logical and cohesive response Demonstrates a sound understanding of the role of government in attempting to achieve environmental sustainability in Australia 	13–16
<ul style="list-style-type: none"> Uses relevant economic terms and concepts and shows some relationships Develops a coherent response Sketches in general terms the role of government in attempting to achieve environmental sustainability in Australia 	9–12
<ul style="list-style-type: none"> Develops a generalised response Uses some economic terms and concepts States some aspects of the role of government in attempting to achieve environmental sustainability in Australia 	5–8
<ul style="list-style-type: none"> Presents a limited response Uses some economic terms or concepts Lists policies used by government in attempting to achieve environmental sustainability in Australia 	1–4

Answers could include:

- Market failure
- Private versus social costs and benefits
- Public and private goods
- Free riders
- Non-excludability
- Non-rivalry
- Renewable and non-renewable resource depletion
- Renewable energy targets and subsidies
- Water management policies eg quotas, licence buy-backs
- Land clearing policies
- Land reserve policies eg National Parks, Marine Reserves
- Carbon reduction targets, carbon taxes, emissions trading schemes (ETS)
- Endangered species policies
- Fisheries policies eg catch limits, quotas
- Signing international agreements eg Kyoto Protocol
- Attending international environmental forums

Economics

2014 HSC Examination Mapping Grid

Section I

Question	Marks	Content	Syllabus outcomes
1	1	Trading Bloc	H1
2	1	International Organisations	H2
3	1	Fiscal Policy	H5
4	1	Economic Forums	H1
5	1	Exchange Rates	H6
6	1	Positive Externalities	H1, H7
7	1	Natural Rate of Unemployment	H7
8	1	Economic Growth/Inflation	H1
9	1	Subsidies/Public Good	H7
10	1	Exchange Rate/Depreciation	H1, H8
11	1	Competition Policy	H7
12	1	Inflation	H11
13	1	Balance of Payments	H4
14	1	Monetary Policy	H7
15	1	Distribution of income and wealth	H2, H11
16	1	Balance of Payments	H11
17	1	Labour Market/Unemployment	H1
18	1	Simple Multiplier	H11
19	1	Tariffs	H6, H11
20	1	Quotas	H11

Section II

Question	Marks	Content	Syllabus outcomes
21 (a)	2	Methods of Protection	H1
21 (b)	4	Methods of Protection	H1, H2, H6, H7, H8, H10
21 (c)	4	Reasons for Protection	H1, H6, H7, H8, H10
22 (a)	2	Exchange Rates	H1, H3
22 (b)	3	Exchange Rates/Trade Weighted Index	H1, H10
22 (c)	5	Balance of Payments	H1, H4, H8, H10
23 (a)	2	Labour Market	H1
23 (b)	4	Labour Market	H1, H7, H10
23 (c)	4	Labour Market/Fiscal Policy	H1, H2, H7, H10
24 (a)	4	Microeconomic reform	H1, H6, H7, H10
24 (b)	6	Fiscal/Monetary Policy	H1, H2, H6, H7, H10

Section III

Question	Marks	Content	Syllabus outcomes
25	20	Labour Market/Fiscal Policy	H1, H2, H5, H6, H7, H9, H10
26	20	Inflation/Monetary Policy	H1, H2, H4, H6, H7, H9, H10

Section IV

Question	Marks	Content	Syllabus outcomes
27	20	Case Study	H1, H2, H3, H4, H5, H6, H7, H8, H10
28	20	Environmental Sustainability	H1, H2, H3, H4, H5, H6, H7, H8, H10