

2015 HSC Economics Marking Guidelines

Section I

Multiple-choice Answer Key

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

Section II

Question 21 (a)

Criteria	Marks
<ul style="list-style-type: none"> Demonstrates a sound understanding of the different characteristics of renewable and non-renewable resources 	2
<ul style="list-style-type: none"> Makes a relevant statement about either renewable AND/OR non-renewable resources 	1

Sample answer:

The use and consumption of non-renewable resources reduces the quantity available for future generations, whereas the use of renewable resources does not diminish the quantity available for future generations.

Answers could include:

- Examples of non-renewable resources (fossil fuels)
- Examples of renewable resources (plantation timber, wind/solar power).

Question 21 (b)

Criteria	Marks
<ul style="list-style-type: none"> Clearly demonstrates an impact of globalisation on environmental sustainability in an economy other than Australia 	3
<ul style="list-style-type: none"> Sketches in general terms an impact of globalisation on environmental sustainability in an economy other than Australia 	2
<ul style="list-style-type: none"> Identifies an impact of globalisation on environmental sustainability in an economy other than Australia OR <ul style="list-style-type: none"> Makes a relevant statement related to globalisation OR environmental sustainability 	1

Sample answer:

The increasing economic integration of the world's economies (globalisation) has impacted on China's ability to provide for future generations (environmental sustainability). One major impact of the rising income of many Chinese workers has been the demand for oil especially to power the increasing number of motor vehicles. Oil is a non-renewable resource; continual demand for the resource will mean sustainability is adversely affected.

Answers could include:

- Definitions of globalisation and environmental sustainability
- Demand for scarce non-renewable resources
- Management of renewable resources
- Pressure on policies regarding resource use and pollution
- Use of alternative technology
- Commitment to international organisations.

Question 21 (c)

Criteria	Marks
• Demonstrates a comprehensive understanding of how market-based policies can be used to address market failure in relation to environmental management	5
• Demonstrates a sound understanding of how market-based policies can be used to address market failure in relation to environmental management	4
• Sketches in general terms how market-based policies can be used to address market failure in environmental management	3
• Identifies some features of market-based policies AND/OR market failure in relation to environmental management	2
• Identifies a feature of market-based policies OR market failure in relation to environmental management	1

Sample answer:

Market failure occurs when the price mechanism does not show the impact of externalities on the environment. Market-based policies help ensure that all social costs and benefits are incorporated in the market price and hence that production and consumption decisions reflect these social costs and benefits. In turn, this more accurately reflects the impact of production and consumption on the environment, which is more likely to encourage better environmental outcomes.

Answers could include:

- Examples of market-based policies: taxes, subsidies, emissions trading schemes
- Internalising externalities, positive and/or negative
- The benefit of reducing the need for government regulation policing firms to meet environmental targets
- Impact of policies on prices
- Reallocation of resources.

Question 22 (a)

Criteria	Marks
• Clearly explains one reason for the change in Australia's budget outcome	2
• States a factor that has contributed to a decrease in Australia's budget deficit	1

Sample answer:

Australia's budget deficit as a proportion of GDP is projected to decrease due to reductions in government expenditure, such as on paid parental leave or foreign aid.

Answers could include:

- Other expenditure measures (eg reduced social security payments)
- Measures that increase revenue (eg broaden tax base).

Question 22 (b)

Criteria	Marks
• Demonstrates a comprehensive understanding of the similar and different impacts of TWO methods of deficit financing on interest rates	4
• Demonstrates a sound understanding of the similarities and differences between TWO methods of deficit financing on interest rates	3
• Describes TWO methods of deficit financing	2
• States a method of financing a budget deficit	1

Sample answer:

Two methods of financing a budget deficit are borrowing from the Reserve Bank or borrowing from the private sector. Borrowing from the RBA involves the RBA creating an increase in the money supply and loaning these funds direct to the government. Borrowing from the private sector involves "selling" new Commonwealth Government securities to the private sector. Borrowing from the private sector does not directly impact interest rates. However it may increase interest rates indirectly. This is because of increased competition for limited funds available in the domestic market. In contrast, borrowing from the RBA may have inflationary consequences due to the additional money supply in the domestic economy. This could lead to increased interest rates as the RBA seeks to maintain the inflation target.

Answers could include:

- Borrowing from the central bank
- Borrowing from overseas
- Crowding out effect
- Asset Sales, including understanding of difference between structural and headline budget outcomes.

Question 22 (c)

Criteria	Marks
• Demonstrates a comprehensive understanding of how one strategy to reduce the budget deficit could affect income distribution	4
• Demonstrates a sound understanding of how one strategy to reduce the budget deficit could affect income distribution	3
• Describes one strategy to reduce a budget deficit and makes some reference to income distribution	2
• Describes one strategy to reduce a budget deficit	1

Sample answer:

One strategy to reduce the budget deficit is to increase the GST. Other things being equal, increasing the GST would increase government revenue and reduce the budget deficit. The GST is a regressive tax because it is a flat rate on all taxpayers and lower income earners spend a higher proportion of income. Raising the GST would increase the relative burden of taxation on lower income households therefore increasing income inequality.

Answers could include:

- Improve or worsen income distribution
- Progressive Income Taxation
- Changes to transfer payments
- Various changes to taxation and expenditure
- Asset sales and privatisation
- Gini Co-efficient and Lorenz Curve.

Question 23 (a)

Criteria	Marks
• Demonstrates a sound understanding of how hidden unemployment impacts on the measurement of the unemployment rate	2
• Makes a relevant statement about the measurement of the unemployment rate OR hidden unemployment	1

Sample answer:

Hidden unemployment occurs when workers become discouraged, stop actively seeking work and are not officially counted as unemployed. Therefore, hidden unemployment makes the unemployment rate look lower than it actually is.

Answers could include:

- Definition of hidden unemployment/employment
- Measurement of unemployment by the ABS
- Discouraged job seekers
- Formulas for unemployment
- Participation rate.

Question 23 (b)

Criteria	Marks
• Clearly demonstrates how an appreciation of the US dollar relative to the Australian dollar impacts on Australian inflation	3
• Sketches in general terms the relationship between an appreciation in the US dollar relative to the Australian dollar and Australian inflation	2
• States a feature OR impact of changes in exchange rates AND/OR inflation	1

Sample answer:

An appreciation of the US dollar is equivalent to a depreciation in the Australian dollar. When the AUD depreciates, the value of the domestic currency is lower compared to other nations (ie each dollar of the domestic currency buys fewer dollars of the foreign currency). This leads to imports from the US becoming more expensive in Australian dollar terms, which contributes to a general rise in the level of prices in Australia. This is often referred to as imported inflation.

Answers could include:

- Distinction between bilateral exchange rates and the Trade Weighted Index
- Floating exchange rates.

Question 23 (c)

Criteria	Marks
• Demonstrates a comprehensive understanding of the policy implications of operating at the NAIRU for a government that aims to reduce unemployment	5
• Demonstrates a sound understanding of the policy implications of operating at the NAIRU for a government that aims to reduce unemployment	4
• Sketches in general terms the implications of the NAIRU for economic policy	3
• Identifies some basic features of the NAIRU and makes limited reference to policy	2
• Makes a relevant statement about the NAIRU OR unemployment in general	1

Sample answer:

At the NAIRU an economy is operating with zero cyclical unemployment (ie full employment). This means any policy which aims to increase aggregate demand (eg expansionary fiscal policy) will increase inflation without reducing unemployment. Therefore, a government that aims to reduce unemployment must reduce structural or frictional unemployment. Government can do this by labour market reforms, which increase flexibility, mobility and skills in the labour market. This is potentially difficult for governments due to limitations such as time lags and political constraints.

Answers could include:

- Reference to the short and long run
- Relationship between Aggregate Demand and Aggregate Supply
- Cost push inflation / demand pull
- Wage price spiral.

Question 24 (a)

Criteria	Marks
• Demonstrates a comprehensive understanding of how the international division of labour contributes to globalisation	4
• Demonstrates a sound understanding of how the international division of labour contributes to globalisation	3
• Sketches some features of the international division of labour and makes some reference to globalisation	2
• Makes general statements about the international division of labour OR globalisation	1

Sample answer:

The international division of labour is when different nations specialise in different types of production and labour skills. For example, developing nations often have low skilled, low paid labour markets, which are part of global markets through transnational corporations and global production webs. These low skilled workers depend upon income and investment from developed nations, which in turn depend upon the supply of low cost manufactured products. This is a key part of the increased integration and interdependence between economies.

Answers could include:

Other examples of international labour:

- outsourcing (eg call centres), education
- use of low skilled labour
- technology transfer
- distribution of income and wealth
- quality of life
- trade and globalisation
- labour migration

Question 24 (b)

Criteria	Marks
• Demonstrates a clear and comprehensive understanding of TWO reasons why economies experience different levels of economic development	6
• Demonstrates a clear and comprehensive understanding of ONE reason why economies experience different levels of economic development and a sound understanding of the other	5
• Demonstrates a sound understanding of TWO reasons why economies experience different levels of economic development	4
• Demonstrates some understanding of ONE reason why economies experience different levels of economic development and sketches the other in general terms	3
• Sketches in general terms TWO reasons why economies experience different levels of economic development OR • Demonstrates a sound understanding of ONE reason why economies experience different levels of economic development	2
• Makes a relevant statement about differences in economic development	1

Sample answer:

There are many reasons for different levels of economic development between nations. One reason for different levels of economic development is natural resource endowment. Economies with larger quantities of resources use these resources to generate export income, which can be used to fund education and health. Economies with limited quantities of natural resources are unable to generate income to fund this development.

Another reason for different levels of development is the differences in the quality of political and economic institutions. Some economies are supported by well-developed institutions, which protect property and investments and minimise corruption. In contrast, other economies have weak political institutions, which discourage the private and public investment necessary to fund development.

Answers could include:

- Protection and transfer of IP
- Quality and supply of labour
- Access to global markets including trading systems/agreements
- Aid (quantity and quality)
- Technology transfer
- Access to capital and debt
- Education levels
- Entrepreneurial culture
- Government economic management
- Mismanagement of natural resource wealth.

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 clear and comprehensive understanding of the continuing role of microeconomic reform in achieving Australia's economic objectives • Develops sophisticated arguments about the role of microeconomic reform in achieving Australia's economic objectives 	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 sound knowledge and understanding of the continuing role of microeconomic reform in achieving Australia's economic objectives • Develops some arguments about the role of microeconomic reform in achieving Australia's economic objectives 	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 an understanding of the continuing role of microeconomic reform in achieving Australia's economic objectives 	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 microeconomic reform in achieving Australia's economic objectives 	5–8
<ul style="list-style-type: none"> • Presents a limited response • Uses some economic terms or concepts • Lists some aspects of the role of microeconomic reform in achieving Australia's economic objectives 	1–4

Answers could include:

- Shift in Aggregate Supply curve to the right as main rationale for microeconomic reform (MER)
- Reference to Contemporary Australian economic information including examples of **past MER**, including but not limited to:
 - motor industry reforms changes
 - trade liberalisation
 - financial markets
 - floating of the Australian dollar
 - competition policy
 - labour market reforms (incl. decentralisation, flexibility and parental ‘effective marginal rate of tax’)
 - productivity and efficiencies (dynamic, allocative, technical)
 - trade policy
 - growth via shifts in aggregate supply
 - price stability
 - impacts upon unemployment vary by industry sector and over the short and long run
 - limitations on Macro policy create need for Micro policy
 - limitations of Micro policy
 - productivity improvements
 - taxation reform
 - deregulation / privatisation in power industry
 - R&D policy
 - labour market reforms: participation rate + skills and education, labour mobility
 - more and better free trade agreements
 - competition regulation
 - infrastructure investment (roads/NBN)
 - privatisation
 - financial market reform.

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 changing sources of Australia's economic growth AND their 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 sound knowledge and understanding of the changing sources of Australia's economic growth AND their effects on the Australian economy <p>OR</p> <ul style="list-style-type: none"> • Demonstrates a clear and comprehensive understanding of either the changing sources of Australia's economic growth OR it 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 sources of Australia's economic growth and their effects on the Australian economy <p>OR</p> <ul style="list-style-type: none"> • Demonstrates sound knowledge and understanding of either the changing sources of Australia's economic growth OR their effects on the Australian economy and identifies some aspects of the other 	9–12
<ul style="list-style-type: none"> • Develops a generalised response • Uses some economic terms and concepts • Identifies some aspects of the changing sources and effects of Australia's economic growth <p>OR</p> <ul style="list-style-type: none"> • Sketches in general terms EITHER the sources of Australia's economic growth OR their effects on the Australian economy 	5–8
<ul style="list-style-type: none"> • Presents a limited response • Uses some economic terms or concepts • Lists some aspects of the sources and / or effects of Australia's economic growth 	1–4

Answers could include:

- Sources of Growth: Components of Aggregate Demand (Consumption, Investment, Government Sector, External Sector), Injections and Withdrawals, multiplier
- Changes in Aggregate Supply
- Trends in the business cycle.

Possible changes in sources of growth in Australia

- mining boom (different phases)
- terms of trade
- exchange rate movements
- international business cycle
- structural reform/change, 2-speed economy, 3-speed economy
- government stimulus
- changes in fiscal and monetary policy
- housing sector
- productivity growth (labour and multifactor)
- slowing wages growth.

Possible effects on the Australia economy

- quality of life
- real income changes
- unemployment effects
- inflation effects
- impact on external stability
- resource use
- environment sustainability effects
- income inequality changes
- reliance on narrow export base
- structural unemployment in some regions/sectors
- 2 speed economy
- housing boom.

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 contributions of international organisations AND trade agreements to global economic growth and development Develops informed arguments about the contribution of a range of international organisations and trade agreements to global economic growth and development 	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 contributions of international organisations AND trade agreements to global economic growth and/or development <p>OR</p> <ul style="list-style-type: none"> Demonstrates a clear and comprehensive understanding of the contributions of EITHER international organisations OR trade agreements to global economic growth and/or development AND sketches in general terms the other Provides some arguments about the contribution of a range of international organisations and trade agreements to global economic growth and/or development 	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 contributions of international organisations AND trade agreements to global economic growth and/or development <p>OR</p> <ul style="list-style-type: none"> Demonstrates a sound understanding of the contributions of EITHER international organisations OR trade agreements to global economic growth and/or development AND states some aspects of the other 	9–12
<ul style="list-style-type: none"> Uses some economic terms and concepts Develops a generalised response States some aspects of international organisations, trade agreements, global economic growth and/or development 	5–8
<ul style="list-style-type: none"> Uses some economic terms or concepts Presents a limited response Lists some features of international organisations, trade agreements, global economic growth and/or development 	1–4

Answers could include:

International Organisations: IMF, WTO, World Bank, WHO, G20, G8, OECD, UN – how their role and design/operation contribute to growth and development

International Trade Agreements:

- Existing (NAFTA, EU, Australia-US, CERTA, ASEAN Australia New Zealand FTA, China, South Korea, JAFTA, CHAFTA)
- (TPP, Doha Round) – how their role and design/operation contribute to growth and development

Differences between economic growth and economic development

Global economic growth:

- Role of economic growth in growing real income
- Global income inequality
- role of TNCs
- barriers to trade

Global economic development:

- Human Development Index
- environmental impacts of international integration

Types of economies: developing, emerging, advanced

Perspectives on the contributions: arguments may be positioned as positive, negative or varied depending on the effects on different types of economies and the examples selected

Arguments can be theoretical or refer to specific examples

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 how macroeconomic policy can be used to achieve external stability in the Australian economy 	17–20
<ul style="list-style-type: none"> • Applies relevant economic terms, concepts, relationships and theory • Provides a logical and cohesive response • Demonstrates sound understanding of how macroeconomic policy can be used to achieve external stability in 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 how macroeconomic policy can be used to achieve external stability in 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 the impact of macroeconomic policy on external stability in the Australian economy 	5–8
<ul style="list-style-type: none"> • Presents a limited response • Uses some economic terms or concepts • Lists some aspects of macroeconomic policy or external stability 	1–4

Answers could include:

Clearly draws out and relates implications of macroeconomic policy for external stability in the Australian economy.

External stability:

- Balance of payments issues
- Current Account Deficit % Gross Domestic Product
- Foreign Debt % Gross Domestic Product
- Net Foreign Liabilities % Gross Domestic Product
- Changes in the Australian Dollar / Trade Weighted Index
- Terms of Trade, changes in commodity prices
- International competitiveness
- Composition of Australia's Trade

Macroeconomic Policies:

- Fiscal Policy
 - Expansionary and Contractionary fiscal policy
 - crowding out effect
 - public sector v private sector liabilities
 - Pitchford thesis
 - international business cycle
 - budget outcome and stance
 - fiscal sustainability
 - cyclical vs discretionary/structural policies
 - expenditure and taxation changes
 - methods of financing a budget deficit
 - investor confidence in the Australian economy
- Monetary Policy
 - Expansionary and Contractionary monetary policy
 - Goals of RBA monetary policy
 - management of inflation
 - impact of interest rates on value of Australian dollar
 - impact of inflation on confidence of foreign investors
 - interest rate differentials

2015 HSC Economics

Mapping Grid

Section I

Question	Marks	Content	Syllabus outcomes
1	1	Reasons for protection	H2
2	1	Limitations of economic policy	H5
3	1	Global economic integration	H3
4	1	Foreign direct investment	H4
5	1	Balance of payments	H6
6	1	Trade and protection policies	H5
7	1	Economic policies	H6
8	1	Fiscal policy	H6
9	1	Exchange rates	H4
10	1	International competitiveness	H4
11	1	Income distribution	H6
12	1	Externalities	H7
13	1	Economic policies	H6
14	1	Unemployment	H7
15	1	Balance of payments	H4
16	1	Economic growth	H11
17	1	Monetary policy	H6
18	1	Economic growth	H11
19	1	Inflation	H7
20	1	Balance of Payment	H11

Section II

Question	Marks	Content	Syllabus outcomes
21 (a)	2	Environmental Sustainability	H1
21 (b)	3	Economy other than Australia / Environmental Sustainability	H4, H7
21 (c)	5	Environmental Management	H2, H6
22 (a)	2	Fiscal Policy	H1, H5
22 (b)	4	Methods of Financing Deficits	H1, H5, H6, H7
22 (c)	4	Effects of budgetary changes on income distribution	H1, H2, H5, H6, H7
23 (a)	2	Unemployment	H1
23 (b)	3	Inflation and Exchange rates	H4
23 (c)	5	Non-accelerating inflation rate of unemployment	H1, H2, H5, H7
24 (a)	4	International economic integration	H1, H2, H3, H4
24 (b)	6	Globalisation and Economic Development	H3, H4

Section III

Question	Marks	Content	Syllabus outcomes
25	20	Microeconomic policies and Economic Objectives	H1, H2, H5, H6, H7, H9, H10
26	20	Economic Growth – Sources and Effects	H1, H2, H4, H7, H9, H10

Section IV

Question	Marks	Content	Syllabus outcomes
27	20	The Global Economy: International Organisations, Trade Agreements, International Growth and Development	H1, H2, H3, H4, H5, H6, H7, H8, H10
28	20	Macroeconomic Policy, External Stability	H1, H2, H3, H4, H5, H6, H7, H8, H10