



HIGHER SCHOOL CERTIFICATE EXAMINATION

1999

ECONOMICS

3 UNIT (ADDITIONAL)

*Time allowed—One hour and a half
(Plus 5 minutes reading time)*

DIRECTIONS TO CANDIDATES

- Attempt TWO questions, each from a different option.
- All questions are of equal value.
- Answer each question in a SEPARATE Writing Booklet.
- You may ask for extra Writing Booklets if you need them.
- Board-approved calculators may be used.

Attempt TWO questions, each from a different option.

All questions are of equal value.

Answer each question in a SEPARATE Writing Booklet.

ENVIRONMENTAL ECONOMICS

EITHER

- 1 Explain what is meant by market failure. Evaluate government responses to market failure aimed at minimising the impact of economic development on the environment. Refer to specific examples in your answer.

OR

- 2 Distinguish between renewable and non-renewable resources. How does resource management assist in reducing negative impacts of economic growth on the environment? Assess the costs and benefits of preserving the environment. Refer to specific examples in your answer.

INCOME AND EXPENDITURE ANALYSIS

EITHER

- 3 Using the simple income–expenditure model, explain how an autonomous change in investment is likely to lead to a multiplied change in the level of income. How is the equilibrium level of income affected by the addition of the government and international sectors? Use diagrams and/or equations to support your answer.

OR

- 4 Why do fluctuations occur in the level of economic activity? How can the interaction of the multiplier and the accelerator lead to cyclical changes in economic activity? Evaluate counter-cyclical policies the government can use to stabilise the economy.

COMPARATIVE ECONOMIC SYSTEMS**EITHER**

- 5** What are the main functions of an economic system? Explain how recent economic developments have affected the functions of a market economy that you have studied. Evaluate the role of the government in dealing with the problems and prospects in that market economy.

OR

- 6** What are the main features of socialist economic systems? Explain the economic, social and political problems being experienced in a socialist or former socialist economy that you have studied. Evaluate the role of the government in dealing with these problems.

EVOLUTION OF ECONOMIC IDEAS**EITHER**

- 7** Outline the contribution of Alfred Marshall to the development of economic thought. Explain how the Neoclassical school contributed to the evolution of economic ideas. Assess the relevance of Neoclassical economics for contemporary economic management.

OR

- 8** Why were the ideas of John Maynard Keynes considered revolutionary? How did Keynes explain the relationship between the equilibrium level of national income and full employment? Assess the relevance of Keynesian economics in dealing with the problems facing the Australian economy.

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