

**Question 22** (10 marks)

2013 HSC - Economics  
Band 1/2  
Sample 1 Question 22

- (a) A hypothetical economy has a simple multiplier of 2.5.

Calculate the change in national income that would result from an increase in investment of \$100 million.

1

$$\$1,000,000 \div 2.5 = \$400,000$$

- (b) Outline how economic growth in a major trading partner might influence economic growth in Australia.

2

A large economic growth in a major trading partner might influence economic growth by the use of Australia following the major trade partners ideas and using similar ideas and views which could influence Australia's economic growth.

\* Australia = Other Businesses.

- (c) How will an increase in Australia's marginal propensity to save (MPS) affect Australia's economic growth?

3

Australia's (MPS) will affect Australia's economic growth by consumers not wanting to spend on domestic products but saving their \$A therefore Australia's economic growth may decline as there would be less demand of goods and services in the industries.

**Question 22 continues on page 13**

Question 22 (continued)

2013 HSC - Economics  
Band 1/2  
Sample 1 Question 22  
4

- (d) Explain the effects of a reduced rate of economic growth on the Australian Government budget.

A reduced rate of economic growth on the Australian Government budget may occur when the economy is heading towards inflation making Australia invest in more government securities due to the instability of the economy.

End of Question 22