

**NSW INDEPENDENT TRIAL EXAMS – 2001
ECONOMICS - MARKING GUIDELINES & MAPPING GRID**

Section I

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

Section II

Question 21

- (a) States the unemployment rate correctly for Year 3 i.e. 10%. 1
 (b) States the inflation rate correctly for Year 5 i.e. 3.8%. 1
 (c)

Criteria	Marks
Explains the decline in economic activity in terms of the rise in the rate of unemployment and fall in the inflation rate.	2
Refers to only one economic indicator and does not explain why unemployment rose or inflation fell.	1

(d)

Criteria	Marks
Explains that expansionary monetary policy through cuts in interest rates could be used to stimulate private demand. Expansionary fiscal policy (increase in government spending and/or a cut in taxes) could be used to increase aggregate demand. Microeconomic reforms such as labour market initiatives to raise productivity could be used to increase the demand for labour and reduce unemployment.	5-6
Explains the use of one macroeconomic policy and one microeconomic policy to stimulate economic activity. Explains the link between expansionary policies and the objective of raising aggregate demand.	3-4
Explains the use of two macroeconomic policies but does not relate these to the objective of promoting economic recovery. Microeconomic policy is not related to achieving economic recovery.	2-3
Demonstrates a basic understanding of macroeconomic policy. No reference is made to microeconomic policy's role in promoting economic recovery.	1-2

Question 22

(a)

Criteria	Marks
Distinguishes clearly between private and social costs of production. Explains that the market equilibrium for air travel is inefficient as social costs are not included in the price of air travel.	2
Explains the difference between private and social cost but does not apply this to the market for air travel.	1

(b) **Criteria**

States that a negative externality is the adverse effect of private production on a third party 1

Question 22 continued on page 2

Question 22 continued

(c)

Criteria	Marks
States and explains noise pollution may result from air traffic. States and explains airport congestion and lower real estate values may result from air traffic.	2
States and explains only one spillover effect such as noise pollution congestion or fall in residential real estate values.	1

(d)

Criteria	Marks
Selection and explanation of a regulatory control such as flight curfews to reduce noise. Explanation of the use of a noise tax imposed on airlines to internalise the externality of noise pollution or use of a subsidy to residents to install insulation to reduce noise pollution.	4-5
Discussion of two measures to reduce noise pollution from air traffic such as taxes, subsidies, fines or regulations. Absence of explanation of internalisation of the externality.	3-4
Limited explanation of two government measures to reduce externalities. Absence of explanation of how these measures reduce externalities.	2-3
Identifies only one government measure to reduce externalities caused by air traffic. No explanation of how measures could reduce externalities.	1-2

Question 23

(a) Provides a clear definition that the balance of payments records all transactions between Australia and the rest of the world. States that the balance of payments consists of current, capital and financial accounts. 1

(b) Correctly states that the goods balance in 1999-2000 was a deficit of -\$13,331m. 1

(c)

Criteria	Marks
Explains the large deficit in the goods balance in 1998-99 and 1999-2000 as a factor contributing to the size of the current account deficit. Explains the large net income deficit being responsible for over 50% of the current account deficit in both years.	2
States and explains only one of the above two features as a contributor to the current account deficit.	1

(d)

Criteria	Marks
Discusses the accumulation of net foreign debt as a result of overseas borrowing to finance the deficit. Discusses the servicing cost of net foreign liabilities through the net income deficit. Discusses exchange rate depreciation or the need for changes in policy settings to reduce the deficit.	2-3
Discusses only two economic effects listed above of the current account deficit. Absence of discussion of the link between the current account deficit and economic performance.	1-2

(e)

Criteria	Marks
Explanation of policies to gain access to export markets through the WTO, APEC or CER. Explanation of the policy to dismantle protection of Australian Industry.	2-3
Explanation of only one policy to liberalise Australian trade.	1-2

Question 24

(a) States correctly the forecast unemployment rate for June as 7%.

1

(b)

Criteria	Marks
Explains two causes of unemployment in Australia such as a decrease in economic activity and the rate of structural changes in industry.	2
Explains only one cause of unemployment in Australia such as a deficiency in aggregate demand.	1

(c)

Criteria	Marks
Outlines one economic cost of unemployment such as loss of skills; cost of retraining or loss of output. Outlines ONE social cost of unemployment such as rising crime, social alienation; family breakdown or poverty.	2
Outlines only one economic or one social cost of unemployment or provides a basic explanation of two costs.	1

(d)

Criteria	Marks
Evaluates the effectiveness of expansionary monetary policy to stimulate the demand for labour. Evaluates the effectiveness of fiscal policy to encourage investment and job creation e.g. tax cuts. Evaluates labour market reforms such as apprenticeship schemes and retraining programs to increase skills.	4-5
Discusses the use of macroeconomic policies (fiscal and monetary) to reduce unemployment. Discusses a labour market reform such as workplace bargaining to contain wages growth. Absence of evaluation of the above policies.	2-3
Discusses one macroeconomic policy or one labour market reform but does not evaluate it.	1

Section III**Question 25**

Criteria	Marks
Integrates economic terms, concepts, issues, relationships and theory in an appropriate context. Synthesises knowledge with the information provided to develop a logically-sequenced answer that highlights a clear understanding of the role of fiscal and monetary policies in Australia. Demonstrates factually precise and extensive knowledge of the government's economic objectives and the impact of these policies. Appropriately uses information provided as well as other relevant data to support contemporary and comprehensive analysis that is specific to assess the effectiveness of monetary and fiscal policy in achieving the government's current economic objectives.	17-20
Provides concise definitions of economic terms and applies concepts and relationships in an appropriate context. Synthesises knowledge with the information provided to develop a logically-sequenced answer that highlights an understanding of the role of fiscal and monetary policy in Australia. Demonstrates factually correct and appropriate knowledge of economic objectives and the impact of government policies. Uses information provided as well as other relevant data to support a logically developed argument to assess the effectiveness of fiscal and policy in affecting the government's economic objectives.	13-16

Question 25 continued

Provides clear definitions of economic terms and sound discussion of economic concepts and relationships. Refers to knowledge and information provided to develop an answer concerning the role of fiscal and monetary policy in Australia. Demonstrates correct and usually relevant knowledge of the government's economic objectives and the impact of Government policies. Uses information provided as well as other relevant data to provide descriptive rather than analytical reasoning concerning the effectiveness of fiscal and monetary policy in achieving the government's economic objectives.	9-12
Provides basic definitions of some economic terms, concepts and relationships. Uses generalised knowledge to develop an irrelevant or inappropriate answer concerning the role of fiscal and monetary policy. Demonstrates minimal appropriate knowledge of the government's economic objectives and the impact of the government's policies. Makes minimal use of information provided as well as other relevant data concerning the effectiveness of fiscal and monetary policy.	5-8
Utilises some appropriate terminology to communicate economic ideas. Develops no logical sequence in answer. Demonstrates a lack of knowledge about fiscal policy and monetary policy. Unable to utilise information provided.	1-4

ESSAY PLAN:

- Define Fiscal Policy
- Main components of Fiscal Policy:
 - Discretionary
 - Non Discretionary
 - Automatic Stabilisers
- Keynesian view – inflationary/deflationary gaps closed through fiscal stabilisation
- Twin deficits theory – the object of fiscal policy to raise national saving and reduce the current account deficit.
- Define Monetary policy – market operations to influence interest rate
Use as a demand management tool with an inflation target –i.e. 2-3% over the business cycle
- Main objectives of government economic policy are:
 - internal, external balance
 - economic growth
 - living standards and real incomes.
- Switch from macro-economic policies to microeconomic reform to raise productivity and efficiency in markets. Macroeconomic demand management policies, supported by microeconomic polices to increase aggregate supply in the long run.

Question 26

Criteria	Marks
Integrates economic terms, concepts, issues, relationships and theory when referring to both macroeconomic and microeconomic policies to control inflation. Synthesises knowledge with the information provided to develop a logically sequenced answer that highlights a clear understanding of the impact of government economic policies to control inflation and inflationary expectations. Demonstrates factually precise and extensive knowledge of monetary, fiscal, prices and incomes policies to control inflation. E.g. use of inflation targets and microeconomic reform to increase competition and productivity. Appropriately uses information provided as well as other relevant data to evaluate the effectiveness of government policies to control inflation. Use of short and long run Phillips curve analysis to demonstrate difficulties of reducing inflation and inflationary expectations.	17-20
Provides concise definitions of economic terms and applies concepts and relationships when referring to both macroeconomic and microeconomic policy to control inflation. Synthesises own knowledge with the information provided to develop a logically-sequenced answer that highlights an understanding of the impact of government economic policies to control inflation and inflationary expectations. Demonstrates factually correct and appropriate knowledge of monetary, fiscal and microeconomic policies in describing possible conflicts between price stability & other objectives. Uses information provided as well as other relevant data to support a logically developed argument concerning the impact of the current economic policy mix on inflation outcomes.	13-16
Provides clear definitions of economic terms and sound discussion of economic concepts and relationships. Refers to knowledge and information provided to develop an answer concerning the likely impact of macroeconomic policies on inflation. Demonstrates correct and usually relevant knowledge of possible conflicts between the achievement of price stability and other economic objectives such as a full employment. Uses information provided as well as other relevant data to provide descriptive rather than analytical reasoning concerning the likely impact of current government policies on inflation outcomes.	9-12
Provides basic definitions of some economic terms, concepts and relationships. Demonstrates minimal appropriate knowledge of the objective of price stability and how the government uses policies to achieve it. Makes minimal use of information provided as well as other relevant data concerning recent trends in inflation, causes of inflation and effectiveness of anti-inflationary policies.	5-8
Utilises some appropriate terminology to communicate economic ideas. Develops no logical sequence in answer. Demonstrates a lack of knowledge about government economic policy to control inflation. Unable to utilise information provided.	1-4

ESSAY PLAN:

Price stability is a major economic objective of the Australian government in maintaining real incomes and international competitiveness. Together with full employment it is the goal of internal balance. Inflation is the rate of increase in the price level.

Government macroeconomic policies used to control inflation include:

- Monetary policy which operates with an inflation target of 2% or 3% over the economic cycle.
- Fiscal policy which aims to achieve fiscal balance over the economic cycle to minimise the incidence of a budget deficit which may add to inflationary pressures.
- Prices and incomes have been used in the past to contain wage and price pressures in the economy.

- Microeconomic reforms (such as competition policy, labour market returns, and cuts in protection) aimed at strengthening competition and raising productivity in the economy. Government policies have been effective in controlling both inflation outcomes and inflationary expectations although the introduction of the GST in 2000 has led to a 'one-off' increase in inflation. Also conflicts may arise between the government's objective of securing full employment and achieving price stability because of the short run trade-off between the two objectives.

Question 27 (20 marks)

Criteria	Marks
<p>Integrates economic terms, concepts, issues and theory. Uses knowledge to develop a logically-sequenced answer that highlights a clear understanding of the global economy and the role of the WTO in influencing Australia's trade and financial flows Demonstrates factually precise and extensive knowledge of the way that globalisation is affecting the operation of the global economy and the role of the WTO in liberalisation of world trade Exhibits extensive knowledge of Australia's trade policy designed to improve trade performance especially in the promotion of exports Uses relevant data to support a contemporary and comprehensive evaluation that is specific to strategies the government could use to improve Australia's trade performance such as participation in WTO trade talks and to decrease protection</p>	17-20
<p>Provides concise definitions of economic terms and applies concepts and relationships Uses knowledge to develop a logically-sequenced answer that highlights an understanding of the role of the global economy and WTO in influencing Australia's trade and financial flows and trade policy Demonstrates factually correct and appropriate knowledge of the way that globalisation is affecting the operation of the global economy, the impact of changes in the global economy on Australia's trade and financial flows and the development of trade policy through participation in multilateral trade talks. Uses relevant data to support a logically developed argument concerning Australian trade policy initiatives.</p>	13-16
<p>Provides clear definitions of economic terms and sound discussion of economic concepts and relationships Uses knowledge to develop an answer concerning the nature of the global economy and the role of the WTO Demonstrates correct and usually relevant knowledge of globalisation's effects, the impact of changes in the global economy on Australian trade and financial flows Uses relevant data to provide a descriptive rather than discussive response concerning the impact of the global economy and the WTO on Australian trade policy</p>	9-12
<p>Provides basic definitions of some economic terms, concepts and relationships Uses generalised knowledge to develop an irrelevant or inappropriate answer concerning the impact of the global economy and WTO on Australian trade and financial flows Demonstrates minimal appropriate knowledge of Australian government trade policy or the role of the WTO Makes minimal use of relevant data concerning Australian trade and financial flows</p>	5-8

Question 27 continued

Utilises some appropriate terminology to communicate economic ideas Develops no logical sequence in answer Demonstrates a lack of knowledge about the global economy and the WTO's impact on Australian trade flows and trade policy	1-4
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ESSAY PLAN:

The global economy consists of industrialised, newly industrialised, developing and transition economies. Together they contribute to total world output and trade and investment flows. The process of globalisation has led to trade liberalisation and greater world economic integration. The World Trade Organisation administers and enforces rules governing trade liberalisation and dispute resolution. It has conducted regular multilateral talks on further moves to liberalise world trade.

The global economy (and globalisation) influences Australian trade and financial flows in terms of:

- providing export markets for goods and services
- sources of imports of goods and services
- avenues for international portfolio and direct investment
- foreign exchange markets and international transactions

The WTO has influenced Australian trade and financial flows and trade policy by adopting rules for trade in agriculture, services, intellectual property and investment.

Australian trade policy has been influenced by the global economy and the WTO through:

- participation in multilateral trade agreements eg: WTO and APEC
- unilateral dismantling of domestic protection
- deregulation of financial markets to promote capital mobility.

Question 28 (20 marks)

Criteria	Marks
Integrates economic terms, concepts, issues, relationships and theory. Uses knowledge to develop a logically-sequenced answer that highlights a clear understanding of the nature of the global economy and globalisation. Demonstrates factually precise and extensive knowledge of the impact of globalisation on an economy, other than Australia, such as China, Singapore, Indonesia or the USA. Evaluation of such impacts should consider trade growth, income, distribution and the conduct of domestic economic policy. Uses relevant data to support a contemporary and comprehensive evaluation of globalisation in the selected economy. Distinguishes between globalisation and economic development	17-20
Provides concise definitions of economic terms and applies concepts and relationships. Uses knowledge to develop a logically-sequenced answer that highlights an understanding of the nature of the global economy and the process of globalisation. Demonstrates factually correct and appropriate knowledge of the impact of globalisation on an economy other than Australia in terms of economic growth, trade flows and the environment or income distribution. Uses relevant data to support a logically developed evaluation of globalisation in the selected country and shows understanding of economic development	13-16

Question 28 continued

Provides clear definitions of economic terms and sound discussion of economic concepts and relationships. Uses knowledge to develop an answer concerning the nature of the global economy and globalisation. Demonstrates correct and usually relevant information on the impact of globalisation on an economy other than Australia. Uses relevant data to provide a descriptive response to the evaluation of globalisation in the selected country	9-12
Provides basic definitions of some economic terms, concepts and relationships. Uses generalised knowledge to develop an irrelevant or inappropriate answer concerning the nature of globalisation and the global economy. Demonstrates minimal appropriate knowledge of the impact of globalisation on an economy other than Australia. Makes minimal use of relevant data to evaluate globalisation in the selected country	5-8
Utilises some appropriate terminology to communicate economic ideas. Develops no logical sequence in answer. Demonstrates a lack of knowledge about the nature of globalisation or the impact on an economy other than Australia	1-4

ESSAY PLAN:

The nature of the global economy in terms of trade and financial flows and economic groupings of countries and blocs

Process of globalisation

- economic integration, world trade and financial flows
- spread of information technology
- growth of financial markets and products
- flows of investment (portfolio and direct)
- movement of labour resources between countries

Using a Case Study discussion of the impact of globalisation in terms of:

- international convergence
- economic growth, development and the environment
- standard of living and quality of life
- trade and financial flows
- investment and financial markets
- distribution of income and wealth
- government economic policies

Evaluation

- benefits and costs of globalisation
- environmental sustainability
- international business cycles and their effects on domestic activity in the case study's economy

Question	Outcome(s) assessed	Question	Outcome(s) assessed
1	H1	21 (a)	H1, H11
2	H1	21 (b)	H1, H11
3	H8, H11	21 (c)	H8, H9, H11
4	H1, H1	21 (d)	H1, H5, H8
5	H8, H11	22 (a)	H1
6	H1, H8	22 (b)	H1
7	H1	22 (c)	H1, H2
8	H8, H11	22 (d)	H1, H2, H5, H6
9	H2	23 (a)	H1
10	H2	23 (b)	H1, H11
11	H1, H2	23 (c)	H1, H4, H9, H11
12	H1, H11	23 (d)	H4, H7
13	H4	23 (e)	H5, H6, H8
14	H8, H11	24 (a)	H11
15	H2	24 (b)	H1, H2, H7
16	H8	24 (c)	H1, H7
17	H1, H2	24 (d)	H1, H5, H6, H7, H8, H9
18	H8, H11	25	H5, H6, H7, H8, H10
19	H6	26	H5, H6, H7, H8, H10
20	H8	27	H2, H3, H4, H5, H6, H7, H8, H10
		28	H3, H4, H5, H6, H7, H8, H10

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Individual teachers/schools may alter parts of this product to suit their own requirements.