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# 2025 HSC Economics Marking Guidelines

## Section I

### Multiple-choice Answer Key

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

## Section II

### Question 21 (a)

Criteria	Marks
• Outlines the role of the OECD in the global economy, using an example	2
• Provides some relevant information	1

**Sample answer:**

One role of the OECD is to conduct and publish research on a range of economic policy issues. An example of this research is a report on tourism trends and policies to build sustainable tourism.

**Answers could include:**

- Publishes regular reports on member country's economic performance and prospects
- Promotes policies for crisis affected countries, eg policy response to the COVID-19 pandemic to support the economic recovery
- Advising governments on how to improve growth and standard of living
- Advocating for 'inclusive growth'
- Determining global minimum tax rate.

### Question 21 (b)

Criteria	Marks
• Explains the limitations of using income as a single measure of quality of life	3
• Describes some limitations of using income as a single measure of quality of life	2
• Provides some relevant information	1

**Sample answer:**

Income refers to the monetary rewards in return for economic resources of residents of an economy in a given period. Quality of life is a broader concept which refers to additional measures of wellbeing. Therefore, to get a more accurate view of quality of life, other indicators such as educational attainment indicative of literacy, and life expectancy which demonstrates health outcomes, should also be considered.

**Answers could include:**

- Impact of environmental damage
- Inequality of income distribution
- Statistical limitations: PPP, per capita measurements
- Domestic work with no monetary value
- Other wellbeing indicators, for example political freedoms, work-life balance.

### Question 21 (c)

Criteria	Marks
• Provides a comprehensive discussion of the impact of world economic development on environmental sustainability	5
• Provides a sound discussion of the impact of world economic development on environmental sustainability	4
• Provides some discussion of the impact of world economic development on environmental sustainability	3
• Provides some understanding of economic development and/or environmental sustainability	2
• Provides some relevant information	1

**Sample answer:**

Increasing world economic development will lead to increased trade as incomes and demand for goods and services rise. This will result in increased production and transport of goods and services which depletes non-renewable resources and creates carbon emissions leading to a negative impact on the environment. This can permanently damage environmental resources which is detrimental to environmental sustainability. However, increased communication has led to growing awareness of environmental issues, an outcome of which is the development of international agreements such as the Paris Climate Agreement with positive consequences for future environmental sustainability.

**Answers could include:**

- Impact of technology to mitigate climate change
- Global cooperation to improve environmental sustainability
- Ecologically sustainable development
- Kuznet curve for environment
- Rising energy consumption – renewable and non-renewable
- Industrialisation leading to pollution
- Land use changes such as deforestation.

### Question 22 (a)

Criteria	Marks
• Outlines ONE global factor that could cause the exchange rate movement shown	2
• Provides some relevant information	1

**Sample answer:**

One global factor could be the differential between Australian and global interest rates. If global interest rates rise above Australian rates, there will be a decrease in demand  $D$  to  $D_1$  for Australian dollars for investment. This causes the currency to depreciate.

**Answers could include:**

- Overseas interest rates rise
- Commodity prices
- International tastes and preferences change
- Changing global economic conditions
- Change in demand for exports.

### Question 22 (b)

Criteria	Marks
• Explains how the RBA could directly influence the value of Australian currency, to move from $P_1$ to $P$	3
• Outlines how the RBA could directly influence the value of the currency	2
• Provides some relevant information	1

**Sample answer:**

The RBA could directly intervene in the foreign currency market, 'dirtying the float.' To cause an appreciation of the currency the RBA would purchase AUD in exchange for foreign currency reserves, and this results in an appreciation from  $P_1$  to  $P$ .

**Answers could include:**

- Selling of foreign currency
- Buying of Australian currency.

### Question 22 (c)

Criteria	Marks
• Provides a comprehensive discussion of the effects of a depreciation of a currency on the domestic businesses	5
• Provides a sound discussion of the effects of a depreciation of a currency on the domestic businesses	4
• Provides some discussion of the effects of a depreciation of a currency on the domestic businesses	3
• Demonstrates some understanding of the effects of a depreciation of a currency	2
• Provides some relevant information	1

**Sample answer:**

A depreciation of a currency would have various impacts on import-competing and export-oriented businesses. For example, imported inputs such as raw materials become more expensive for businesses. This raises domestic production costs and prices, making these businesses less competitive. A depreciation can also benefit import-competing businesses by decreasing competition for more expensive foreign goods, resulting in more sales and increased profitability.

Export-oriented businesses benefit from depreciation as their products become cheaper for foreign buyers, and their international competitiveness improves.

### Question 23 (a)

Criteria	Marks
• Outlines why one specific group may experience higher than average unemployment in Australia	2
• Provides some relevant information	1

**Sample answer:**

In Australia, young people (15–24 years old) tend to experience a higher unemployment rate than the national average due to their lack of experience and job-specific skills.

**Answers could include:**

- People born outside of Australia
- Workers with low levels of educational attainment
- People from regional areas
- Older workers.

### Question 23 (b)

Criteria	Marks
• Outlines ONE factor that may have changed the participation rate in this economy	2
• Provides some relevant information	1

**Sample answer:**

An increase in discouraged job seekers when they give up looking for work results in a smaller labour force and decreased participation rate.

**Answers could include:**

- Increased enrolment in higher education
- Growth in the over 65 population
- Technological changes such as automation
- Structural changes in the economy
- Changes in policies such as taxation, welfare payments, parental leave and retirement age
- Discouraged workers
- Economic downturns.

### Question 23 (c)

Criteria	Marks
• Outlines the possible cause of the increase in unemployment present in the economy in Year 2, using the information provided	2
• Provides some relevant information	1

**Sample answer:**

The unemployment rate of 5.9% in Year 2, which is above the NAIRU of 5%, suggests the presence of cyclical unemployment. Cyclical unemployment arises when there is insufficient demand for goods and services, leading to fewer employment opportunities during economic slowdowns.

**Answers could include:**

Structural unemployment.

### Question 23 (d)

Criteria	Marks
• Demonstrates a thorough understanding of how TWO policy options could be implemented to reduce the NAIRU of the economy	4
• Demonstrates a sound understanding of how TWO policy options could be implemented to reduce the NAIRU of the economy	3
• Demonstrates some understanding of the policy options to reduce unemployment	2
• Provides some relevant information	1

**Sample answer:**

The NAIRU is the level of unemployment at which there is no cyclical unemployment. In order to reduce this, policies should aim to target structural or frictional unemployment. By improving occupational or geographical mobility of workers through reforms such as increasing training programmes and relocation assistance, the structurally unemployed can access a wider range of employment opportunities, making it easier for them to secure jobs that are available. Labour market policies that connect potential employees and employers more efficiently will reduce frictional unemployment and the NAIRU.

**Answers could include:**

- Remove barriers to work for the disabled
- Supply side reforms
- Education and training programs
- Improve labour mobility
- Improve efficiency of job placement agencies.

### Question 24 (a)

Criteria	Marks
• Outlines the purpose of monetary policy in Australia	2
• Provides some relevant information	1

**Sample answer:**

Monetary policy is used by the RBA to influence the cost and availability of credit in the economy. It does so primarily by managing economic fluctuations and seeking to control price stability.

**Answers could include:**

- Price stability including Australia’s currency
- The maintenance of full employment in Australia
- The promotion of the economic prosperity and welfare of the people of Australia.

### Question 24 (b)

Criteria	Marks
• Explains how the RBA maintains the cash rate target	3
• Demonstrates some understanding of how the RBA maintains the cash rate target	2
• Provides some relevant information	1

**Sample answer:**

The policy interest rate corridor establishes a price ceiling for lending rates and a price floor for deposit rates. This encourages inter-bank transactions where banks can borrow at lower rates than those charged by the RBA and lend at higher rates than those paid by the RBA. Consequently, the cash rates within the market gravitate towards the desired cash rate target.

**Answers could include:**

- Cash rate target/policy interest rate corridor
- Exchange Settlement Account balances
- Deposit and lending rates
- Domestic market operations/open market operations
- Ample Reserves system (2025).

### Question 24 (c)

Criteria	Marks
• Demonstrates a clear and comprehensive understanding of the impacts of a decrease in the cash rate on an economy	5
• Demonstrates a sound understanding of the impacts of a decrease in the cash rate on an economy	4
• Demonstrates some understanding of the impacts of a decrease in the cash rate on an economy	3
• Provides some understanding of the cash rate in an economy	2
• Provides some relevant information	1

**Sample answer:**

A decrease in the cash rate lowers borrowing costs and increases credit availability in the economy as changes in the cash rate flow on to the other interest rates in the economy. This allows households to borrow more or repay less on existing loans, leaving them with increased disposable income, enabling higher consumption. Businesses are also more likely to invest due to cheaper financing and this promotes long-term economic growth. As a result, increased aggregate demand and supply support higher output and employment. However, if increases in demand outpace the growth in supply capacity, it can lead to inflationary pressures over time.

**Answers could include:**

- Cheaper borrowing costs
- Increased access to credit
- Higher disposable income and consumption
- Business investment and expansion
- Increased aggregate demand
- Long-term economic growth
- Inflationary pressures
- Depreciation of currency.

## Section III

### Question 25

Criteria	Marks
<ul style="list-style-type: none"> <li>• Demonstrates a clear and comprehensive understanding of the reasons for recent trends in the size and composition of Australia's balance of payments since 2016</li> <li>• Synthesises own knowledge and understanding with the information provided, to develop a sustained, logical and cohesive response</li> <li>• Integrates relevant economic terms, concepts, relationships and theories</li> </ul>	17–20
<ul style="list-style-type: none"> <li>• Demonstrates a sound understanding of the reasons for recent trends in the size and composition of Australia's balance of payments since 2016</li> <li>• Synthesises own knowledge and understanding with the information provided, to develop a logical and cohesive response</li> <li>• Applies relevant economic terms, concepts, relationships and theories</li> </ul>	13–16
<ul style="list-style-type: none"> <li>• Demonstrates a sound understanding of the reasons for recent trends in the size OR composition of Australia's balance of payments since 2016</li> </ul> <p>OR</p> <ul style="list-style-type: none"> <li>• Demonstrates some understanding of the reasons for recent trends in the size and composition of Australia's balance of payments</li> <li>• Uses own knowledge and understanding with the information provided, to develop a coherent response</li> <li>• Uses relevant economic terms, concepts and relationships</li> </ul>	9–12
<ul style="list-style-type: none"> <li>• Demonstrates some understanding of trends in Australia's balance of payments since 2016</li> <li>• Presents a generalised response</li> <li>• Uses some economic terms and/or concepts</li> </ul>	5–8
<ul style="list-style-type: none"> <li>• Identifies some relevant information</li> <li>• Presents a limited response that uses some economic terms</li> </ul>	1–4

**Answers could include:**

- Structure of the Balance of payments
  - Current Account, debits and credits
  - Capital and Financial Account
- Links between key Balance of Payments categories
- Trends in the size and composition of Australia's Balance of Payments
  - international competitiveness: protection, productivity
  - terms of trade: exchange rates, domestic and international growth rates
  - international borrowing; international and domestic interest rates
  - foreign investment: saving and investment gap, mining investment boom
- Effects of these trends on Australia's Balance of Payments.

## Question 26

Criteria	Marks
<ul style="list-style-type: none"> <li>• Demonstrates a clear and comprehensive understanding of how the dimensions and trends in income inequality affect the Australian economy</li> <li>• Synthesises own knowledge and understanding with the information provided, to develop a sustained, logical and cohesive response</li> <li>• Integrates relevant economic terms, concepts, relationships and theories</li> </ul>	17–20
<ul style="list-style-type: none"> <li>• Demonstrates a sound understanding of how the dimensions and trends in income inequality affect the Australian economy</li> <li>• Synthesises own knowledge and understanding with the information provided, to develop a logical and cohesive response</li> <li>• Applies relevant economic terms, concepts, relationships and theories</li> </ul>	13–16
<ul style="list-style-type: none"> <li>• Demonstrates a sound understanding of how the dimensions and trends in income inequality affect the Australian economy OR</li> <li>• Demonstrates some understanding of the dimensions OR the trends in income inequality OR effects on the Australian economy</li> <li>• Uses own knowledge and understanding with the information provided, to develop a coherent response</li> <li>• Uses relevant economic terms, concepts and relationships</li> </ul>	9–12
<ul style="list-style-type: none"> <li>• Demonstrates some understanding of income inequality in the Australian economy</li> <li>• Presents a generalised response</li> <li>• Uses some economic terms and/or concepts</li> </ul>	5–8
<ul style="list-style-type: none"> <li>• Identifies some relevant information</li> <li>• Presents a limited response that uses some economic terms</li> </ul>	1–4

### **Answers could include:**

- Dimensions and trends, according to gender, age, occupation, ethnic background, geographic location, mobility and family structure as they relate to causes/effects.
- Sources of income as a percentage of household income/unequal distribution of earnings, access to employment
- Taxation, tax cuts and exemptions, transfer payments and other assistance
- Cost of living, globalisation, access to technology
- Economic and social costs and benefits of inequality eg lower consumption, reduced business confidence, lower economic growth, poorer health and wellbeing, eroded social cohesion, difficulties managing finances, incentives to work and invest
- Access to services: low incomes can make it difficult to access health, housing, education, and work
- Investment income: high-income households have a greater share of investment income, such as interest, rent, dividends, royalties, and superannuation.

## Section IV

### Question 27

Criteria	Marks
<ul style="list-style-type: none"> <li>• Demonstrates a clear and comprehensive understanding of the conflicts for governments that may arise in pursuing three of Australia's economic objectives, supported by examples</li> <li>• Provides a sustained, logical and cohesive response that integrates relevant economic terms, concepts, relationships and theories</li> <li>• Provides a well-informed analysis of the conflicts that may arise in pursuing three of Australia's economic objectives</li> </ul>	17–20
<ul style="list-style-type: none"> <li>• Demonstrates a sound understanding of the conflicts that may arise in pursuing three of Australia's economic objectives</li> <li>• Provides a logical and cohesive response that applies relevant economic terms, concepts, relationships and theories</li> <li>• Provides some analysis of the conflicts that may arise in pursuing three of Australia's economic objectives</li> </ul>	13–16
<ul style="list-style-type: none"> <li>• Demonstrates some understanding of the conflicts that may arise in pursuing Australia's economic objectives</li> <li>• Provides a coherent response that uses relevant economic terms, concepts, relationships</li> <li>• Provides a description of Australia's economic objectives</li> </ul>	9–12
<ul style="list-style-type: none"> <li>• Demonstrates some understanding of economic objectives</li> <li>• Presents a generalised response that uses some economic terms and concepts</li> </ul>	5–8
<ul style="list-style-type: none"> <li>• Provides some relevant information</li> <li>• Presents a limited response that uses some economic terms</li> </ul>	1–4

**Answers could include:**

- Potential conflicts between objectives
  - economic growth and quality of life
  - full employment
  - price stability
  - external stability
  - environmental sustainability
  - distribution of income
- Policy responses and their effects in dealing with economic objectives.

## Question 28

Criteria	Marks
<ul style="list-style-type: none"> <li>• Demonstrates a clear and comprehensive understanding of the effects of different methods of protection on firms and governments in Australia, supported by examples</li> <li>• Provides a sustained, logical and cohesive response that integrates relevant economic terms, concepts, relationships and theories</li> <li>• Provides a well-informed analysis of different methods of protection on firms and government in Australia</li> </ul>	17–20
<ul style="list-style-type: none"> <li>• Demonstrates a sound understanding of the effects of different methods of protection on firms and governments in Australia</li> <li>• Provides a logical and cohesive response that applies relevant economic terms, concepts, relationships and theories</li> <li>• Provides some analysis of different methods of protection on firms and government in Australia</li> </ul>	13–16
<ul style="list-style-type: none"> <li>• Demonstrates some understanding of the effects of different methods of protection on firms and/or governments in Australia</li> <li>• Provides a coherent response that uses relevant economic terms, concepts and relationships</li> <li>• Provides a description of the different methods of protection</li> </ul>	9–12
<ul style="list-style-type: none"> <li>• Demonstrates some understanding of protectionist methods</li> <li>• Presents a generalised response that uses some economic terms and/or concepts</li> </ul>	5–8
<ul style="list-style-type: none"> <li>• Provides some relevant information</li> <li>• Provides a limited response that uses some economic terms</li> </ul>	1–4

### **Answers could include:**

- Clear definitions of protectionist methods, such as tariffs, subsidies, quotas, local content rules and export incentives.
- Effects of protectionist methods on Australian firms: increased domestic market share, protection of domestic employment, encouragement of local investment, capacity to compete internationally, higher production costs due to tariffs, reduced efficiency from lack of competition and potential retaliation affecting export markets.
- Effects on the Australian government: increased tariff revenue, reduced unemployment in protected industries, protection of strategic sectors, fiscal pressures from subsidies and potential trade disputes or sanctions from international bodies.
- Limitations of protectionist policies
- Examples of Australia’s protectionist policies
- Examples of global protectionist policies.

# 2025 HSC Economics Mapping Grid

## Section I

Question	Marks	Content	Syllabus outcomes
1	1	Topic 1: Monetary union	H1
2	1	Topic 1: Globalisation	H1
3	1	Topic 1: Types of economies	H4
4	1	Topic 4: Components of government budget	H6
5	1	Topic 3: Private and public goods	H1
6	1	Topic 4: Rationale for macroeconomic policy	H5
7	1	Topic 3: Multiplier calculation	H11
8	1	Topic 1: Regional business cycle	H3
9	1	Topic 3: Economic growth leakages and injections	H11
10	1	Topic 2: Balance of payment classification	H1
11	1	Topic 4: Fiscal policy	H6
12	1	Topic 4: Environmental management	H5
13	1	Topic 2: Balance of payment calculation	H11
14	1	Topic 3: Headline and underlying inflation	H4
15	1	Topic 3: Economic growth calculation	H11
16	1	Topic 3: Net foreign liability calculation	H11
17	1	Topic 1: Protection	H4
18	1	Topic 1: Protection	H4
19	1	Topic 2: Terms of Trade	H11
20	1	Topic 3: Environmental management	H6

## Section II

Question	Marks	Content	Syllabus outcomes
21 (a)	2	Topic 1: Role of the OECD	H2
21 (b)	3	Topic 1: Limitations of the GNI measure	H1
21 (c)	5	Topic 1: Impacts of economic development on environmental sustainability	H4
22 (a)	2	Topic 2: Factors that cause exchange rate movements	H4
22 (b)	3	Topic 2: RBA influence in foreign exchange market	H6
22 (c)	5	Topic 2: Effects of fluctuations in exchange rate	H7
23 (a)	2	Topic 3: Incidence of high unemployment	H2
23 (b)	2	Topic 3: Influences on participation rate	H7
23 (c)	2	Topic 3: Types of unemployment	H1
23 (d)	4	Topic 3: Policies to reduce NAIRU	H5
24 (a)	2	Topic 4: Purpose of monetary policy	H5
24 (b)	3	Topic 4: Implementation of monetary policy	H6

<b>Question</b>	<b>Marks</b>	<b>Content</b>	<b>Syllabus outcomes</b>
24 (c)	5	Topic 4: Impact of decreased interest rates	H6

**Section III**

<b>Question</b>	<b>Marks</b>	<b>Content</b>	<b>Syllabus outcomes</b>
25	20	Trends in the size and composition of BOP	H3, H4, H8
26	20	Dimensions and trends in income equality	H2, H7, H8

**Section IV**

<b>Question</b>	<b>Marks</b>	<b>Content</b>	<b>Syllabus outcomes</b>
27	20	Conflict between economic objectives	H5, H6, H8
28	20	Effects of protection on firms and government	H6, H7, H8