

2017 HSC Economics

Marking Guidelines

Section I

Multiple-choice Answer Key

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

Section II

Question 21 (a)

Criteria	Marks
• Demonstrates a clear understanding of why dumping can be used as a justification for trade protection	2
• Makes a relevant statement about dumping OR trade protection	1

Sample answer:

Dumping involves foreign goods being sold in the domestic market below their cost of production which could have a negative impact on competitive domestic firms.

Answers could include:

- Potentially higher future prices for consumers
- Dumping might drive out efficient local producers
- Potential for increased domestic unemployment
- Foreign governments subsidising producers.

Question 21 (b)

Criteria	Marks
• Demonstrates a clear understanding of how subsidies AND local content rules differ in discouraging dumping	4
• Demonstrates a clear understanding of how EITHER subsidies OR local content rules discourage dumping AND sketches in general terms the other	3
• Sketches in general terms subsidies AND local content rules OR • Demonstrates a clear understanding of how EITHER subsidies OR local content rules discourage dumping	2
• Makes a relevant statement about EITHER subsidies OR local content rules	1

Sample answer:

Subsidising local producers helps reduce their production costs and so compete more effectively with cheap foreign imports. On the other hand, local content rules help domestic producers compete against cheap foreign imports by requiring that a minimum proportion of production inputs be bought from the local producer rather than from overseas.

Answers could include:

- Subsidies affect domestic prices
- Local content rules restrict foreign imports/competition
- Potential difference in visibility of local content rules and subsidies.

Question 21 (c)

Criteria	Marks
<ul style="list-style-type: none"> • Demonstrates a clear understanding of the similarities AND differences in the roles of BOTH the IMF AND the World Bank in international economic integration 	4
<ul style="list-style-type: none"> • Demonstrates an understanding of the similarities AND differences in the roles of BOTH the IMF AND the World Bank in international economic integration <p>OR</p> <ul style="list-style-type: none"> • Demonstrates a clear understanding of the similarities OR differences in the roles of BOTH the IMF AND the World Bank in international economic integration 	3
<ul style="list-style-type: none"> • Sketches in general terms the roles of BOTH the IMF AND the World Bank in international economic integration <p>OR</p> <ul style="list-style-type: none"> • Demonstrates a clear understanding of the role of EITHER the IMF OR the World Bank in international economic integration 	2
<ul style="list-style-type: none"> • Makes a relevant statement about EITHER the IMF or the World Bank 	1

Sample answer:

The IMF helps maintain global financial stability and, hence, globalisation by ensuring that capital can move freely between countries. The World Bank assists economic development in poorer countries by funding necessary infrastructure and helping such countries attract foreign investment. Both the IMF and the World Bank require countries to implement certain reforms as a condition of receiving assistance.

Answers could include:

- Ways the IMF and the World Bank might hinder globalisation – developing countries under-represented in decision-making
- IMF and the World Bank conditionality – loans given on the basis that governments restructure economies certain ways or follow certain macroeconomic policies.

Question 22 (a)

Criteria	Marks
<ul style="list-style-type: none"> • Outlines an understanding of how the transaction can affect TWO components of Australia’s balance of payments 	2
<ul style="list-style-type: none"> • Correctly identifies ONE effect of the specified transaction on Australia’s balance of payments <p>OR</p> <ul style="list-style-type: none"> • Correctly identifies TWO components of the balance of payments affected by this transaction 	1

Sample answer:

CR on (capital and) financial account
 DR in current account.

Answers could include:

CR in financial account + DR in net primary income.

Question 22 (b)

Criteria	Marks
<ul style="list-style-type: none"> • Demonstrates a clear understanding of the difference between direct investment and portfolio investment 	2
<ul style="list-style-type: none"> • Makes a relevant statement about direct investment OR portfolio investment 	1

Sample answer:

Direct investment covers financial transactions to fund new investment or to buy a controlling interest (typically more than 10%) of an existing company. Portfolio investment involves buying shares or other securities in existing companies.

Answers could include:

- Buying land – direct investment
- Buying government bonds – portfolio investment
- Foreign direct investment
- Portfolio investment is typically larger in terms of value than direct investment in Australia.

Question 22 (c)

Criteria	Marks
<ul style="list-style-type: none"> • Demonstrates a comprehensive understanding of the costs and benefits of FDI for Australia 	6
<ul style="list-style-type: none"> • Demonstrates a comprehensive understanding of EITHER the costs OR benefits of FDI for Australia AND demonstrates a sound understanding of the other 	5
<ul style="list-style-type: none"> • Demonstrates a comprehensive understanding of EITHER the costs OR benefits of FDI for Australia AND sketches in general terms the other <p>OR</p> <ul style="list-style-type: none"> • Demonstrates a sound understanding of the costs AND benefits of FDI 	4
<ul style="list-style-type: none"> • Demonstrates a comprehensive understanding of EITHER the costs OR benefits of FDI for Australia <p>OR</p> <ul style="list-style-type: none"> • Demonstrates a sound understanding of EITHER the costs OR benefits of FDI for Australia AND sketches in general terms the other 	3
<ul style="list-style-type: none"> • Demonstrates a sound understanding of EITHER a cost OR a benefit of FDI <p>OR</p> <ul style="list-style-type: none"> • Sketches in general terms a cost AND a benefit of FDI 	2
<ul style="list-style-type: none"> • Makes a relevant statement about FDI 	1

Sample answer:

Some costs of FDI may arise from the fact that domestic assets are now controlled by foreign residents, potentially including foreign governments. This can lead to political problems if the foreign investors have different views on issues such as environmental management. Moreover, any income earned from the asset in future flows to a foreign investor which has negative implications for the balance of payments.

One benefit of foreign direct investment (FDI) is that it allows a country to fund required infrastructure when domestic savings are insufficient. FDI projects can also create highly-paid domestic employment opportunities which contribute to domestic wealth and improve domestic living standards. If the FDI is in infrastructure projects, such as roads or mines, then it can help an economy become more internationally competitive by improving domestic aggregate supply.

Answers could include:

- Reference to FDI occurring by Australians into other economies as well as Australia receiving FDI
- Taxation revenue
- Environmental issues
- Political/sovereignty issues – ownership of assets by foreigners/foreign government controlled investors
- FDI is more stable than portfolio investment
- FDI creates new things
- FDI can use up scarce domestic resources (eg labour) which can drive up domestic wages/prices
- FDI as a source of new technology
- Admin costs – need oversight of who buys domestic assets and how much – Foreign Investment Review Board in Australia.

Question 23 (a)

Criteria	Marks
• Demonstrates a clear understanding of the difference between income and wealth	2
• Makes a relevant statement about income AND/OR wealth	1

Sample answer:

Income refers to the flow of returns to the owners of factors of production over a period of time. Wealth refers to the stock of assets held at a point in time.

Answers could include:

- Income – wages/salaries, dividends, profit, interest
- Wealth – holdings of land, stocks, bonds.

Question 23 (b)

Criteria	Marks
• Demonstrates clearly TWO ways taxation can be used to reduce income inequality	4
• Demonstrates clearly ONE way taxation can be used to reduce income inequality AND sketches in general terms another	3
• Demonstrates clearly ONE way taxation can be used to reduce income inequality OR • Sketches in general terms TWO ways taxation can be used to reduce income inequality OR • Demonstrates some understanding of the relationship between taxation and income inequality	2
• Makes a relevant statement about taxation OR income inequality	1

Sample answer:

Decreased income inequality can be achieved by increasing the top marginal rate of income tax which ensures that those on higher incomes pay relatively more tax than those on lower incomes. Alternatively, decreasing the rate of an indirect tax such as the goods and services tax will improve income equality as those on lower incomes tend to spend more and hence pay a greater proportion of their income in tax.

Answers could include:

- Increasing capital gains (or wealth) tax
- Increasing the tax free threshold
- Progressive/regressive taxes
- Make income tax system more progressive (lower tax rates on lower incomes)
- Company tax reduction that creates more employment
- Company tax increase that reduces profit distributions
- Reform of tax system to encourage people to move off welfare (or part-time work) into (full-time) employment.

Question 23 (c)

Criteria	Marks
• Demonstrates clearly how wealth inequality in Australia is influenced by a person’s age AND gender	4
• Demonstrates clearly how wealth inequality in Australia is influenced by a person’s age OR gender AND sketches in general terms the other	3
• Demonstrates clearly how wealth inequality in Australia is influenced by a person’s age OR gender OR • Sketches in general terms how inequality in Australia is influenced by a person’s age AND gender	2
• Makes a relevant statement about inequality AND age or gender	1

Sample answer:

Two major sources of wealth are property and superannuation. Younger workers typically do not have the time to save sufficient funds to purchase property and so are forced to rent; nor do they have the opportunity to work long enough to accumulate superannuation. Women receive lower incomes on average than men and may also take significant times out of the workforce to have children. This impacts negatively on their ability to own property in their own right and also to accumulate superannuation.

Answers could include:

- Government policies that might not do enough to address income inequality driven by age/gender differences ... childcare policies
- Family separation/structure
- Workplace discrimination on the basis of age/gender.

Question 24 (a)

Criteria	Marks
• Correctly identifies ONE type of unemployment present at full employment and ONE type that is not	2
• Correctly identifies EITHER ONE type of unemployment present at full employment OR one type that is not	1

Sample answer:

Present at full employment: structural
Not present at full employment: cyclical

Answers could include:

- Present – structural, frictional, seasonal, hard core, hidden, long-term
- NOT present – cyclical.

Question 24 (b)

Criteria	Marks
• Demonstrates a clear understanding of the way unemployment affects economic growth	4
• Demonstrates an understanding of the way unemployment affects economic growth	3
• Sketches in general terms the way unemployment affects economic growth OR	2
• Demonstrates an understanding of the effects of unemployment	
• Makes a relevant statement about unemployment or economic growth	1

Sample answer:

Unemployment represents an economy's resources not being used to their full potential. If this is the case, then an economy will be operating at less than full capacity and, hence, growing less quickly than it could. Lower output growth will lead to lower overall income within the economy. Unemployed persons may also be a cost to the government in terms of transfer payments and other social costs, adversely impacting the government's capacity to improve infrastructure necessary for economic growth.

Answers could include:

- Loss of human capital
- Costs associated with retraining of labour force
- Tax burden
- Production possibilities frontier
- Opportunity cost.

Question 24 (c)

Criteria	Marks
<ul style="list-style-type: none"> Demonstrates a clear understanding of how fiscal policy can be used differently at AND above the NAIRU 	4
<ul style="list-style-type: none"> Demonstrates an understanding of how fiscal policy can be used differently at AND above the NAIRU OR <ul style="list-style-type: none"> Demonstrates a clear understanding of how fiscal policy can be used EITHER at OR above the NAIRU and sketches in general terms the other 	3
<ul style="list-style-type: none"> Sketches in general terms the use of fiscal policy at AND above the NAIRU OR <ul style="list-style-type: none"> Demonstrates a clear understanding of how fiscal policy can be used EITHER at OR above the NAIRU 	2
<ul style="list-style-type: none"> Makes a relevant statement about the NAIRU AND/OR fiscal policy 	1

Sample answer:

At the NAIRU, there is no cyclical unemployment and so, if unemployment is to be reduced, fiscal policy needs to address the issue of increasing aggregate supply. This could be done by implementing policies aimed at education and/or the retraining of workers who do not have the necessary skills. By improving the skills of the working age population, this may increase labour force participation and reduce the burden of structural unemployment.

Above the NAIRU, there is cyclical unemployment and this can be reduced by increasing aggregate demand. This can be achieved by increasing government spending on any of the components of aggregate demand (consumption, investment). As labour is a derived demand, stimulating demand and growth will increase the need for labour and reduce unemployment.

Answers could include:

Above the NAIRU still need to spend money on retraining to reduce structural unemployment.

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 a clear and comprehensive understanding of the implications of a decline in global economic activity for Australia's economic policies 	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 a sound understanding of the implications of a decline in global economic activity for Australia's economic policies 	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, concepts, relationships and theories • Sketches in general terms the implications of a decline in global economic activity for Australia's economic policies 	9–12
<ul style="list-style-type: none"> • Presents a generalised response • Uses some economic terms and concepts • Identifies some aspects of a decline in global activity AND relevant Australian economic policies 	5–8
<ul style="list-style-type: none"> • Presents a limited response • Uses some economic terms and concepts • Lists some aspects of EITHER a decline in global activity OR relevant Australian economic policies 	1–4

Answers could include:

- The nature of a decline in global activity, possible causes
- Implications of a downturn could include impact on economic objectives eg
 - Lower or slower economic growth
 - Higher unemployment in affected industries
 - Effect on prices ie imported inflation, reduced demand and cost inflationary pressures
 - Effect on external stability ie Balance of Payments, international competitiveness, terms of trade, exchange rate
 - Effect on distribution of income
 - Effect on environmental sustainability
- Identification of the relationship between a decline in global economic activity and the range of government policy responses including macroeconomic and microeconomic policies
- Role of exchange rates in softening impact of external shocks and hence implications for government policy response

- Macroeconomic policy
 - Fiscal: expansionary fiscal policy to stimulate aggregate demand, incentives for exporting and import competing industries, tax/transfer policy to offset distribution effects – eg provide support to workers who lose jobs in adversely affected sectors
 - Monetary: Expansionary monetary policy → lower interest rates to increase aggregate demand. Impact on exchange rates, international competitiveness and capital inflow
- Microeconomic policy

Increasing aggregate supply to improve efficiency and impact on international competitiveness. This could be achieved by:

 - reducing domestic trade barriers
 - investment in infrastructure
 - labour market policies to improve competitiveness
 - trade policies to gain access to more overseas markets.

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 how the Australian government’s macroeconomic AND/OR microeconomic policies have affected price stability in Australia 	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 a sound understanding of how the Australian government’s macroeconomic AND/OR microeconomic policies have affected price stability in Australia 	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, concepts, relationships and theories • Demonstrates some understanding of how the Australian government’s macroeconomic AND/OR microeconomic policies have affected price stability in Australia 	9–12
<ul style="list-style-type: none"> • Presents a generalised response • Uses some economic terms and concepts • Identifies aspects of Australian government policies AND price stability in Australia 	5–8
<ul style="list-style-type: none"> • Presents a limited response • Uses some economic terms and concepts • Lists some aspects of Australian government policies OR price stability in Australia 	1–4

Answers could include:

- Define price stability – inflation/deflation
- Australia’s record of price stability (especially since late 1990s)
- Post Global Financial Crisis record of low inflation
- Positive and negative effects of inflation/deflation
- Different causes of inflation in Australia – demand, cost, imported, inflationary expectations, asset price inflation (house prices)
- Macroeconomic policy to address these different types of inflation:
 - monetary policy: record low interest rates, RBA targets inflation rate of 2–3%, emphasis on RBA independence
 - RBA policy: rates have been raised (eg after GFC) and reduced (during GFC)
 - fiscal policy
 - impact of exchange rates on inflation
 - minimal interference in forex markets

- Microeconomic policy (cost push inflation):
 - microeconomic reform to increase efficiency → shifts in aggregate supply, competition policy, reduce capacity constraints
 - reducing domestic trade barriers
 - labour market policies to control wage inflation (eg workplace agreements)
- Factors other than government policy that have affected price stability in Australia:
 - technological progress
 - globalisation
 - international business cycle (eg GFC increased uncertainty and hence increased Australian household saving)
 - oil (and commodity) prices
 - natural events (drought etc)
 - international political events
 - asset prices (house prices).

Section IV

Question 27

Criteria	Marks
<ul style="list-style-type: none"> • Provides a sustained, logical and cohesive response • Integrates relevant economic terms, concepts, relationships and theories • Demonstrates a clear and comprehensive understanding of the effects of globalisation on economic growth AND environmental sustainability in Australia AND one other economy • Demonstrates a clear and comprehensive understanding of the similar AND different effects of globalisation on economic growth AND environmental sustainability in Australia AND one other economy 	17–20
<ul style="list-style-type: none"> • Provides a logical and cohesive response • Applies relevant economic terms, concepts, relationships and theories • Demonstrates a sound understanding of the effects of globalisation on economic growth AND environmental sustainability in Australia AND one other economy • Demonstrates some understanding of the similar AND different effects of globalisation on economic growth AND environmental sustainability in Australia AND one other economy 	13–16
<ul style="list-style-type: none"> • Provides a coherent response • Uses relevant economic terms, concepts, relationships and theories • Demonstrates some understanding of the effects of globalisation on economic growth AND environmental sustainability in Australia AND one other economy <p>OR</p> <ul style="list-style-type: none"> • Demonstrates a sound understanding of the effects of globalisation on economic growth OR environmental sustainability in Australia AND one other economy 	9–12
<ul style="list-style-type: none"> • Provides a generalised response • Uses some economic terms and concepts • Identifies aspects of the effects of globalisation on economic growth OR environmental sustainability in Australia AND/OR one other economy <p>OR</p> <ul style="list-style-type: none"> • Demonstrates some understanding of the effects of globalisation on economic growth AND environmental sustainability in EITHER Australia OR one other economy 	5–8
<ul style="list-style-type: none"> • Provides a limited response • Uses some economic terms and concepts • Identifies some aspects of the effects of globalisation on Australia AND/OR one other economy 	1–4

Answers could include:

- Define globalisation
- Define objectives of economic growth and environmental sustainability
- How have each of the following components of globalisation affected economic growth AND environmental sustainability in Australia and one other economy:
 - trade in goods and services
 - financial flows
 - investment and TNCs
 - technology, transport and communication
 - international division of labour, migration
 - distribution of income and wealth
 - international business cycles
 - international organisations
 - trade agreements
- Compare and contrast (in Australia and one other economy) effects of globalisation on:
 - preservation of natural environments
 - pollution, climate change
 - depletion of renewable and non-renewable resources
 - impact of international environmental agreements
- How policymakers in Australia and one other economy have responded to globalisation
- Compare and contrast how policymakers in Australia and one other economy have managed the trade-off between economic growth and environmental sustainability.
- Answers must refer to specific examples and data from Australia and one other economy.

Question 28

Criteria	Marks
<ul style="list-style-type: none"> • Provides a sustained, logical and cohesive response • Integrates relevant economic terms, concepts, relationships and theories • Demonstrates a clear and comprehensive understanding of how labour market policies can be used to achieve Australia’s economic objectives 	17–20
<ul style="list-style-type: none"> • Provides a logical and cohesive response • Applies relevant economic terms, concepts, relationships and theories • Demonstrates a sound understanding of how labour market policies can be used to achieve Australia’s economic objectives 	13–16
<ul style="list-style-type: none"> • Provides a coherent response • Uses relevant economic terms, concepts, relationships and theories • Demonstrates some understanding of how labour market policies can be used to achieve Australia’s economic objectives 	9–12
<ul style="list-style-type: none"> • Provides a generalised response • Uses some economic terms and concepts • Identifies aspects of labour market policies AND economic objectives 	5–8
<ul style="list-style-type: none"> • Provides a limited response • Uses some economic terms and concepts • Lists some aspects of labour market policies OR economic objectives 	1–4

Answers could include:

- Define labour market policies:
 - role of labour market policies
 - the national system for determining minimum employment standards, minimum wages, awards, enterprise agreements, employment contracts
 - dispute resolution
 - centralised vs decentralised methods of determining employment contracts
 - education, training and employment programs
- Explain how these can be used to achieve the economic objectives listed below
- Define economic objectives:
 - economic growth and quality of life
 - full employment
 - price stability
 - external stability
 - distribution of income
- Demand and supply model analysis of how labour market policies can achieve the economic objectives listed above
- Data on Australia’s labour market policies and Australia’s performance with respect to its economic objectives.

2017 HSC Economics Mapping Grid

Section I

Question	Marks	Content	Syllabus outcomes
1	1	Topic 1: International economic integration	H1, H7
2	1	Topic 3: Environmental sustainability	H1
3	1	Topic 4: Limitations of economic policies	H6
4	1	Topic 4: Macroeconomic policies	H5
5	1	Topic 2: Exchange rates and Topic 3: Inflation and external stability	H4, H5
6	1	Topic 4: National and global context for environmental management	H1, H3
7	1	Topic 4: Fiscal policy	H7
8	1	Topic 4: Fiscal policy	H6
9	1	Topic 1: Protection	H6
10	1	Topic 4: Labour market policies	H1
11	1	Topic 2: Australia's balance of payments	H11
12	1	Topic 3: Distribution of income and wealth	H1
13	1	Topic 1: International economic integration and Topic 2: Exchange rates	H4
14	1	Topic 3: Economic growth	H11
15	1	Topic 3: Unemployment	H11
16	1	Topic 3: Inflation	H11
17	1	Topic 2: Australia's balance of payments	H11
18	1	Topic 3: Environmental sustainability	H1
19	1	Topic 3: Economic growth	H11
20	1	Topic 2: Exchange rates	H11

Section II

Question	Marks	Content	Syllabus outcomes
21 (a)	2	Topic 1: Protection	H1, H3, H4, H6
21 (b)	4	Topic 1: Protection	H1, H5, H6
21 (c)	4	Topic 1: Trade, financial flows and foreign investment	H1, H2, H3
22 (a)	2	Topic 2: Australia's balance of payments	H1
22 (b)	2	Topic 2: Australia's balance of payments	H1, H2
22 (c)	6	Topic 1: International economic integration and Topic 2: Australia's balance of payments	H1, H7
23 (a)	2	Topic 3: Distribution of income and wealth	H1
23 (b)	4	Topic 3: Distribution of income and wealth	H1, H2, H11
23 (c)	4	Topic 3: Distribution of income and wealth	H1, H7

Question	Marks	Content	Syllabus outcomes
24 (a)	2	Topic 3: Unemployment	H1
24 (b)	4	Topic 3: Unemployment	H7
24 (c)	4	Topic 3: Unemployment and Topic 4: Fiscal policy	H1, H6

Section III

Question	Marks	Content	Syllabus outcomes
25	20	Topic 1: International economic integration Topic 2: Australia's place in the Global Economy Topic 4: Economic policies, and management	H1, H2, H4, H5, H6, H7, H9, H10
26	20	Topic 2: Australia's place in the Global Economy Topic 3: Inflation Topic 4: Economic policies, and management	H1, H2, H4, H5, H6, H7, H9, H10

Section IV

Question	Marks	Content	Syllabus outcomes
27	20	Topic 1: The Global Economy and Topic 3: Economic Growth and Environmental sustainability	H1, H2, H3, H4, H5, H6, H7, H10
28	20	Topic 4: Economic Policies and Management	H1, H2, H4, H5, H6, H7, H10