

2022 HSC Economics Marking Guidelines

Section I

Multiple-choice Answer Key

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

Section II

Question 21 (a)

Criteria	Marks
<ul style="list-style-type: none"> Defines the term <i>fiscal policy</i> 	2
<ul style="list-style-type: none"> Provides some relevant information 	1

Sample answer:

Fiscal policy is the use of government spending and taxation to influence the level of economic activity in an economy.

Question 21 (b)

Criteria	Marks
<ul style="list-style-type: none"> Demonstrates a sound understanding of a possible consequence of a method of financing a budget deficit 	3
<ul style="list-style-type: none"> Outlines a possible consequence of a method of financing a budget deficit 	2
<ul style="list-style-type: none"> Provides some relevant information 	1

Sample answer:

One method of financing a deficit is through the sale of Government bonds. If bonds are purchased locally this increases the demand for funds. Higher demand may lead to increased interest rates. This may cause private investment to be crowded out.

Question 21 (c)

Criteria	Marks
• Provides a comprehensive explanation of the economic factors that have contributed to the Australian Government's fiscal policy stance	5
• Provides a sound explanation of the economic factors that have contributed to the Australian Government's current fiscal policy stance	4
• Provides some explanation of factors contributing to the Australian Government's current fiscal policy stance	3
• Provides some general information regarding the Australian Government's fiscal policy stance	2
• Provides some relevant information	1

Sample answer:

The budget outcome for 2021–22 was a forecast deficit of \$106.6bn. Though this is an extremely large deficit, the stance of fiscal policy is technically contractionary since this deficit is smaller than 2020's record deficit of \$134.2bn. Since the end of lockdowns, the economy has been recovering and unemployment has fallen to pre-pandemic levels. As a result, government spending on temporary measures such as wage subsidies and welfare increases has been wound back, reducing the size of the deficit. The rapid recovery has also seen the action of automatic stabilisers such as higher tax receipts reducing the deficit.

Answers could include:

Inclusion of possible changed circumstances at the time of exam/time leading up to exam.

Question 22 (a)

Criteria	Marks
• Provides differences between <i>public goods</i> and <i>private goods</i> , using examples	2
• Provides some relevant information	1

Sample answer:

A street light is an example of a public good because it is both non-rival and non-excludable (ie one person using it does not make it less available to others, and, it is not possible to exclude non-payers from using it so a price cannot be imposed). On the other hand, a private good is rival and excludable, eg a pen (which is not available to others while it is being used and a price can be imposed for using it).

Question 22 (b)

Criteria	Marks
• Demonstrates a clear understanding of how the use of solar panels by households can create a positive externality	3
• Demonstrates some understanding of how the use of solar panels by households can create a positive externality	2
• Provides some relevant information	1

Sample answer:

The use of solar panels can create a positive externality as their benefits to society are not captured in the market price because buyers only consider the private benefits. Solar panels have social benefits and can lead to reduction in environmental costs such as pollution.

Question 22 (c)

Criteria	Marks
• Demonstrates a comprehensive understanding of how environmental sustainability may conflict with other economic objectives	5
• Demonstrates a sound understanding of how environmental sustainability may conflict with other economic objectives	4
• Demonstrates some understanding of how environmental sustainability may conflict with other economic objective(s)	3
• Demonstrates some understanding of environmental sustainability and/or other economic objective(s)	2
• Provides some relevant information	1

Sample answer:

The government's pursuit of environmental sustainability may conflict with the economic objective of economic growth. Environmental policies may sometimes result in a decrease in economic growth, through the price mechanism which may lead to higher prices or a reduction in supply. The environmental impact of economic growth includes an increase in consumption of non-renewable resources, higher levels of pollution and the potential loss of environmental habitats. An objective of environmental sustainability may conflict with employment as it may shut down specific industries that rely on the production of non-renewable resources, leading to job losses.

Question 23 (a)

Criteria	Marks
• Sketches in general terms how currency value is determined under a floating exchange rate system	2
• Provides some relevant information	1

Sample answer:

Under a floating exchange rate, the value of a currency is set by the interaction of supply and demand for the currency in the foreign exchange market.

Question 23 (b)

Criteria	Marks
• Demonstrates a clear understanding of the impact of an increase in a country's cash rate on its exchange rate	3
• Outlines the impact of an increase in a country's cash rate on its exchange rate	2
• Provides some relevant information	1

Sample answer:

If domestic cash rates were to rise, overall interest rates would rise, thus attracting foreign investors who wish to place their savings in domestic banks. To do so, foreign investors would need to exchange their foreign currency into the domestic currency on the foreign exchange market, therefore increasing demand for domestic currency and appreciating that currency.

Question 23 (c)

Criteria	Marks
<ul style="list-style-type: none"> Provides a comprehensive explanation of how current trends in the global economy may change the structure of industry in Australia 	5
<ul style="list-style-type: none"> Provides a sound explanation of how current trends in the global economy may change the structure of industry in Australia 	4
<ul style="list-style-type: none"> Provides some explanation of how current trend(s) in the global economy may change the structure of industry in Australia 	3
<ul style="list-style-type: none"> Provides relevant statements about industry change(s) and/or current trend(s) in the global economy 	2
<ul style="list-style-type: none"> Provides some relevant information 	1

Sample answer:

Service exports from Australia declined significantly during the pandemic and are likely to remain at lower levels than previously in the short term. It will take time to rebuild foreign markets in the service sector particularly in education and tourism, even as restrictions are being lifted and transport links restored.

In the longer term, Australia's mining sector may decline in importance. This could possibly occur as countries around the world increasingly seek to mitigate the impacts of climate change and reduce their carbon emissions. This may result in decreased global demand for our fossil fuel exports such as coal and gas as countries switch to renewable energy sources.

Question 24 (a) (i)

Criteria	Marks
• Provides how and/or why trade has resulted in a positive outcome in an economy other than Australia	3
• Provides a link between trade and a positive outcome	2
• Provides some relevant information	1

Sample answer:

From the late 1980s Brazil started to open up to trade and competition in agricultural markets such as sugar, citrus, coffee, beef and soybeans. This export focus has led to greater productivity and international competitiveness. It helped Brazil transform from a net food importer to a net food exporter, raising incomes and living standards for farmers and other agricultural producers.

Question 24 (a) (ii)

Criteria	Marks
• Provides how and/or why trade has resulted in a negative outcome with reference to an economy other than Australia	3
• Provides a link between trade and a negative outcome	2
• Provides some relevant information	1

Sample answer:

In Brazil there has been much land clearing to increase its beef and soybean production to be sold on foreign markets. Approximately 32% of the Amazon rainforest has been destroyed in the past 15 years, contributing to global warming and reducing biodiversity.

Question 24 (b)

Criteria	Marks
• Demonstrates a comprehensive understanding of the impact of an increased quota on the country's economy	4
• Demonstrates a sound understanding of the impact of an increased quota on the country's economy	3
• Outlines the impact of an increased quota	2
• Provides some relevant information	1

Sample answer:

An increase in the quota is a move towards freer trade and would lead to a greater volume of beef imported. This would affect consumers as they would be able to access more beef at lower prices. This may see the cost of other goods using beef as an input also fall (eg restaurants). Domestic farmers would face greater competition and potentially harm employment in the industry. This may strengthen international trade relations because of the reduction in protection.

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 theory • Demonstrates a comprehensive understanding of the relationship between changes in the components of the balance of payments and the value of the Australia dollar 	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 relationship between changes in the components of the balance of payments and the value of the Australia dollar 	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 the relationship between changes in the components of the balance of payments and the value of the Australia dollar 	9–12
<ul style="list-style-type: none"> • Presents a generalised response using some economic terms and concepts • Outlines some aspects of the balance of payments and/or the value of the Australian dollar 	5–8
<ul style="list-style-type: none"> • Presents a limited response with some relevant information • Uses some economic terms 	1–4

Answers could include:

- Definition of balance of payments
- Value of the Australian dollar is determined by the demand and supply for the Australian dollar
- Factors include trade, investment, income and speculation. These economic transactions are recorded in the balance of payments, hence factors which influence the various components of the balance of payments will also impact the Australian dollar
- Balance of payments components – current account, capital and financial account – breakdown of each account
- Current account measures non-reversible transactions – trade and income
- Trade is recorded in the BoGS. Changes to trade balance influence the Australian dollar
- Factors influencing trade balance – shift to surplus – trends
 - Terms of trade – recent increase means that relative to import prices, export prices have risen. Reasons for this include strong demand from China for iron ore, supply issues in Brazil, higher export prices means that foreigners pay higher prices for exports and require greater quantity
 - Pandemic – fewer imports leading to less supply of the Australia dollar

- Factors influencing income
 - Changing world interest rates leading to changes in servicing costs and the supply/demand of the Australian dollar
- Factors influencing investment
 - Greater household saving via superannuation, leading to growth in foreign investment holdings by Australians.

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 theory • Demonstrates a comprehensive understanding of the relationship between labour market policies and economic growth and the distribution of income and wealth 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 the relationship between labour market policies and economic growth and the distribution of income and wealth 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 the relationship between labour market policies and economic growth and/or the distribution of income and wealth in Australia 	9–12
<ul style="list-style-type: none"> • Presents a generalised response using some economic terms and concepts • Outlines some aspects of labour market policies 	5–8
<ul style="list-style-type: none"> • Presents a limited response with some relevant information • Uses some economic terms 	1–4

Answers could include:

- Definition of the labour market
- Overview of historical and contemporary labour market policies
- Explanation of how labour market policies have affected income and wealth
- Theoretical labour market policies – decentralisation, enterprise bargaining
- Long-term impacts on productivity and its impacts on sustainable economic growth – use of data on consecutive run of economic growth as evidence
- Impact of industrial relations policies in the '90s and 2000s on incomes and wage growth – link to subsequent weakness in consumer confidence prior to COVID recessions where the economy was weak
- Gini coefficient – some argue that low wage growth has widened the gap and lower income earners have not been able to gain greater levels of wealth, whereas high income earners have
- JobTrainer and other initiatives past and present – potential impact on growth and incomes
- Changes in HECS – HELP to move people into STEM – improve efficiency hence economic growth
- JobKeeper.

Section IV

Question 27

Criteria	Marks
<ul style="list-style-type: none"> Provides a sustained, logical and cohesive response that integrates relevant economic terms, concepts, relationships and theory Demonstrates a comprehensive understanding of how inflation affects individuals, firms and government Develops a well-informed comparison 	17–20
<ul style="list-style-type: none"> Provides a logical and cohesive response that applies relevant economic terms, concepts, relationships and theory Demonstrates a sound understanding of how inflation affects individuals, firms and government Develops a sound comparison 	13–16
<ul style="list-style-type: none"> Provides a coherent response that uses relevant economic terms, concepts, relationships and theory Demonstrates some understanding of how inflation affects TWO of individuals/firms/government 	9–12
<ul style="list-style-type: none"> Provides a generalised response that uses some economic terms and/or concepts Provides some features of the effects of inflation on individuals and/or firms and/or government 	5–8
<ul style="list-style-type: none"> Provides a limited response that uses some economic terms or concepts Makes relevant statements(s) about inflation 	1–4

Answers could include:

Individuals

- purchasing power
- real income
- savers vs borrowers
- inequality and poverty.

Firms

- cost of inputs
- possible wage-price spiral
- demand for products
- international competitiveness.

Government

- indexing of payments
- bracket creep
- contractionary monetary/fiscal policy
- cutting fuel excise tax.

Question 28

Criteria	Marks
<ul style="list-style-type: none"> Provides a sustained, logical and cohesive response that integrates relevant economic terms, concepts, relationships and theory Demonstrates a comprehensive understanding of differences that exist between nations in terms of economic growth and development Develops an informed analysis of reasons for these differences 	17–20
<ul style="list-style-type: none"> Provides a logical and cohesive response that applies relevant economic terms, concepts, relationships and theory Demonstrates a sound understanding of differences that exist between nations in terms of economic growth and development Develops some analysis of reasons for these differences 	13–16
<ul style="list-style-type: none"> Provides a coherent response that uses relevant economic terms, concepts, relationships and theory Demonstrates some understanding of differences that exist between nations in terms of economic growth and development Demonstrates some understanding of reasons for these differences 	9–12
<ul style="list-style-type: none"> Provides a generalised response that uses some economic terms and/or concepts Demonstrates some understanding of differences that exist between nations in terms of economic growth and/or development 	5–8
<ul style="list-style-type: none"> Provides a limited response that uses some economic terms or concepts Makes relevant statements(s) about the differences between nations 	1–4

Answers could include:

- Poverty cycle
- Economic dualism
- Institutional problems – political instability, corruption, women’s rights etc
- Levels of foreign investment
- Levels of indebtedness
- Level of human capital (education, health, labour productivity)
- Level of infrastructure including technology
- Access to foreign trade/markets
- Trade protection levels eg wealthy countries’ protection of agriculture, intellectual property
- Access to natural resources
- Levels of foreign aid and successful/unsuccessful development programs
- Successful/unsuccessful government policies
- Examples of inequalities in income and wealth/quality of life indicators (HDI, etc).

2022 HSC Economics Mapping Grid

Section I

Question	Marks	Content	Syllabus outcomes
1	1	Topic 1 — International organisations	H2
2	1	Topic 3 — Labour force	H1
3	1	Topic 1 — Globalisation	H1
4	1	Topic 3 — Full employment	H1
5	1	Topic 2 — Depreciation	H4
6	1	Topic 4 — Market based policy	H6
7	1	Topic 2 — Balance of payments	H1
8	1	Topic 3 — Aggregate demand and aggregate supply	H4
9	1	Topic 4 — Government policy	H5
10	1	Topic 4 — Micro policy	H2
11	1	Topic 2 — Balance of payments	H11
12	1	Topic 3 — Gini coefficient	H7
13	1	Topic 3 — Labour force participation	H1, H2
14	1	Topic 4 — Aggregate demand and aggregate supply	H6
15	1	Topic 3 — NAIRU	H6
16	1	Topic 3 — Economic growth and inflation	H11
17	1	Topic 3 — Multiplier	H11
18	1	Topic 2 — Terms of trade	H8
19	1	Topic 1 — Tariffs	H11
20	1	Topic 1 — Tariffs	H11

Section II

Question	Marks	Content	Syllabus outcomes
21 (a)	2	Topic 4 — Fiscal policy	H1
21 (b)	3	Topic 4 — Budget deficit	H6
21 (c)	5	Topic 4 — Role of Government and fiscal policy	H6, H7
22 (a)	2	Topic 3 — Public good	H1
22 (b)	3	Topic 3 — Market failure – externality	H7
22 (c)	5	Topic 4 — Conflict between economic goals	H5, H6
23 (a)	2	Topic 2 — Exchange rates	H1
23 (b)	3	Topic 2 — Exchange rates	H8
23 (c)	5	Topic 2 — Free trade and protection	H5, H6
24 (a) (i)	3	Topic 1 — Case study	H4, H8
24 (a) (ii)	3	Topic 1 — Case study	H4, H8
24 (b)	4	Topic 1 — Protection	H8

Section III

Question	Marks	Content	Syllabus outcomes
25	20	Topic 2 — Australia's trade and financial flows	H1, H4, H7, H8, H10
26	20	Topic 3 and 4 — Economic growth, distribution of income and wealth, labour market policies	H1, H4, H5, H6, H7, H8, H9, H10

Section IV

Question	Marks	Content	Syllabus outcomes
27	20	Topic 3 — Inflation	H1, H4, H7, H9, H10
28	20	Topic 1 — Globalisation and economic development	H1, H4, H7, H9, H10