



NSW Education Standards Authority

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Centre Number

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Student Number

2023 HIGHER SCHOOL CERTIFICATE EXAMINATION

Economics

General Instructions

- Reading time – 5 minutes
- Working time – 3 hours
- Write using black pen
- Calculators approved by NESA may be used
- Write your Centre Number and Student Number at the top of this page

Total marks: 100

Section I – 20 marks (pages 2–10)

- Attempt Questions 1–20
- Allow about 35 minutes for this section

Section II – 40 marks (pages 13–24)

- Attempt Questions 21–24
- Allow about 1 hour and 15 minutes for this section

Section III – 20 marks (pages 25–27)

- Attempt either Question 25 or Question 26
- Allow about 35 minutes for this section

Section IV – 20 marks (page 28)

- Attempt either Question 27 or Question 28
- Allow about 35 minutes for this section

Section I

20 marks

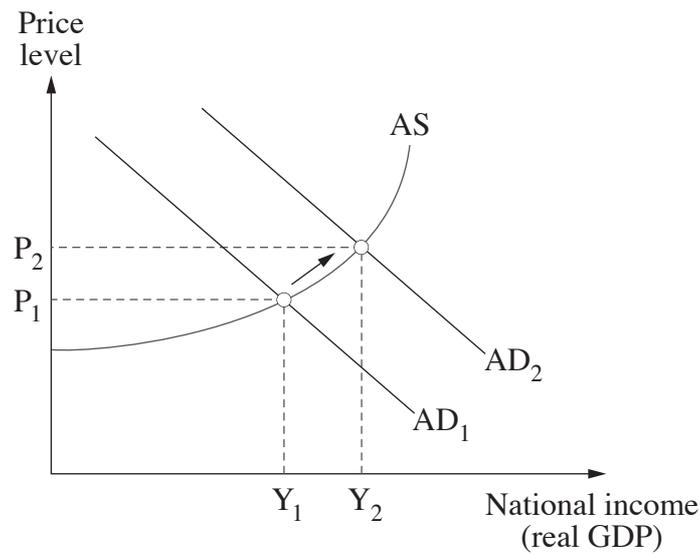
Attempt Questions 1–20

Allow about 35 minutes for this section

Use the multiple-choice answer sheet for Questions 1–20.

- 1** What is the role of the Organisation for Economic Co-operation and Development (OECD)?
- A. To provide interest-free loans to developing economies
 - B. To promote sustainable growth and employment for member countries
 - C. To boost global financial liquidity during financial crises and global downturns
 - D. To provide a forum for leaders and finance ministers of the seven largest economies
- 2** Which of the following is the largest export industry in terms of value for Australia?
- A. Manufacturing
 - B. Mining
 - C. Rural
 - D. Services
- 3** An economy's labour force participation rate falls from 65% to 60%.
What is a possible reason for this change?
- A. An increase in this economy's GDP
 - B. An increase in funding for childcare places
 - C. The official school leaving age has been increased from 16 to 18 years
 - D. The official retirement age of workers has been increased from 65 to 68 years

4 The diagram shows the aggregate demand and supply curves for an economy.



What may have caused the shift from AD_1 to AD_2 ?

- A. A decrease in taxation
- B. An increase in imports
- C. A decrease in consumption
- D. An increase in capacity constraints

5 To protect its domestic farmers, Country A has increased tariffs on imports of agricultural products from Country B.

Which row of the table shows the effect of the higher tariff on each country?

	<i>Consumer prices for agricultural products in Country A</i>	<i>Producer's income in Country B</i>
A.	Higher	Increased
B.	Higher	Decreased
C.	Lower	Increased
D.	Lower	Decreased

- 6 What is a likely effect on Australia of signing a multilateral free trade agreement?
- A. An increase in trade with non-member countries
 - B. An increase in tariff revenue for the government
 - C. An increase in long-run real gross domestic product
 - D. Lower levels of short-term structural unemployment
- 7 Which of the following is an example of a public good?
- A. Clean air
 - B. Public housing
 - C. Internet access
 - D. Government buses
- 8 Which of the following represents a contractionary change in fiscal stance from Year 1 to Year 2?

	<i>Budget outcome Year 1</i>	<i>Budget outcome Year 2</i>
A.	\$15 million surplus	\$5 million surplus
B.	\$10 million deficit	\$10 million deficit
C.	\$15 million deficit	\$20 million deficit
D.	\$10 million surplus	\$20 million surplus

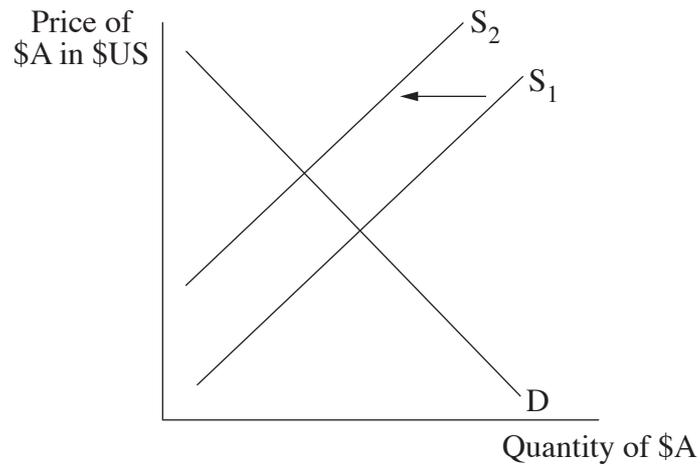
- 9 The table shows data for Country A.

<i>Country A</i>	<i>Human development index</i>
Year 1	0.46
Year 2	0.57
Year 3	0.62

It is likely that Country A has experienced

- A. increased levels of protection.
 - B. decreased access to technology.
 - C. greater access to transport and communication.
 - D. decreased levels of international financial flows.
- 10 A country has decided to decrease its import quota on a particular good.
- What is the most likely reason for this decision?
- A. To reduce dumping on domestic markets
 - B. To reduce its current account surplus in the long term
 - C. To increase the standard of living and income of its citizens
 - D. To encourage specialisation in the industry in which it has a comparative advantage

- 11 The following diagram shows a foreign exchange market for Australian dollars.



Which of the following is most likely to have caused the shift in supply of \$A from S_1 to S_2 ?

- A. An increase in commodity prices
 - B. A decrease in interest rates in Australia
 - C. A decrease in Australia's demand for imports
 - D. A decrease in investment opportunities in Australia
- 12 If the Reserve Bank of Australia adjusts the interest rate corridor to decrease the cash rate target, which of the following is most likely to occur?

	<i>Asset prices</i>	<i>Investment</i>
A.	Decrease	Decrease
B.	Decrease	Increase
C.	Increase	Decrease
D.	Increase	Increase

13 The table shows hypothetical data for Country X.

Loans owed by Country X to foreigners	\$1200 billion
Loans owed by foreigners to Country X	\$300 billion
Foreign assets owned by Country X	\$200 billion
Country X assets owned by foreigners	\$500 billion

What is the value of Net Foreign Liabilities for Country X?

- A. \$600 billion
- B. \$800 billion
- C. \$900 billion
- D. \$1200 billion

14 A government imposes a tax to reduce a negative externality of production.

How does this seek to correct the market failure?

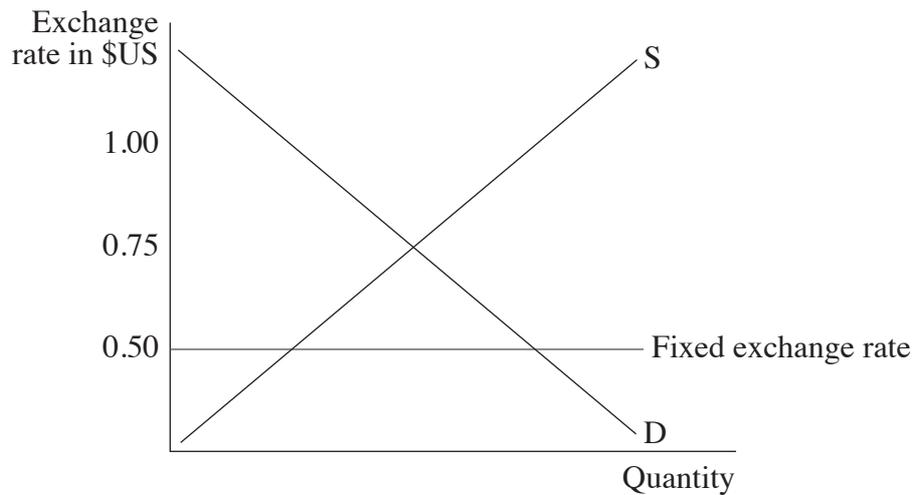
- A. Increases the marginal private cost
- B. Decreases the marginal private cost
- C. Increases the marginal private benefit
- D. Decreases the marginal private benefit

15 A country has experienced a significant deterioration in its terms of trade (ToT).

What combination of events could have caused this?

	<i>Export price index</i>	<i>Import price index</i>
A.	10% decrease	20% increase
B.	20% decrease	20% decrease
C.	10% increase	20% decrease
D.	20% increase	20% increase

16 The diagram shows the fixed exchange rate for a hypothetical economy.



What action will the central bank of this economy need to undertake to maintain this rate?

- A. Increase interest rates
- B. Buy foreign currency
- C. Buy domestic currency
- D. Restrict currency outflows

17 The table shows CPI data for an economy.

<i>Expenditure group</i>	<i>Weighting factor in CPI (%)</i>	<i>CPI by expenditure group (base year = 100)</i>
Education	15	115
Food	35	110
Health	20	125
Housing	16	130

Which expenditure group made the greatest contribution to inflation?

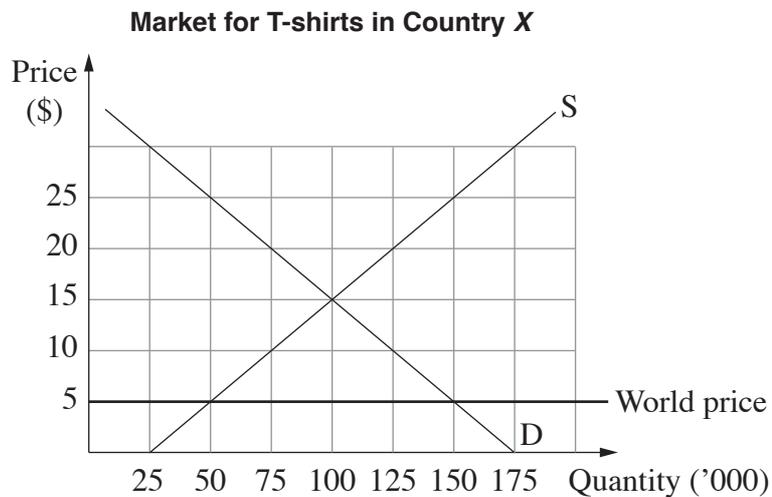
- A. Education
- B. Food
- C. Health
- D. Housing

- 18 The table shows national income data for a hypothetical economy.

Year	National income (\$ million)	Consumption (\$ million)	Savings (\$ million)
1	1000	750	250
2	1100	830	270
3	?	–	–

If the government increased its level of expenditure by \$50 million in Year 3, what would be the new level of national income?

- A. \$1150 million
 B. \$1200 million
 C. \$1350 million
 D. \$1600 million
- 19 The graph shows the demand and supply for T-shirts in Country X at the world price of \$5.



Country X would like to reduce the number of imported T-shirts by 50 000.

What subsidy would Country X need to pay its domestic producers per T-shirt to achieve this reduction in the number of imports?

- A. \$5
 B. \$10
 C. \$15
 D. \$20

20 The table shows trade weightings for five of Australia's trading partners.

<i>Currency</i>	<i>Trade weight (%)</i>
Chinese renminbi	31
Japanese yen	13
European euro	9
US dollar	8
South Korean won	7

Which pair of movements would cause a decrease in the Trade Weighted Index?

	<i>10% appreciation of the \$A against the</i>	<i>10% depreciation of the \$A against the</i>
A.	Chinese renminbi	European euro
B.	Japanese yen	South Korean won
C.	European euro	US dollar
D.	US dollar	Japanese yen

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Centre Number

Economics

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Student Number

Section II Answer Booklet

40 marks

Attempt Questions 21–24

Allow about 1 hour and 15 minutes for this section

Instructions

- Write your Centre Number and Student Number at the top of this page.
- Answer the questions in the spaces provided. These spaces provide guidance for the expected length of response.
- Extra writing space is provided at the back of this booklet. If you use this space, clearly indicate which question you are answering.

Please turn over

Question 21 (10 marks)

(a) Outline TWO roles of the World Trade Organization (WTO).

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(b) Explain why countries trade.

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Question 21 continues on page 15

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Question 22 (10 marks)

- (a) The data shows the balance of payments for an economy under a floating exchange rate.

1

<i>Components</i>	<i>Dollars billion</i>
Export goods	20
Import goods	10
Net services	30
Net primary income	30
Net secondary income	?
Capital account	10
Financial account	-70

Calculate the value of *net secondary income* (dollars billion) for the balance of payments data shown.

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- (b) Explain the relationship between the current account and the capital and financial account in this economy.

3

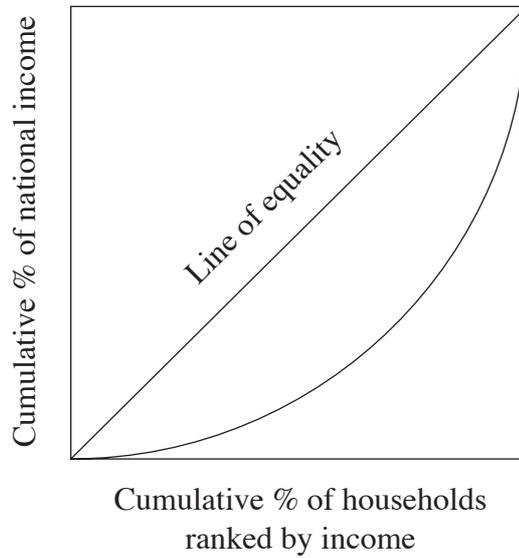
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Question 22 continues on page 17

Question 23 (10 marks)

(a) The diagram shows a Lorenz curve for a hypothetical economy.

1



The Gini coefficient for this economy has decreased. Sketch the new Lorenz curve on the diagram above.

(b) Outline ONE way a government could decrease income inequality.

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(c) How can family structure contribute to income inequality?

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Question 23 continues on page 19

Question 23 (continued)

- (d) Analyse the economic and social costs of an increase in income inequality. **5**

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End of Question 23

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Question 24 (10 marks)

- (a) Outline ONE benefit of training and employment programs for the Australian economy. **2**

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- (b) Explain how the use of individualised methods of determining employment contracts may benefit employers and employees. **3**

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Question 24 continues on page 21

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Section II extra writing space

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Economics

Section III

20 marks

Attempt either Question 25 or Question 26

Allow about 35 minutes for this section

Answer the question in the Sections III and IV Writing Booklet. Extra writing booklets are available.

Your answer will be assessed on how well you:

- demonstrate knowledge and understanding relevant to the question
 - use the information provided
 - apply relevant economic terms, concepts, relationships and theory
 - present a sustained, logical and cohesive response
-

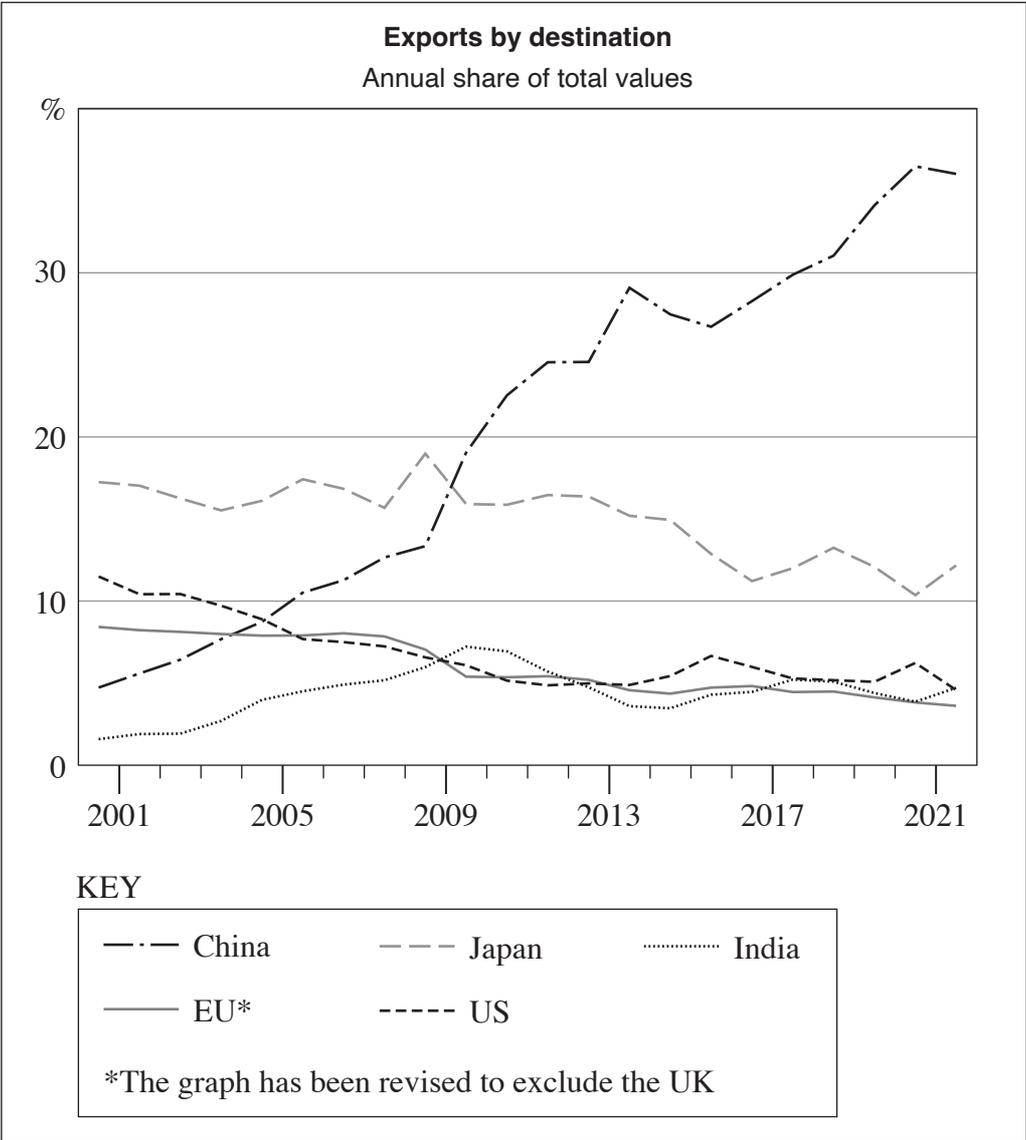
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Question 25 (20 marks)

Analyse how changes to the value, composition and direction of Australia’s trade have affected its economic performance. In your answer, refer to the information provided.

In June 2019, Australia recorded its first current account surplus in 44 years – a trend that has continued to the present (May 2023). The surplus has been driven by Australia’s exports, fuelled by record-high commodity prices. As a result, exports have contributed strongly to Australia’s economic growth and external stability.

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Reserve Bank of Australia, January 2023

© Reserve Bank of Australia, January 2023

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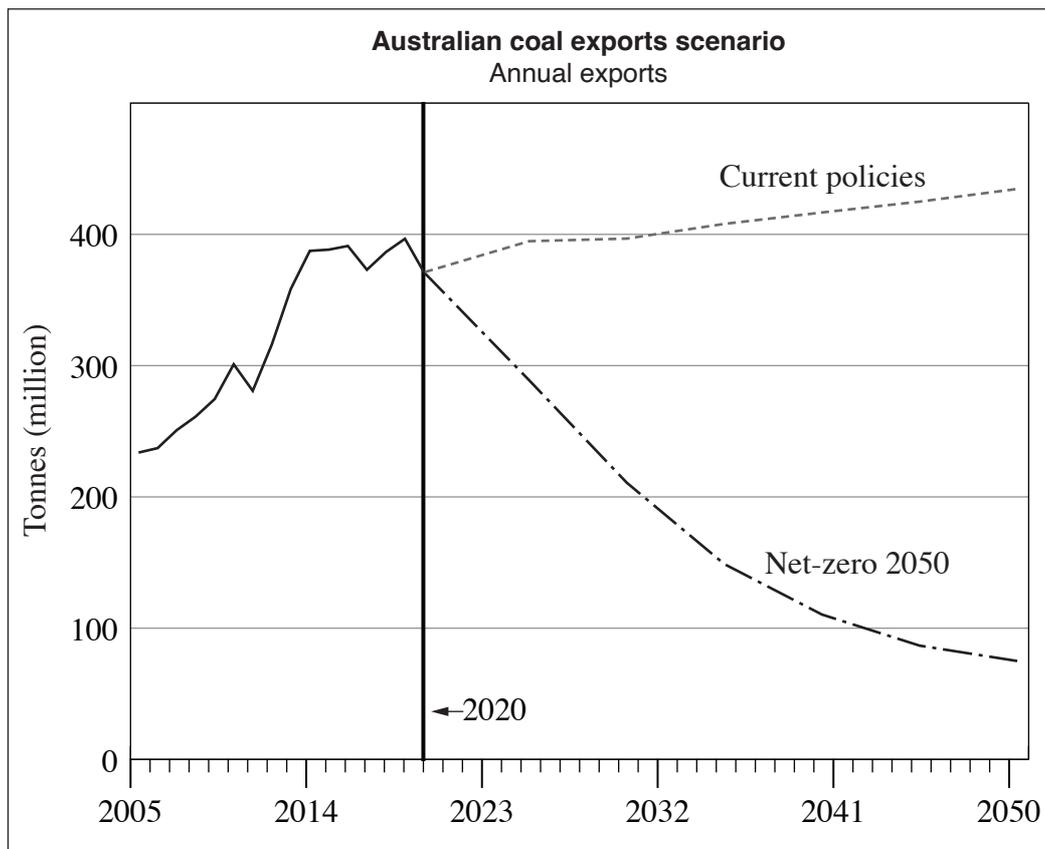
Question 26 (20 marks)

Analyse the possible effects on the Australian economy of pursuing the goal of environmental sustainability. In your answer, refer to the information provided.

The sustainable use of energy and energy security is becoming an increasing issue for countries seeking social cohesion and economic prosperity. In Australia, as demand for energy increases there will be a greater emphasis in optimising energy efficiency.

Services Australia, *Environmental Sustainability Policy*, November 2022

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Reserve Bank of Australia, August 2022

© Reserve Bank of Australia, August 2022

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Section IV

20 marks

Attempt either Question 27 or Question 28

Allow about 35 minutes for this section

Answer the question in the Sections III and IV Writing Booklet. Extra writing booklets are available.

Your answer will be assessed on how well you:

- demonstrate knowledge and understanding relevant to the question
 - apply relevant economic information, terms, concepts, relationships and theory
 - present a sustained, logical and cohesive response
-

Question 27 (20 marks)

Evaluate the impact of globalisation in achieving economic growth and development on an economy other than Australia.

OR

Question 28 (20 marks)

Evaluate the effectiveness of Australia's macroeconomic policies in achieving economic growth and price stability.

End of paper