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**Willetton Senior High School**

**Year 11 AEECO 2020**

**Assessment 7**

**Name: ANSWERS Your Mark: \_\_\_\_\_\_\_\_\_/20**

**Teacher:**

**TYPE:** Extended Response

**OUTCOMES:** Outcome 1: Economic inquiry; Outcome 2: The operation of the economy

**WEIGHTING:** 8%

**CONTENT:** Economic Growth

**Time allowed:** 50 minutes

**Conditions:** This assessment is to be written in class without notes.

1. Discuss in detail two factors responsible for economic growth in Australia. Use a diagram to show what happens to the economy as a result of these factors. (8 marks)
2. Discuss three (3) costs and three (3) benefits of economic growth. (6 marks)

1. Refer to the following table:

|  |  |  |
| --- | --- | --- |
|  | Year 1 | Year 2 |
| Nominal GDP | $100 billion | $121 billion |
| Population | 10 million | 10.5 million |
| CPI | 100 | 121 |

1. What is meant by real GDP? Calculate its value in Year 2. (Show all workings). (3 marks)
2. Explain what has happened to real GDP/capita from Year 1 to Year 2 and how this would have impacted material living standards. (3 marks)
3. Discuss in detail two factors responsible for economic growth in Australia. Use a diagram to show what happens to the economy as a result of these factors. (8 marks)

|  |  |
| --- | --- |
| Description | Marks |
| * Define economic growth- Economic growth is the increasing capacity of an economy to fulfill the material wants of its members over a period of time. * Give target rate of economic growth in Australia- 3% per annum * Identifies two factors responsible for economic growth   e.g. population change, increase in capital per worker, technological progress, improved productivity, size of resource base, capacity of the economy to change, overseas trade, infrastructure investment, strong financial sector   * Description of each of the two factors identified above- relate each factor to economic growth * Diagram representing economic growth (PPF/ business cycle/ aggregate production function), must be referenced/discussed for full marks | 1  1  1  up to 3  2 |
| Total | 8 |

1. Discuss three (3) costs and three (3) benefits of economic growth. (6 marks)

|  |  |
| --- | --- |
| Description | Marks |
| For each cost/benefit students must identify and show an understanding of how/why this occurs during periods of economic growth.  Benefits-   * higher living standards * Greater provision of services by the government * Fairer income distribution * Improved environmental protection * Lower unemployment * Higher income * More and better goods and services * More research and development spending   Costs-   * Environmental degradation * High inflation * Uneven distribution of wealth * Social costs- needed to make the link between economic growth and social problems * Two speed economy * Structural unemployment | 1x3  1x3 |
| Total | 6 |

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|  |  |
| --- | --- |
| Description | Marks |
| * Define real GDP- Real GDP represents a nation’s nominal GDP (the value of final output of goods and services over a year using that year’s prices) adjusted for inflation. * To calculate real GDP in Year 2:   CPI Year 1 value Year 2 nominal GDP value  CPI Year 2 value X 1  = 100 $121 billion  121 X 1 = $100 billion  N**OTE:** Loss ofhalf marks for not showing workings   * Real GDP has not changed over the two years ($100 billion in Year 1 and $100 billion in Year 2). * Population has grown from 10 million in Year 1 to 10.5 million in Year 2. This represents a 5 per cent increase. * Therefore real GDP/capita would have decreased as population has risen at a faster rate than output, which means that material living standards would have fallen as less production per head of population has taken place. | 1  2  1  1  1 |
| Total | 6 |