

1	<input type="checkbox"/> a <input type="checkbox"/> b <input checked="" type="checkbox"/> c <input type="checkbox"/> d
2	<input type="checkbox"/> a <input type="checkbox"/> b <input checked="" type="checkbox"/> c <input type="checkbox"/> d
3	<input type="checkbox"/> a <input checked="" type="checkbox"/> b <input type="checkbox"/> c <input type="checkbox"/> d
4	<input checked="" type="checkbox"/> a <input type="checkbox"/> b <input type="checkbox"/> c <input type="checkbox"/> d
5	<input type="checkbox"/> a <input checked="" type="checkbox"/> b <input type="checkbox"/> c <input type="checkbox"/> d
6	<input type="checkbox"/> a <input type="checkbox"/> b <input checked="" type="checkbox"/> c <input type="checkbox"/> d
7	<input checked="" type="checkbox"/> a <input type="checkbox"/> b <input type="checkbox"/> c <input type="checkbox"/> d
8	<input type="checkbox"/> a <input type="checkbox"/> b <input type="checkbox"/> c <input checked="" type="checkbox"/> d
9	<input type="checkbox"/> a <input type="checkbox"/> b <input checked="" type="checkbox"/> c <input type="checkbox"/> d
10	<input type="checkbox"/> a <input type="checkbox"/> b <input checked="" type="checkbox"/> c <input type="checkbox"/> d
11	<input checked="" type="checkbox"/> a <input type="checkbox"/> b <input type="checkbox"/> c <input type="checkbox"/> d
12	<input type="checkbox"/> a <input checked="" type="checkbox"/> b <input type="checkbox"/> c <input type="checkbox"/> d

13	<input type="checkbox"/> a <input checked="" type="checkbox"/> b <input type="checkbox"/> c <input type="checkbox"/> d
14	<input type="checkbox"/> a <input type="checkbox"/> b <input type="checkbox"/> c <input checked="" type="checkbox"/> d
15	<input type="checkbox"/> a <input type="checkbox"/> b <input checked="" type="checkbox"/> c <input type="checkbox"/> d
16	<input type="checkbox"/> a <input type="checkbox"/> b <input type="checkbox"/> c <input checked="" type="checkbox"/> d
17	<input type="checkbox"/> a <input type="checkbox"/> b <input checked="" type="checkbox"/> c <input type="checkbox"/> d
18	<input type="checkbox"/> a <input checked="" type="checkbox"/> b <input type="checkbox"/> c <input type="checkbox"/> d
19	<input type="checkbox"/> a <input type="checkbox"/> b <input type="checkbox"/> c <input checked="" type="checkbox"/> d
20	<input checked="" type="checkbox"/> a <input type="checkbox"/> b <input type="checkbox"/> c <input type="checkbox"/> d
21	<input type="checkbox"/> a <input type="checkbox"/> b <input checked="" type="checkbox"/> c <input type="checkbox"/> d
22	<input type="checkbox"/> a <input checked="" type="checkbox"/> b <input type="checkbox"/> c <input type="checkbox"/> d
23	<input type="checkbox"/> a <input type="checkbox"/> b <input checked="" type="checkbox"/> c <input type="checkbox"/> d
24	<input checked="" type="checkbox"/> a <input type="checkbox"/> b <input type="checkbox"/> c <input type="checkbox"/> d

Question 25

(12 marks)

(a) (i)	Defines commodity price index.	1 mark
(ii)	Favourable shift or improvement	1 mark
(b)	Identifies an increase in the trade balance and explains in detail two possible reasons for this increase, linking the reason to imports/exports. Or Identifies an increase in the trade balance and briefly explains three possible reasons for this increase, linking to imports/exports	4 marks
(c)	Explains in detail at least one impact on consumers, producers and the macroeconomy. Or Briefly explains two or more impacts on consumers, producers and the macroeconomy. Must discuss all three for full marks and rough breakdown of 2 marks for impacts on each group.	6 marks

Question 26**(12 marks)**

(a)	2012	1 mark
(b)	Correctly identifies a fall in economic growth and explains one possible reason for this change.	2 marks
(c)	Identifies the income/wealth effect, interest rate effect and open economy effect and briefly describes each one and how it causes the AD curve to slope downward.	3 marks
(d)	Defines investment and identifies investment as a component of AE or AD. Correctly identifies a decrease in AE/AD as a result of the Investment change.	1 mark
	Correctly shows the shift on the AE model or the AD/AS model and explains the model	2 marks
	Discusses the effect of the negative multiplier on the final change in real GDP	1 mark
	Discusses the resulting decrease in inflationary pressure, employment and economic growth.	2 marks

Question 27**(12 marks)**

(a) (i)	1%	1 mark
(ii)	Trade wars or technology disputes	1 mark
(b)	Correctly identifies the current economic climate with reference to current data.	1 mark
	Explains why monetary policy is weak in a downturn including confidence linked to consumer/producer behaviour and impact lags.	3 marks
(c)	Explains in detail three channels of the transmission mechanism and how they impact economic activity. Channels include: <ul style="list-style-type: none"> - Cash flow channel - Cost of credit channel - Wealth/asset prices channel - Exchange rate channel 	2 marks per channel

Section Three: Extended response**(40 Marks)**

This section contains **four (4)** questions. Answer **two (2)** question. Write your answer in the pages following and number your answers clearly.

Suggested working time: 80 minutes.

Question 28**(20 marks)**

(a) Explain the determinants of international competitiveness.

(8 marks)

Description	Marks
Define international competitiveness: The extent to which a country's products meet the needs of overseas buyers in competition with the products of other countries (required for full marks)	1
State and explain the determinants: <ul style="list-style-type: none"> - Changes in labour productivity - Changes in price level relative to trading partners - Changes in wages relative to trading partners - Changes in exchange rate 	1-2 1-2 1-2 1-2

(b) Australia signed a free trade agreement with Indonesia in March this year. Explain the economic arguments for trade liberalisation in Australia. **(12 marks)**

Description	Marks
Define trade liberalisation (required for full marks)	1
Any valid arguments. Arguments can include: <ul style="list-style-type: none"> - Gains from exports/imports WRT diagram; increase in total welfare - Ability to consume beyond the PPF - Comparative/Absolute advantage and specialisation - Gains from removal/reduction of trade barriers, e.g. tariffs and subsidies - Australia has a small population and limited productive capability so trade allows access to a wider range of goods and services - Access to cheaper goods and services - Increased standard of living Students should make links to Australia and give examples.	1-11
Comments:	

Question 29

(20 marks)

- (a) Define foreign direct investment and foreign debt, and discuss the recent trends in Australia's FDI and foreign debt. (8 marks)

Description	Marks
Define foreign direct investment	1
Define foreign debt	1
State and explain recent trends in FDI and foreign debt <ul style="list-style-type: none"> - Increase in long-term debt while short-term debt has decreased: Increased stability - Decline in equity (FDI): Increase in foreign assets relative to foreign liabilities - Overall foreign liabilities has remained constant at about 50% of GDP 	1-6
Comments:	

- (b) Explain the relationship between foreign debt and the balance of payments and discuss whether Australia should be concerned about its level of foreign debt. (12 marks)

Description	Marks
Define balance of payments	1
Explanation of the relationship between foreign debt and BoP <ul style="list-style-type: none"> - Foreign debt leads to the accumulation of foreign liabilities - Foreign liabilities are recorded as a credit on the capital and financial account - This increases the capital and financial account surplus - Foreign debt leads to interest repayments, which are recorded as debits in the income account, which contributes to the CAD 	1-6
Discussion of whether Australia should be concerned. Any valid arguments. <p>Possible arguments:</p> <ul style="list-style-type: none"> - Savings-investment gap - Foreign investment is used for growth - Australia has a small population - Debt servicing ratios are manageable - Increased vulnerability to global shocks - Most debt is privately held <p>Any other reasonable arguments. Needs to make links to Australia.</p>	1-6
Comments:	

Question 30**(20 marks)**

The Australian dollar has been within 10 basis points of its decade low of 67.41 US cents, set in a flash crash on January 3 this year.

(a) Demonstrate and explain the possible causes of a fall in the Australian exchange rate.

(8 marks)

Description	Marks
Define exchange rate	1
Identify causes of change and demonstrate on a model <ul style="list-style-type: none"> - Increase supply - Decrease in demand 	1-2
Reasons for depreciation: <ul style="list-style-type: none"> - Decrease in commodity prices - Fall in interest rate differential - Fall in trading partner growth - Increase in domestic growth Any other reasonable response. Must link to diagram.	1-5

(b) It has been said that the falling Australian dollar will provide some support for the Australian economy. Evaluate the economic validity of this claim with reference to the different sectors of the economy and the macroeconomy.

(12 marks)

Description	Marks
Discussion of impacts on sectors <ul style="list-style-type: none"> - Mining: Minimal impact due to inelastic supply and demand - Services: More internationally competitive. Increased exports - Manufacturing: Limited effect in Australia due to small industry. Demand elastic, so will benefit - Rural: Demand elastic, supply inelastic 	1-6
Expansionary impact on macroeconomy: <ul style="list-style-type: none"> - Demonstrate increase in net exports on appropriate diagram - Economic growth increases - Employment increases - Inflationary pressures - Import-competing may suffer due to decreased competitiveness - Decreased in production costs for import reliant industries 	1-8
Comments:	

Question 31**(20 marks)**

Describe the current state of the Australian economy and using an appropriate model, explain how contemporary macroeconomic policy is being used to help achieve the government's macroeconomic policy objectives.

Description	Marks
Description of the current state of the Australian economy. Use current data	1-3
Description of contemporary fiscal and monetary policy Demonstrate impact of the contemporary fiscal and monetary policy using appropriate diagram	1-6
Briefly explain government economic objectives (5) and RBA objectives (3) Explain impact on achievement of the objectives	1-11
Comments:	