



HIGHER SCHOOL CERTIFICATE EXAMINATION

1995

ECONOMICS

3 UNIT (ADDITIONAL)

*Time allowed—One hour and a half
(Plus 5 minutes' reading time)*

DIRECTIONS TO CANDIDATES

- Attempt TWO questions, each from a different option.
- All questions are of equal value.
- Answer each question in a *separate* Writing Booklet.
- You may ask for extra Writing Booklets if you need them.

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ENVIRONMENTAL ECONOMICS

EITHER

1. What is 'cost-benefit analysis'? What difficulties arise in the application of cost-benefit analysis to decisions that have environmental consequences? How might governments take better account of environmental costs and benefits in decision-making?

OR

2. Analyse the main issues affecting the management of natural resources. Distinguish between those issues that relate to renewable resources and those that relate to non-renewable resources. Why might government intervention be necessary to manage efficiently the use of natural resources?

INCOME AND EXPENDITURE ANALYSIS

EITHER

3. Explain the terms 'consumption function' and 'marginal propensity to consume'. How can changes in autonomous consumption affect the equilibrium level of income in the economy? How might a government seek to close a deflationary gap by influencing the level of consumption expenditure? Use diagrams and/or equations to illustrate your answer.

OR

4. Explain why an autonomous increase in aggregate investment demand is likely to lead to a multiplied increase in the level of aggregate income. What determines the size of the multiplier effect in an open economy? To what extent does the multiplier effect depend on whether the economy has substantial unemployed resources or is at full employment?

COMPARATIVE ECONOMIC SYSTEMS*EITHER*

5. Examine the major factors contributing to economic development in *EITHER* one newly industrialized economy *OR* one advanced industrial economy other than Australia. Assess the major domestic and international problems facing this country.

OR

6. What are the characteristics of a socialist economy? Assess the role of government and the operation of market forces in *EITHER* a socialist economy *OR* a former socialist economy that you have studied.

EVOLUTION OF ECONOMIC IDEAS*EITHER*

7. 'Current economic theories are the result of a long evolutionary process of change and modification to previous theories.'

Choose TWO economists that you have studied and explain how their ideas have influenced current economic theories and their application.

OR

8. In what main ways do the theories of John Maynard Keynes differ from those of the classical economists who preceded him? What has been the impact of Keynesian theories on government stabilization policies since the 1930s?

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