



HIGHER SCHOOL CERTIFICATE EXAMINATION

1996

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.
- Board-approved calculators may be used.

Attempt TWO questions, each from a different option.

All questions are of equal value.

Answer each question in a *separate* Writing Booklet.

ENVIRONMENTAL ECONOMICS

EITHER

1. What is meant by market failure? Explain the relationship between market failure and environmental problems. Evaluate alternative types of government policies designed to reduce the impact of market failure on the environment.

OR

2. Explain the costs and benefits of preserving the environment. Evaluate the role of environmental impact assessment techniques in preserving the environment. Illustrate your answer by referring to studies of environmental issues.

INCOME AND EXPENDITURE ANALYSIS

EITHER

3. Explain the main reasons for fluctuations in the level of economic activity over time. How can demand management policies be used to counter the adverse effects of these fluctuations? Evaluate the effectiveness of these demand management policies.

OR

4. Using diagrams and/or equations, explain how the equilibrium level of income is determined in an open economy. With reference to the role of the multiplier, explain how equilibrium is restored if the economy is in disequilibrium.

COMPARATIVE ECONOMIC SYSTEMS*EITHER*

5. What features distinguish advanced industrialised economies from newly industrialised economies? Outline the main economic issues and problems facing *EITHER* one advanced industrialised economy (other than Australia) *OR* one newly industrialised economy. Discuss the significance of international economic relations for the future development of the economy you have chosen.

OR

6. Describe the main forces promoting change within *EITHER* a socialist economy *OR* a former socialist economy. Examine the economic problems associated with these changes for that economy. How is the economy responding to these problems?

EVOLUTION OF ECONOMIC IDEAS*EITHER*

7. Outline the problems of capitalism identified by Karl Marx. Describe the features of a Marxian model of socialism. Assess Marx's contribution to the evolution of economic ideas.

OR

8. What is meant by classical economics? Explain the significance of the writings of Adam Smith in the development of economic thought. Evaluate the relevance of the teachings of Adam Smith for economic systems in the 1990s.

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