



HIGHER SCHOOL CERTIFICATE EXAMINATION

1997

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.

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All questions are of equal value.

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ENVIRONMENTAL ECONOMICS

EITHER

1. Discuss the limitations of the price mechanism in relation to environmental issues. Explain government policy responses that are available in addressing these limitations. Refer to studies of environmental issues in your answer.

OR

2. What is the relationship between the environment and economic growth? What are the implications of economic growth for renewable and non-renewable resources? Explain why environmental resource management is an important economic issue in Australia today. Use current environmental issues to illustrate your answer.

INCOME AND EXPENDITURE ANALYSIS

EITHER

3. Outline the determinants of both consumption and investment. Explain how both consumption expenditure and investment expenditure influence the equilibrium level of output through the multiplier process.

OR

4. Describe the main phases of the business cycle. What are the reasons for fluctuations in the level of economic activity? Discuss the policies that can be used to reduce these fluctuations, and explain the limitations of such policies.

COMPARATIVE ECONOMIC SYSTEMS*EITHER*

5. What are the functions of an economic system? Discuss the reasons for the variety of economic systems. Why has there been a convergence of economic systems over time? Use case studies to support your answer.

OR

6. Discuss the organisational framework and planning practices in socialist economies. Explain the problems encountered when a country tries to make a transition from central planning to a market based economy.

EVOLUTION OF ECONOMIC IDEAS*EITHER*

7. Explain the basis on which Keynes criticised classical theory. How has the Keynesian approach influenced subsequent economic thought?

OR

8. Outline the main features of microeconomic theory as proposed by the marginalist school of economic thought. Discuss how developments in neoclassical economics that followed Alfred Marshall have enhanced economists' understanding of markets and competition.

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