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1998 HIGHER SCHOOL CERTIFICATE EXAMINATION REPORT ECONOMICS

Introduction

1998 is the fourth year of examination of the 1994 2/3 Unit Economics syllabus. The examination accompanying the HSC syllabus tests students through four instruments: Multiple Choice (Section I), Short Answers (Section II), essays based on stimulus material (Section III) and essays based on options studied (Section IV).

The 1998 candidature for both 2/3 Unit (Common) and 3 Unit (Additional) reflects the steady decline in the number of HSC students undertaking Economics. The 2/3 Unit (Common) candidature was 6064. At 1494 students, the 3 Unit (Additional) candidature was approximately 25% of the total Economics candidature.

This examination report contains general as well as specific information related to each section of the examination paper. It is intended to provide feedback for both teachers and candidates on the marking of the 1998 papers.

2/3 Unit (Common)

Section I (Multiple Choice)

Section I (multiple choice questions 1-20) is machine marked. The following table shows the correct response for each question and the percentage of the total candidature choosing the correct response.

Question	Correct response	% Correct
1	C	88.96
2	C	77.82
3	B	72.59
4	B	72.13
5	B	66.12
6	A	44.73
7	D	34.05
8	A	71.37
9	D	53.41
10	A	45.98
11	C	83.16
12	D	79.27
13	D	69.51
14	D	86.87
15	C	22.59
16	C	86.90
17	D	71.52
18	A	66.78
19	B	52.06
20	A	77.03

The multiple choice questions in Section I of the 2/3 Unit Economics examination paper are based on the outcomes of the core of the Higher School Certificate Economics course as identified in the 1994 Economics syllabus, pages 32–33, and further expanded in the Areas of Study, Subject Matter and Terms and Concepts as detailed on pages 38–45 of the syllabus.

The questions in Section I were drawn from all sections of the HSC core topic and, as has previously been the case, some required calculations.

The mean mark achieved for this section was approximately 13.23.

Section II (Short Answers)

All short answer responses were double marked. Where appropriate, half marks were used to discriminate between responses. A mark of zero was awarded to non-attempts, a restatement of the question or completely incorrect or completely irrelevant information.

General comments

Responses to this section were generally of a high standard. On the whole, candidates remained within the lined space provided for each part of the questions and appeared to handle well the relative importance of each part (that is, the time/mark allocation trade-off).

The space provided for each response is considered more than enough for students to earn full marks and longer responses did not necessarily gain better marks. That is, those students who take additional space for these parts are not necessarily the ones who gain the higher marks. Responses were generally tight, but students need to be continually encouraged to answer the internal parts of these questions in a concise and accurate manner.

The marking of Section II

The marking of Section II differs considerably from that of Sections III and IV where impression marking is used to rank candidates' responses. The marking of Section II questions involves the establishment of specific criteria for each part of the question. The criteria are drawn up by senior markers during the pilot marking period (see the discussion on Sections III and IV later in this report) after extensive reading and consideration of the full range of responses offered by the students. The criteria are reassessed and adjusted as necessary to ensure that all types of responses have been accommodated and that the selection criteria constitute a valid and equitable means of discriminating between responses. A specialised group of four marking teams marked this section of the paper throughout the marking period.

Question 21

- (a) Candidates were awarded full marks for stating the terms of trade as a figure of 80. They were awarded part marks for the following: just stating the formula used for calculating the terms of trade (export index/import index by 100/1); for writing 104/130; or for writing 80% or 0.8.
- (b) Candidates were awarded full marks for stating that the terms of trade had deteriorated (or worsened, declined, become unfavourable etc). They were awarded part marks for making relevant statements such as import prices were rising faster than export prices or the nation needed to export more by volume to pay for the same imports.
- (c) (i) Candidates were awarded full marks for discussing the effect on imports in terms of price and quantity and/or elasticity and value and/or import prices, exchange rates changes and import values. They were awarded part marks for other relevant, yet less precise explanations.

- (c) (ii) Candidates were awarded full marks for discussing the effect on exports in terms of price and quantity and/or elasticity and value and/or export prices, exchange rates changes, and export values. They were awarded part marks for other relevant, yet less precise explanations.
- (d) Candidates were awarded full marks if they stated and explained well two ways in which Australia's export base contributes to Australia's current account deficit problems. They were awarded part marks for explaining only one way or for simply stating two ways but not explaining them.

Question 22

- (a) (i) Candidates were awarded full marks for stating the average rate of taxation as a figure such as 5%, 0.05, or $\frac{1}{20}$. They were awarded part marks for the following: just stating the formula used for calculating the average rate of taxation (tax payable divided by total taxable income or $\frac{200}{4000}$ by $\frac{100}{1}$) or for writing $\frac{200}{4000}$ or $\frac{2}{40}$.
- (a) (ii) Candidates were awarded full marks for stating the marginal rate of taxation as a figure such as 16% or 0.16. They were awarded part marks for the following: just stating the formula used for calculating the marginal rate of taxation (the difference between the tax payable divided by the difference between the total taxable income or $\frac{720-400}{6000-4000}$ by $\frac{100}{1}$) or for writing $\frac{320}{2000}$ by $\frac{100}{1}$ or $\frac{320}{2000}$.
- (b) (i) Candidates were awarded full marks for stating that tax scheme A was progressive.
- (b) (ii) Candidates were awarded full marks for stating that tax scheme B was proportional.
- (c) Candidates were awarded full marks for explaining at least two issues. Responses typically argued that the change from one tax scheme to the other would bring about a reduction in vertical equity that would lead to increased inequality of disposable income distribution and that this would be more favourable to the rich.
- (d) Candidates were awarded full marks if they stated and explained well two economic consequences of broadening Australia's tax base. They were awarded part marks for explaining only one consequence or for simply stating two consequences but not explaining them. The question lent itself to discussions on alternative direct and indirect tax measures and their impact on aggregate demand, employment, growth and equity. Issues such as tax evasion, cash economy and resource reallocation figured prominently.

Section III and Section IV

General comment

Students are encouraged to answer the questions in Sections III and IV of the paper in essay form.

This essay form does not have to follow the traditional essay form that contains a formal introduction and formal conclusion. However, it does suggest that students write in full paragraphs that are treated logically and sequentially in terms of the question asked. Such a format will save the student from presenting information in a fragmented and unrelated manner that does not do justice to the student's knowledge of economics. The encouragement of essay form, however, does not preclude students from using point form to answer some parts of a question. For instance, a question that asks students to identify the main features of some economic problem may best be answered by a listing of such features accompanied by a qualification of the issues involved. Students need to use their own discretion in deciding how to approach the essay questions. In this respect, before sitting the HSC Economics examination, students should be allowed opportunities to evaluate different ways of organising and communicating their knowledge of Economics in answering questions posed in Sections III and IV.

Impression marking

Essays in Sections III and IV are 'impression marked'. Impression marking is a flexible system of marking that caters for the different ways in which students may interpret questions, the variety of approaches that students may take and the subject matter used in answering the question. Marks are allocated on the basis of the impression created by the student in terms of their knowledge of Economics and their use of such knowledge to answer the question asked.

Prior to actual marking, each question is 'pilot marked'. During pilot marking, senior markers read a large number of scripts across different examination centres and select those scripts that best represent the full range of marks and canvass the different types of candidates' responses to the question. These scripts are then used for the briefing session with markers. Final marking takes place only after senior markers are confident that appropriate standards have been established for the full range of marks in each question.

Essays in Sections III and IV are marked by 'norm referencing'. Norm-referenced marking means that an essay is marked by reference to other essays rather than by reference to an absolute standard. It should be understood that norm-referenced marking differs significantly from the marking of essays in which specific criteria are identified and marks are allocated according to those criteria.

Each essay is double marked on a scale of 0-20. The following general marking guide provides a broad description of the mark range available to responses:

Rank A: marks 20–18

The response is among the best 10% of responses for this question at this examination. It contains clear reasoning with explicit and scholarly argument. Illustrative examples are used to support arguments.

Rank B: marks 17–14

The response is above average but not among the best 10%. It is internally consistent and factually correct. Arguments are supported with relevant evidence and examples.

Rank C: marks 13–8

The response is of average standard, somewhat descriptive but relevant to the question. It provides some useful factual data, uses sources and examples to support the answer (though in a limited way) and draws conclusions that are consistent with the arguments given.

Rank D: marks 7–4

The response is below average but better than the poorest 10%. It contains little use of factual data to support generalisations. Its conclusions are inconsistent with the data or argument or there are no conclusions given.

Rank E: marks 3–0

The response is among the poorest 10% of answers. There is an absence of factual data and much of the material is irrelevant, incoherent or incomprehensible.

Note: a mark of zero is given for a non attempt, where no answer is given, when the question is restated or when no relevant facts are given.

During the marking of essays, the following strategies are used to ensure the reliability, consistency and validity of the marking process.

- (i) The marker reliability operation provides statistical reports that assist the Supervisor of Marking and senior markers to monitor the marking for distribution of marks.
- (ii) Senior markers ensure that marking within groups and between groups is consistent by:
 - (a) monitoring and scrutinising marks awarded to scripts
 - (b) periodically circulating control scripts (previously unsighted responses) through all groups marking a particular question.
- (iii) The Supervisor of Marking monitors marks across different sections of the paper and across different options.
- (iv) Double marking of all responses.
- (v) Check marking, by senior markers and check markers, of a large proportion of scripts.

Section III

Section III is based on the HSC core topic in the syllabus and focuses on economic management in terms of policies, problems and issues. In the 1998 examination, Question 23, attracting approximately 56% of the responses, was the more popular of the questions. As is suggested by the structure of each question, students tended to structure their responses around the points listed for discussion in the question. These points formed the basis of an essay plan. The majority of candidates made some attempt to refer to the stimulus material, integrating it into their answers. Better responses showed a commendable level of economic literacy and encapsulated information in fluent, well constructed and logically sequenced paragraphs.

It should be noted that markers are instructed to view the ‘whole response’ and, provided that the student delivers some meaningful analysis of the required points, this does not preclude an examination of other points relevant to the general topic.

Question 23

With the assistance of the following information and using your knowledge of economics, write an essay on:

Australia’s economic growth.

In your essay, include some discussion of the following points:

- **the meaning of economic growth;**
- **arguments for sustaining a high level of economic growth in the Australian economy;**
- **the role played by monetary and fiscal policies in promoting and maintaining economic growth;**
- **internal and external economic constraints to achieving sustainable high economic growth.**

Syllabus reference

This question was drawn from the Contemporary Macroeconomic Management Section of the core topic National Economic Management, especially from the ‘Objectives of government macroeconomic policy’ Area of study and ‘The instruments of macroeconomic policy’ Area of Study (both on page 42).

Excellent responses

Candidates showed a sophisticated understanding of the issues in all sections of the question, linking the sections with coherent discussion and analysis. They demonstrated evidence of broad reading, integrating theory (eg twin deficits, Phillips curve, production possibility curves and comparative advantage) into their responses. A comprehensive and appropriate use of statistics, graphs and diagrams was also demonstrated.

Micro and macro policies were linked and a comprehensive knowledge of fiscal and monetary policy was demonstrated. Limitations to economic growth and the sustainability of growth were discussed thoroughly. Appropriate use of stimulus material was integrated into the response.

Above average responses

Comprehensive treatment was afforded to all aspects of the question, with students providing a coherent exposition of what growth is, the means of maintaining sustainable growth, and the limitations of continuing sustainable growth. Candidates demonstrated a clear understanding of issues and the linkages between the factors behind growth. The benefits of growth were clearly explained.

Responses showed a comprehensive understanding of Australia's domestic economy in the international context. There was clear evidence of broad reading and the ability to write coherently. Candidates used economic terms and concepts appropriately.

Average responses

Candidates attempted to cover all aspects of the question. These responses contained limited analysis. Monetary and fiscal policies were described rather than analysed. A limited range of statistical material/graphs were drawn from either the stimulus material or current information. They were able to define economic growth and other terminology.

Some answers included production possibility frontiers and distinguished between real and nominal GDP. They briefly explained the benefits of economic growth and made the distinction between economic growth and sustainable economic growth.

Question 24

With the assistance of the following information and using your knowledge of economics, write an essay on:

Australian Microeconomic Reform.

In your essay, include some discussion of the following points:

- **the meaning of microeconomic reform;**
- **the objectives of competition policy;**
- **microeconomic reforms that have occurred in Australia during the last decade;**
- **industries and sectors that face future microeconomic reform and structural change.**

Syllabus reference

This question was drawn from the Contemporary Microeconomic Management Section of the core topic National Economic Management (page 43).

Excellent responses

Excellent responses covered the question comprehensively, with a sophisticated use of economic terms and concepts. They referred to the stimulus material and demonstrated a high level of analytical skill.

Excellent responses demonstrated a full understanding of the differences between microeconomic reform and competition policy. They identified and developed the idea of microeconomic reform in the context of dynamic, technical and allocative efficiency. They discussed microeconomic reform from the supply side, using graphs to demonstrate their points.

These responses placed microeconomics in a policy mix with macroeconomics, arguing that the long term objective of microeconomic reform was to eliminate distortions in the market place. They gave numerous examples of microeconomic reform, for example Hilmer, Wallis, and Mortimer. They placed microeconomic reform in the context of globalisation and international competitiveness.

Above average responses

Above average responses answered all sections of the question. They tended to be analytical rather than descriptive and provided a good distinction between micro reform and competition policy. Undertaking an historical perspective of micro reform, they demonstrated substantial knowledge of recent reform and possible future reform.

Average responses

Average responses generally answered all parts of the question. They tended to emphasise labour reform, containing only limited discussion of other areas of microeconomic reform. They tended to be descriptive rather than analytical, and demonstrated a limited understanding of the distinction between micro reform and competition policy. These responses were unable to give many specific examples of sectors or industries involved in micro reform. Discussion on future micro reform and structural change was generally limited to the labour sector.

Section IV

The following table shows the relative popularity within each option as well as between options. Labour Economics at 78% of the candidature is easily the most popular option. This contrasts with Economics of Primary Industries, which attracted 9% of the candidature.

Option	% Of Candidature	Question	% Of Option
Labour Economics	78%	25	56%
		26	44%
Industry Economics	30%	27	56%
		28	44%
Development Economics	53%	29	25%
		30	75%
Economics of Primary Industries	9%	31	81%
		32	19%
Distribution of Income and Wealth	28%	33	41%
		34	59%

Labour Economics

Question 25

Using supply and demand theory, examine how the size and the quality of the labour market are determined. Explain why governments might want to intervene in the labour market. In your answer, refer to current Australian government labour market policy.

Syllabus reference

The first part of this question was drawn directly from 'The supply of labour' and 'The demand for labour' Areas of Study (page 47). The second part was drawn from the 'Institutional aspects of the domestic labour market' Area of Study (page 48).

Excellent responses

Excellent responses were able to clearly and succinctly address both parts of the question. They included integrated examples using supply and demand analysis and direct reference to determinants of the size and quality of the labour market.

These responses provided a clear understanding of why labour market intervention occurs, showing a detailed knowledge of current labour market policy and dynamics.

Above average responses

Above average responses included clear use of supply and demand analysis at both the micro and macro level. They included accurate supply and demand diagrams and reference to the size and quality of the labour force and labour market.

Labour market dynamics were analysed either through discussion or diagrams. Candidates demonstrated a knowledge of labour market policy but were weak at connecting market failure to government intervention.

Average responses

Average responses tended to be descriptive rather than analytical. Candidates equated labour market with labour force. They described the determinants of supply and demand of the labour force and the factors relating to the size of the labour force rather than the quality of the labour market.

Quality was identified with workplace reskilling, brought about by structural changes, for example, industry efficiency impacting upon the labour force. How governments intervene in the labour market was described rather than why governments intervene.

Question 26

Outline the role of employer organisations, employee organisations, and the legal system in the current Australian labour market. Discuss the changing significance of these institutions in the Government's labour market policy.

Syllabus reference

Both parts of this question were drawn from the institutional aspects of the Domestic Labour Market Area of Study (page 48).

Excellent responses

Excellent responses provided a detailed outline of institutional roles with examples and historical perspective. They undertook economic analysis of impacts upon labour market dynamics and outcomes. They referred to legal processes outside the Industrial Relations Commission. Changing roles were related closely to changing labour market policy. These responses supported their arguments with facts, figures and examples.

Above average responses

Above average responses outlined the role of institutions and the legal system in some detail. Current legal procedures and the changing of labour market policy were clearly outlined and related specifically to changing roles.

Average responses

Average responses outlined the role of employer and employee organisations and the legal system in some detail. Changes to government labour market policies were discussed with accuracy and with reference to the changing role of institutions. Most candidates tended to concentrate on only one of the two parts of the question.

Question 27

Outline the structure of an oligopolistic market. Explain how this structure affects the conduct of firms in this type of market. Why are so many Australian markets oligopolistic? How have governments attempted to make these markets more competitive in recent times?

Syllabus reference

The first three parts of this question were taken from the 'Market models' Area of Study (page 50). The last part was taken from the 'Government policies' Area of Study (page 50).

Excellent responses

Excellent responses addressed each part of the question in detail. Diagrams were clear, related to the text, labelled correctly and included examples. A thorough knowledge of the current situation, for example Hilmer and Mortimer, was demonstrated. Collusion was dealt with accurately.

Above average responses

Above average responses addressed all parts of the question, though with varying detail. Diagrams and analysis sometimes contained errors and lacked the depth of the excellent responses. These responses provided a good understanding of how the government has reacted to oligopolies in the market.

Average responses

Average responses addressed all parts of the question but in less detail. They contained a general lack of analysis and included obvious errors. Diagrams were often omitted in these responses.

Discussion as to why there were so many Australian oligopolistic markets was superficial or omitted. These responses also contained a lack of real world examples.

Question 28

Explain how the conduct and the performance of a monopoly market differs from that of a perfectly competitive market. How does price discrimination affect the conduct and performance of a monopoly?

Syllabus reference

Both parts of this question were taken from 'The firm' and 'Market models' Areas of Study (page 50).

Excellent responses

Excellent responses highlighted the differences between the models while emphasising both the conduct and performance of each. They supported their analysis with good examples, providing a thorough and correct graphical analysis of each market model. All aspects of the question were covered.

Above average responses

Above average responses tended to address both market models and were often accompanied by graphical analysis. Price discrimination was often addressed but with less discussion linking it to conduct and performance of monopolies.

Average responses

Average responses gave superficial and often patchy coverage to each market model. They tended to cover the theory related to each model though they lacked adequate discussion on the issues of conduct and performance. Graphical analysis was limited. The discussion on price discrimination was very brief.

Question 29

Outline the problems in promoting global equality. How may rich nations inhibit the growth of poor nations? Discuss the factors that have caused imbalances in development between nations.

Syllabus reference

The first part was drawn from the 'Strategies for growth and development' Area of Study (page 53). The second and third parts were drawn from the 'Nature of economic development' Area of Study (page 52).

Excellent responses

Excellent responses displayed a highly developed understanding of the factors limiting global equality. These included: historic factors, the nature of resources and resource distribution and technology. They provided a full discussion on policies and actions, undertaken by developed countries, that create disadvantage for less developed countries. Trade sanctions were the main feature of their answers to the last part of the question.

Above average responses

Above average responses answered all parts of the question, though they tended to confine their discussion of the first part of the question to individual nations rather than giving a global perspective. They provided good examples but were less thorough in their approach than the excellent responses.

Average responses

Average responses answered all parts of the question though in no great detail. Economic concepts were listed but not explained. They exhibited occasional confusion about the factors that inhibit growth in less developed countries and the factors that promote growth. Average responses tended to be repetitious.

Question 30

How is economic growth measured? What are the sources of growth for a nation? Examine the strategies that a nation may use to promote growth and development. Use examples to illustrate your answer.

Syllabus reference

The first and second parts of this question were drawn from the 'Nature and sources of economic growth' Area of Study (page 52). The third part was drawn from the 'Strategies for growth and development' Area of Study (page 53).

General comment

Candidates generally interpreted this question as referring to less developed countries. Given that the question did not refer specifically to less developed countries, answers relating to developed nations' sources and strategies were equally accepted.

Excellent responses

Excellent responses clearly distinguished between growth and development. They discussed different measures of growth and the limitations of these measures. Economic concepts (eg capital widening and capital deepening) were used appropriately. There was some discussion of the Asian financial crisis and its implications for growth and development within specific

countries. These responses explained a full range of sources and strategies of growth. They supported their arguments with good examples.

Above average responses

Above average responses were able to distinguish between growth and development. All parts of the question were attempted, though discussion on the sources of growth and strategies to promote growth was limited. They used case studies effectively.

Average responses

Average responses confused the concepts of growth and development. They did not adequately explain the different measures of growth, nor did they effectively draw upon case studies. They tended to stray from the question and included irrelevant material.

Question 31

Outline the importance of either the agricultural industry or the mining industry to the Australian economy. What are the issues facing this industry at present? Discuss policies that the Government could employ to address these issues.

Syllabus reference

The three parts of this question were drawn from all three Areas of Study (the 'Nature and importance of primary industries', 'Agriculture' and 'Mining', pages 55 and 56).

Excellent responses

Excellent responses were characterised by the use of recent, accurate statistics, sound economic reasoning and an in-depth coverage of all parts of the question.

They presented an accurate description and analysis of issues relating to agriculture or mining, with good use of supporting examples. Government responses were linked to the issues discussed.

Above average responses

Above average responses covered the first and second parts of the question in detail, using accurate statistics and examples. The analyses of government policy responses were quite thorough, however at times they needed to be linked more clearly to the issues raised in the second part of the question.

Average responses

Average responses tended to concentrate on the first and second parts of the question only, with superficial discussion and inaccurate or outdated statistics. Issues were described rather than analysed. Government policy responses were listed but not linked to the issues raised.

Question 32

What are the main domestic and international problems faced by Australia's primary producers in recent years? Discuss the possible impact of changes in Australia's exchange rate on the primary sector.

Syllabus reference

The three parts of this question were drawn from all three Areas of Study (pages 55 and 56).

Excellent responses

Excellent responses were characterised by a clear and detailed discussion of the problems faced both domestically and internationally by the agricultural and mining sectors. They explored all aspects of changes in exchange rates on primary industry, including discussion on exports, imports, incomes, cost of inputs and elasticities. Relevant case studies/examples were used to support discussion, eg the effect on Australian primary industries caused by the Asian and Russian crises.

Above average responses

Above average responses answered all parts of the question. There was an appropriate use of statistics. The impact of changing exchange rates was analysed, with discussion extending beyond their effects on exports and imports.

Average responses

Average responses covered all parts of the question but they lacked breadth and depth. These responses tended to be descriptive, with some concentrating on one or other of the primary industries. They used limited examples and statistics. The effect of changing exchange rates was mainly limited to the effects on export volumes.

Question 33

What is meant by the term wealth? Describe the distribution of wealth in Australia. Discuss the institutional and social factors that influence this distribution of wealth.

Syllabus reference

The first and second parts of this question were drawn from the 'Personal income and wealth in Australia' Area of Study (page 58). The third part was drawn from the 'Factors influencing distribution' Area of Study (page 58)

Excellent responses

Excellent responses contained a clear, concise definition of wealth. They distinguished between wealth and income as well as showing the correlation between the two. These responses addressed the inequality of wealth distribution with statistics. They provided a thorough understanding of institutional and social factors, *inter alia*, inheritance, access to education and training, self perpetuating poverty, cultural attitude differences, family structure and discrimination.

Above average responses

Above average responses covered all parts of the question, placing particular emphasis on social and institutional factors. They cited a good range of statistics.

Average responses

Average responses gave a very brief account of the social and institutional factors influencing wealth distribution, typically inheritance and education. Statistics were cited for the distribution of wealth in Australia.

Question 34

Why do governments attempt to redistribute income? What policies are available to change income distribution? Explain the problems associated with implementing such policies.

Syllabus reference

The three parts of this question were drawn from the 'Government policies towards redistribution' Area of Study (page 59).

Excellent responses

Excellent responses provided a comprehensive analysis of the first part of the question, making reference to the economic and social costs of inequality. They provided a thorough account of current and alternative policies relating to: personal income tax, transfer payments, fringe benefits tax, capital gains tax. There was a concise analysis of the problems, highlighting the conflict between the economic objectives of government.

Above average responses

Above average responses concentrated upon the two parts of the question. There was some discussion of social costs and attempts to reduce poverty. The policies described included: education and training programs, anti-discrimination legislation, subsidised health, education and public housing. There was little depth of understanding of the problems associated with implementing specific policies.

Average responses

Average responses were superficial in their examination as to why governments redistribute income. They provided some discussion on relevant policies, in particular, progressive income tax and transfer payments. They provided only brief treatment of tax avoidance, tax evasion and welfare fraud.

3 Unit (Additional)

The following table shows the popularity of the options and questions available to 3 Unit (Additional) candidates. Income and Expenditure Analysis, at 66% of the candidature, continues to attract the most responses.

Option	% of Candidature	Question	% of Option
Environmental	38%	1	22%
Economics		2	78%
Income and	66%	3	77%
Expenditure Analysis		4	23%
Comparative	42%	5	56%
Economic		6	44%
Systems			
Evolution of	54%	7	82%
Economic Ideas		8	18%

At 25% of the total candidature in Economics (1494 students) 3 Unit (Additional) continues to show a relatively strong participation rate.

As is the case with 2/3 Unit (Common), essays in 3 Unit (Additional) are impression marked and ranked on a scale of 0-20.

Question 1

Outline how development and technological change can fail to protect the environment. Explain and evaluate policies that could be used to improve resource management. Refer to recent Australian environmental issues in your answer.

Syllabus reference

The first part of the question was drawn from 'Economic aspects of environmental issues' Area of Study (page 69). The second part was drawn from the 'Government environmental policy' Area of Study (page 69).

Excellent responses

Excellent responses provided succinct, thorough analysis. They contained discussion of technology as friend and foe to the environment. For example, they explained how technology could drive economic development, damaging the environment yet at the same time developing environmentally friendly processes. Candidates explained a wide variety of Australian issues and detailed various policies at state and federal level that could improve resource management.

Above average responses

Above average responses covered all parts of the question quite well. There was a thorough coverage of many government policies for resource management. Most candidates concentrated on Federal Government initiatives.

Average responses

Average responses were descriptive rather than analytical in approach and tended to concentrate on the second part of the question. They discussed and illustrated production possibility curves and the concept of trade-off. Some defined market failure, discussing property rights and 'free riders'.

Question 2

Why do markets often function inefficiently in relation to environmental issues? Evaluate how both pricing and taxation policies can be used to achieve efficiency when externalities occur.

Syllabus reference

The first part of the question was drawn from the 'Price mechanism' Area of Study (page 65). The second part was drawn from the 'Economic aspects of environmental issues' Area of Study (page 69).

Excellent responses

Excellent responses demonstrated a good depth and breadth of analysis. They followed a methodical approach in presenting arguments. Emphasis was on the application of theory to policy evaluation. These responses integrated market failure into their discussion on the second part of the question. They presented a clear, well-argued allocation role for the price mechanism.

Above average responses

Above average responses argued that Pigovian taxes have their benefits but that market-based policies (eg tradeable permits) would be more effective. They made good use of graphical analysis.

Average responses

Average responses were generally descriptive and provided some limited analysis. They contained discussion of market failure underpinned by reference to ‘non rival’ and ‘free rider’ issues. Candidates provided a simple outline of Pigovian theory in relation to internalising externalities.

Question 3

What is the multiplier effect? Discuss the factors that influence the size of the multiplier. Explain, using diagrams, the part played by the multiplier in reducing inflationary and deflationary gaps.

Syllabus reference

All three parts of this question were drawn from the ‘Simple income-expenditure model’ Area of Study and the ‘Introducing the government sector’ Area of Study (pages 71–72).

Excellent responses

Excellent responses demonstrated exceptional analytical and reasoning skills. These candidates approached the question in a varied manner yet covered, successfully, all elements of the question. They provided clear and accurate definitions of the multiplier effect, combining analysis of diagrams and formulas.

Excellent responses detailed the role of the multiplier in the closing of inflationary and deflationary gaps, using clear and accurate diagrams. Diagrams were labelled and referred to in the body of the text. Discussion on the factors that determined the size of the multiplier included marginal propensity to save, marginal propensity to import and marginal rate of taxation.

Above average responses

Above average responses provided a clear discussion of all parts of the question. Diagrams were accurate, with reference made to them in the body of the essay. They contained brief discussions on the factors that influence the size of the multiplier. The role of the multiplier was touched on when discussing inflationary/deflationary gaps.

Average responses

Average responses covered each section of the question, albeit at a basic level. The discussion of the multiplier effect was limited to definition, with little discussion of the factors that affect the size of the multiplier, concentrating, almost exclusively, on the marginal propensity to save. Diagrams were adequately drawn, yet rarely referred to in the body of the essay. Deflationary and inflationary gaps were discussed though little reference was made to the role of the multiplier in correcting them.

Question 4

What is meant by the paradox of thrift? Outline the role of saving in the multiplier process. Discuss whether increased saving is required in order to increase output and employment.

Syllabus reference

All three parts of this question were drawn from 'The simple income-expenditure' Area of Study (page 71).

Excellent responses

Excellent responses addressed all parts of the question with clear analysis and good use of diagrams, formulae and graphs to illustrate their points. They were able to provide concise and accurate discussion of the paradox of thrift.

Excellent responses displayed clear and accurate analytical skills when discussing whether savings is required to increase output and employment. Some highlighted the role of the savings process in achieving external balance. They discussed clearly the role of the multiplier in the savings process, interlinking it with the effect on marginal propensity to consume and the consumption function.

Above average responses

Above average responses discussed the paradox of thrift in some depth, using appropriate diagrams and algebraic expression. The role of savings in output and employment was discussed in detail.

Average responses

Average responses defined the paradox of thrift though not in great detail and not necessarily through diagrammatic or algebraic expression. They briefly discussed the role that savings plays in the determination of output and employment though little or no reasoning was used. The role of savings in the multiplier process was discussed mainly in the context of marginal propensity to save.

Question 5

How do the processes of resource allocation, production, distribution and exchange operate in different economic systems? Explain these processes in relation to a particular economic system that you have studied.

Syllabus reference

This question was drawn from the 'Economic systems' Area of Study (page 75).

Excellent responses

Excellent responses recalled the processes and provided a detailed explanation of the statutory measures affecting resource allocation, production, distribution and exchange in market or planned systems. They discussed issues related to increasing domestic savings to reduce the need for foreign borrowings and special economic zones (China) etc when relating the issues to the particular system and case studies that they had done.

Above average responses

Above average responses recalled and explained the processes, detailing how the process occurred within a specific system and country and why this system had been adopted. They analysed what the system could deliver for its people.

Average responses

Average responses predominantly tended to recall the processes of resource allocation etc in the different systems (market and planned). They offered a very basic description of the economic system that they had studied, mentioning only a single country study. These responses tended to repeat the first part of the question in answering the second part of the question.

Question 6

Evaluate the role of governments and markets in market economies. Compare this role with the role of governments and markets in socialist or former socialist economies. Use case studies to support your answer.

Syllabus reference

The first part of this question was drawn from the 'Market economies' Area of Study (page 75). The second part of this question was drawn from the 'Socialist economies' Area of Study (page 76) and the 'Former Socialist Economies' Area of Study (page 77).

Excellent responses

Excellent responses demonstrated an ability to articulate theory with current information from relevant case studies that were more up to date than textbooks. The comparison between the different market systems was handled well.

Above average responses

Above average responses discussed the role of governments and markets in depth, supporting their points with good examples. They provided a good discussion of the price mechanism.

Average responses

Average responses were able to describe the role of governments and markets in market and socialist/former socialist economies. They used case studies effectively. For example, they highlighted the relationship between government and big business (Japan). Many of these responses did not extend beyond textbook exposition.

Question 7

Evaluate Karl Marx's critique of capitalism. How does this critique differ from Keynes' ideas about the economic problems faced by capitalist economies?

Syllabus reference

The two parts to this question were drawn from the 'Critics of capitalism' Area of Study (page 79) and the 'Keynesian revolution' Area of Study (page 80).

Excellent responses

Excellent responses answered all parts of the question well. Marx's critique was evaluated. These responses saw Marx as a product of his times, writing in a specific historical context and not projecting into the future. It was noted that Marx could not foresee changes in unions, labour laws and government regulations. The analysis of Keynes included discussion on his theory and his perception of the economic problems facing capitalist economies during the Great Depression.

Above average responses

Above average responses generally answered both parts of the question. They provided in-depth reporting on Marxist and Keynesian theory and attempted to explain why Keynes rejected Marx. They placed Keynes into an historical perspective (he was a pupil of Marshall), acknowledging the Keynesian role for government when the economy is not at full employment equilibrium. Appropriate terminology was used, for example, Marx's 'alienation of workers', 'surplus value'.

Average responses

Average responses described what they knew about Marx and Keynes in simplistic terms, for example, Marx: exploitation of workers, unequal distribution of income, pending self-destruction of capitalism. They contained no critique or evaluation.

They reiterated the Keynesian line that there should be a greater role for government in the economy. There was no discussion of the economic problems in capitalist economies.

Question 8

Discuss recent developments in economic thought since Keynes. How have these developments adapted or rejected the ideas of previous economists?

Syllabus reference

The two parts of this question were drawn from the 'Keynesian revolution' Area of Study (page 80).

Excellent responses

Excellent responses provided a detailed explanation of Keynesian economists (Samuelson, Hicks and Tobin), monetarists (Friedman) and neoclassical economists. They linked the move to free trade and laissez faire economics back to Smith and Ricardo. Excellent responses indicated a clear understanding of the historical basis of current economic ideology.

Above average responses

Above average responses provided limited discussion of Keynesians such as Samuelson, Tobin and Hicks. They concentrated on the monetarist criticism of Keynesian economics, providing a detailed analysis of the Friedman–Phelps augmented Phillips curve.

Average responses

Average responses covered all parts of the question. They tended to be descriptive, containing little analysis and concentrating on Friedman and the monetarist school. They discussed economic rationalism and deregulation but without explanation and linkages. They tended to list pre-Keynesian schools of thought without reference to the question, ie they did not discuss the adaptation and rejection of earlier ideas.

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