

External assessment 2021

Multiple choice question book

Economics

General instruction

- Work in this book will not be marked.

Section 1

QUESTION 1

A primary economic objective of the Australian Government's budget in 2021 was

- (A) reducing inflation.
- (B) keeping employment high.
- (C) maintaining a stable exchange rate.
- (D) achieving a current account surplus.

QUESTION 2

The results of a cash rate decision are a reduction in interest payments on debt and an increase in the amount of income available for households and businesses.

Which channel of the transmission mechanism is this cash rate change an example of?

- (A) savings and investment
- (B) asset prices and wealth
- (C) sector income
- (D) cash flow

QUESTION 3

In contrast to macroeconomic policy, microeconomic reform aims to

- (A) limit government intervention in markets.
- (B) raise the competitiveness of export businesses.
- (C) improve the allocative efficiency of resource use.
- (D) increase long-term growth in gross domestic product.

QUESTION 4

An economy is experiencing decreasing levels of economic activity.

A cause for unemployment rates remaining at 5% (*ceteris paribus*) might be

- (A) a reduction in the number of hours worked.
- (B) an increase in unemployment benefits.
- (C) a rise in the number of school leavers.
- (D) a delay in workers retiring.

QUESTION 5

Assume the Australian Government has simplified regulations in the medical and pharmaceutical industries.

Identify the expected change to the aggregate demand/aggregate supply diagram (*ceteris paribus*).

- (A) Average prices rise and GDP decreases because the aggregate supply curve shifts to the left.
- (B) Average prices fall and GDP increases because the aggregate supply curve shifts to the right.
- (C) Average prices rise and GDP increases due to an expansionary movement along the aggregate supply curve.
- (D) Average prices fall and GDP decreases due to a contractionary movement along the aggregate supply curve.

QUESTION 6

Which country would be most likely to experience a longer time lag in economic growth following a cash rate change (*ceteris paribus*)?

- (A) a country where marginal propensity to consume is 0.7
- (B) a country where marginal propensity to import is 0.7
- (C) a country where marginal propensity to invest is 0.7
- (D) a country where marginal propensity to save is 0.7

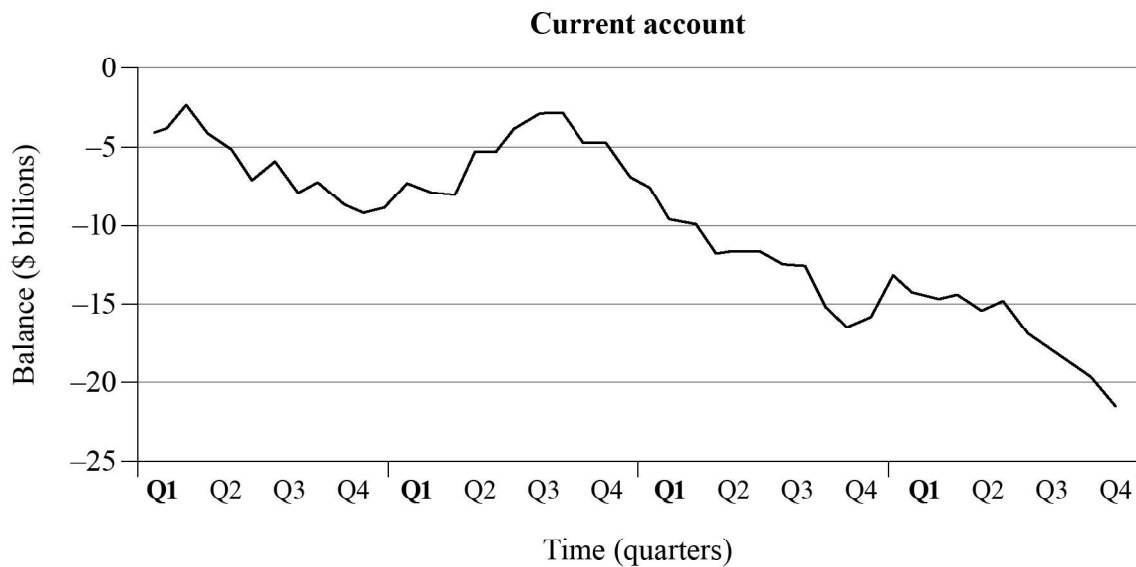
QUESTION 7

Identify the correct statement.

	Economic management policy		Outcome
(A)	Increasing the goods and services tax to improve tax efficiency	leads to	an increase in household standard of living.
(B)	Raising the tax-free threshold to lift household consumption	leads to	an increase in equity in income distribution.
(C)	Repaying Federal Government debt to overseas residents	leads to	an expansion in short-term economic activity.
(D)	Promoting competition in the financial industry	leads to	a reduction in unemployment.

QUESTION 8

Assume the current account has shown the trend in the graph for the last 16 quarters.



Which fiscal strategy would be most effective in addressing this issue in Australia (*ceteris paribus*)?

- (A) stimulating the economy to encourage spending on domestic goods and services
- (B) liberalising trade policies to make the economy more competitive
- (C) replacing overseas borrowing with domestic sources of finance
- (D) improving the efficiency of the foreign exchange market

QUESTION 9

The images provide information about the economic situation in Country A.

Stimulus redacted.

Which response to the situation does **not** represent a sustainable economic policy approach in Country A?

- (A) an increase in skilled migration to raise technical knowledge and skills
- (B) an increase in taxation incentives to encourage the delay of retirement
- (C) an increase in the taxation base to finance pension transfer payments
- (D) an increase in childcare subsidies to raise workforce participation

QUESTION 10

The table shows labour market data for an economy.

Year	Labour force ('000)	Employed persons ('000)
2021	580	550
2022	790	760

Based on the data in the table, fiscal policy measures

- (A) should be avoided because the number of employed persons has increased.
- (B) do not need to be changed because the employment rate is unchanged.
- (C) could be contractionary because the unemployment rate is falling.
- (D) could be expansionary because the employment rate is rising.

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References

Question 9

Infographic modified from 'Face the Facts: Older Australians', *The Australian Human Rights Commission*,
<https://humanrights.gov.au/our-work/education/face-facts-older-australians>



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