

External assessment 2022

Multiple choice question book

Economics

General instruction

- Work in this book will not be marked.

Section 1

QUESTION 1

What is the primary aim of microeconomic reform?

- (A) improve living standards
- (B) reduce income inequality
- (C) increase economic efficiency
- (D) decrease demand-pull inflation

QUESTION 2

The significance of aggregate supply policies in Australia's economic history was that they

- (A) increased the availability of local goods and services.
- (B) maximised sustainable economic growth.
- (C) achieved short-run employment gains.
- (D) supported domestic businesses.

QUESTION 3

How is microeconomic reform represented in the aggregate demand / aggregate supply (AD/AS) model?

- (A) The AS curve shifts to the right and real gross domestic product increases.
- (B) The AD curve shifts to the right and real gross domestic product increases.
- (C) There is an expansionary movement along the AS curve and real gross domestic product increases.
- (D) There is an expansionary movement along the AS and AD curves and real gross domestic product increases.

QUESTION 4

A proposal to change Australia's GST to a rate of 15% would be aiming to

- (A) stabilise aggregate demand in the economy.
- (B) decrease government revenue.
- (C) contract the economy.
- (D) broaden the tax base.

QUESTION 5

Assume there is an increase in Australians preferring to rent rather than buy their own home. The effect on the transmission mechanism would be (*ceteris paribus*)

- (A) a change to how the transmission mechanism is channelled.
- (B) a decrease in the effective size of the transmission mechanism.
- (C) quicker interest rate changes so banks maintain their profit levels.
- (D) a shorter time frame for the cash rate to be transmitted throughout the economy.

QUESTION 6

Assume the Australian federal treasurer has handed down a deficit budget for the coming fiscal year, and subsequently there is a sudden downturn in consumer demand. The most likely change to the budget is (*ceteris paribus*)

- (A) no change in unemployment benefit payments and the budget target is still achievable.
- (B) an increase in unemployment benefit payments and a smaller budget deficit.
- (C) a decrease in unemployment benefit payments and a smaller budget deficit.
- (D) an increase in unemployment benefit payments and a larger budget deficit.

QUESTION 7

Australia's monetary policy is less effective when the economy is

- (A) recovering, because excess production capacity limits employment growth.
- (B) in a trough, because the average propensity to save is high due to lower consumer confidence.
- (C) in a downturn, because political considerations discourage potential reductions in the cash rate.
- (D) booming, because businesses are concerned that interest rates will rise so they reduce their investments.

QUESTION 8

Assume a central bank is concerned that house prices have increased in the past year. Which situation would be most likely to encourage the central bank to increase the official interest rate?

- (A) Inflation increases from below 1% and housing approvals continue to rise.
- (B) There is a short-term increase in house purchases causing current consumption to fall.
- (C) There is a continuous increase in both house prices and consumer debt relative to wage growth.
- (D) The housing price index increases in capital cities and does not change in other populated areas.

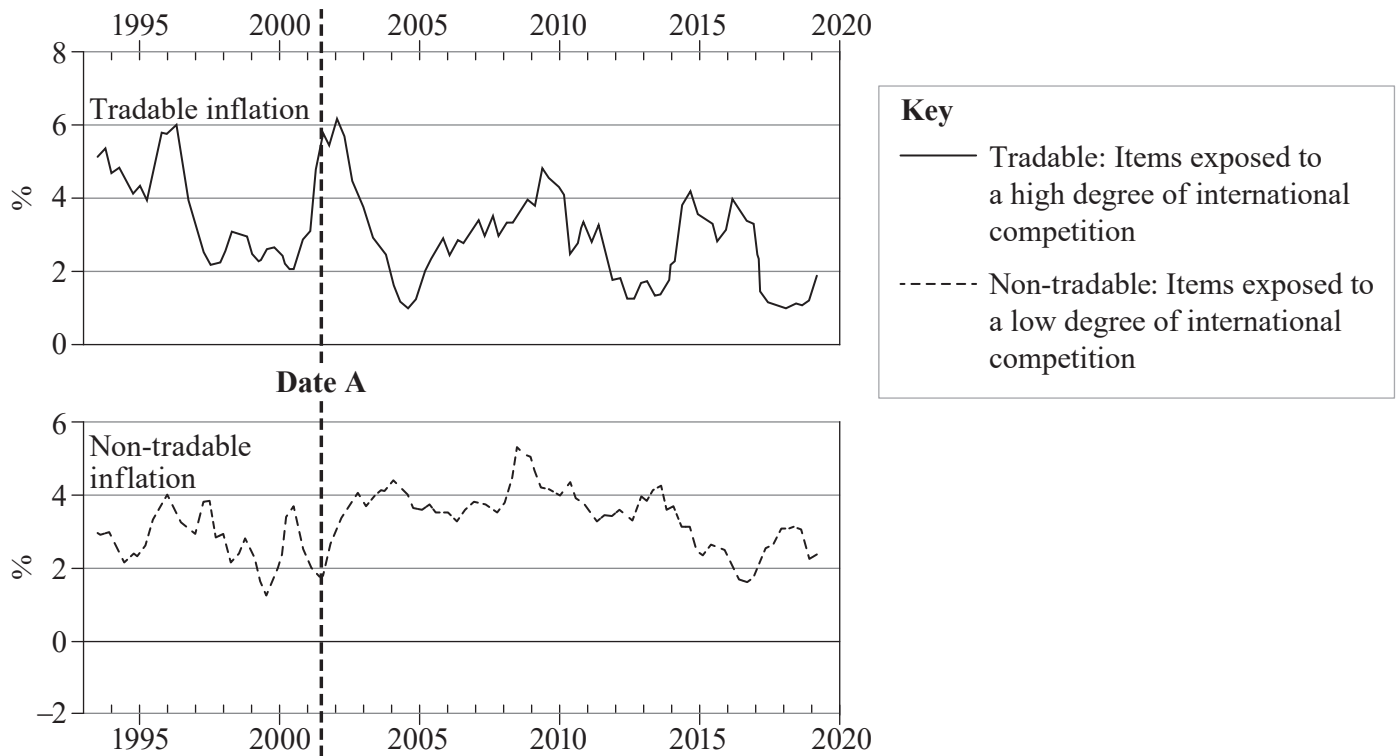
QUESTION 9

Which policy mix is the most appropriate in the following scenario?

- Annual consumer price index movement: (Y_0) 100 to (Y_1) 102.
- Nominal gross domestic product movement: (Y_0) \$9.3 billion to (Y_1) \$9.5 billion.
- Non-accelerating inflationary rate of unemployment: (Y_0) 4.5% to (Y_1) 4.0%.
- Dwelling approvals have fallen slightly from Y_0 to Y_1 .

- (A) expansionary monetary and fiscal policy
- (B) neutral monetary and fiscal policy stance
- (C) expansionary monetary policy and neutral fiscal policy stance
- (D) neutral monetary policy and fiscal policy that contracts the economy

QUESTION 10



Based on this hypothetical inflation data for Australia, which economic management response would be appropriate at Date A?

- (A) reduce international interest rates to control imported inflation
- (B) no response, because domestic inflation is within target range
- (C) reduce the budget deficit to improve local economic forces
- (D) increase interest rates to slow domestic inflation

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References

Question 10

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