



South Australian
Certificate of Education

Economics 2018

Question booklet

- **Part A** (Questions 1 to 3) 45 marks
Answer **all** questions in Part A
Write your answers in this question booklet
Allow approximately 80 minutes to answer
- **Part B** (Questions 4 to 6) 20 marks
Answer **one** question in Part B
Write your answer in the separate script book
Allow approximately 40 minutes to answer

Examination information

Materials

- Question booklet
- 8-page script book
- SACE registration number label

Reading time

- 10 minutes
- You may begin writing during this time

Writing time

- 2 hours
- Use black or blue pen

Total marks 65

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of South Australia

Attach your SACE registration number label here

PART A (Questions 1 to 3)
(45 marks)

Answer **all** questions in Part A.

1. Refer to the following article.

Mango growers enjoy a good harvest

An increase in the demand for mangoes has led to a large increase in mango prices. Both mango prices and the profits of many mango producers have hit their highest level in 10 years.

The increase in the demand for mangoes has been brought about by an increase in the local consumption of mangoes as well as a sharp increase in export sales. This increase in the popularity of mangoes has also led to a reduction in the price elasticity of demand for mangoes.

Established mango growers have increased production and are operating at maximum capacity. Additionally, the pineapple industry has become unprofitable, and many pineapple growers have switched to growing the more profitable mangoes. However, it takes at least 4 years before a mango tree produces fruit, so many growers will also plant other faster growing crops, such as sugar cane.

(a) This article describes a market that is in perfect competition.

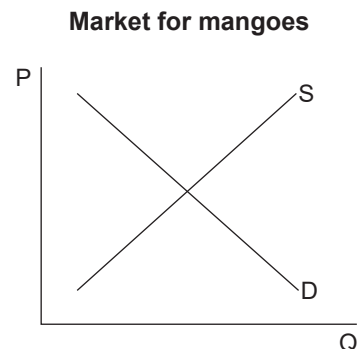
Compared with other market structures, how does perfect competition better meet the needs of consumers?

_____ (1 mark)

(b) The market conditions for mangoes have changed during the past 10 years.

(i) Explain the overall effect of these changes on the mango market.

Support your answer by completing the diagram to show the effect on price and quantity traded.



_____ (3 marks)

- (ii) Outline the effect of these changes on the question, 'For whom are goods and services produced?'

_____ (1 mark)

- (c) Describe *one* factor, other than an increase in popularity, that could lead to a reduction in the price elasticity of demand for mangoes.

_____ (2 marks)

- (d) Outline *one* opportunity cost that pineapple growers could face if they switch to growing mangoes.

_____ (1 mark)

- (e) 'The price elasticity of supply of mangoes is likely to be the same in both the short and long term.'

Do you agree with this statement? Argue your case.

_____ (3 marks)

2. Refer to the following article.

The importance of productivity

The terms 'production' and 'productivity' are often confused. Production is the process of converting the factors of production into goods and services and relates to the 'What to produce?' question. Productivity is a measure of the efficiency of production.

Governments in many countries have implemented a range of microeconomic reforms in order to increase productivity. One reform has been to encourage greater inflows of foreign capital.

A recent economic report concluded that:

- an increase in production can increase the standard of living in the short term
- an increase in productivity is essential for a sustainable, long-term increase in the standard of living.

(a) With reference to an example, identify *one* factor of production.

_____ (1 mark)

(b) Outline how production relates to the 'What to produce?' question.

_____ (1 mark)

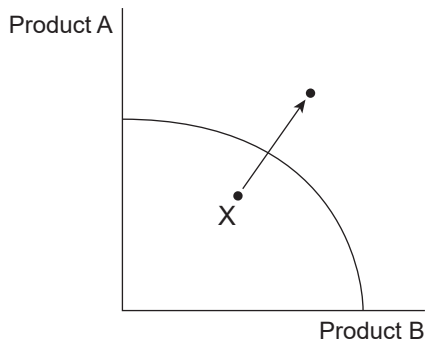
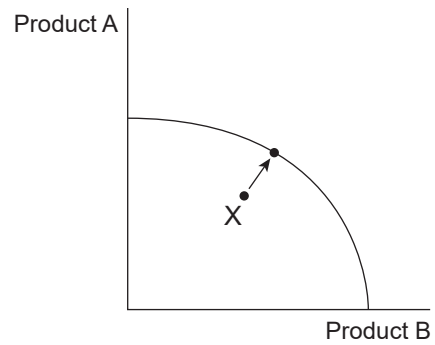
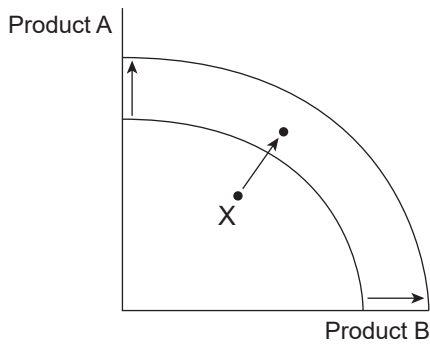
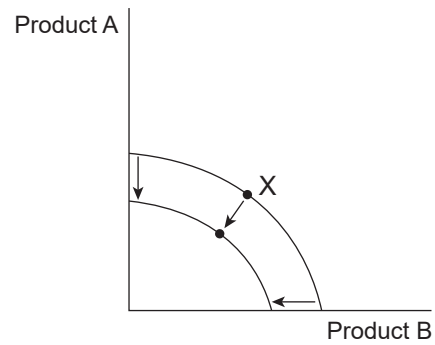
(c) (i) Describe *one* method of measuring the level of production in an economy.

_____ (2 marks)

(ii) Outline *one* limitation of the method you described in part (c)(i).

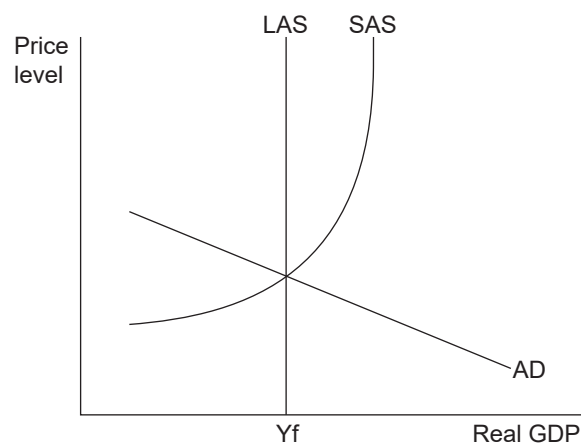
_____ (1 mark)

- (d) Which *one* of the following diagrams shows the likely effect of an increase in productivity on an economy currently producing at point X? Tick the appropriate box.


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(1 mark)

- (e) Show on the aggregate demand – aggregate supply diagram below the long-term effect of successful microeconomic reform.



(2 marks)

- (f) Identify and explain *one* effect on an economy — other than an increase in productivity — of encouraging greater inflows of foreign capital.

(2 marks)

- (g) 'Microeconomic reform is likely to have both costs and benefits for an economy.'

Discuss this statement with reference to at least *one* example of a microeconomic reform, other than encouraging greater inflows of foreign capital.

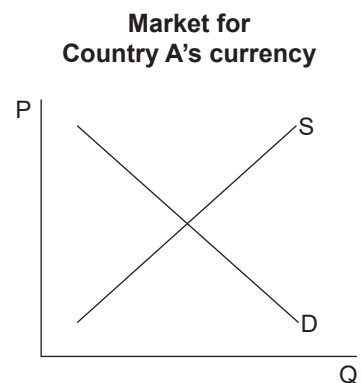
(4 marks)

-
-
- (1 mark)

- _____ (1 mark)

-
-
-
-
- (2 marks)

- You may complete the diagram to support your response.

[illegible]

- Do you agree with this statement? Argue your case.

[illegible]

PART B (Questions 4 to 6)

(20 marks)

Answer **one** essay question in Part B.

Whenever appropriate, you should supplement your answers with suitable diagrams.

Write your answer in the separate script book provided. Write the number of the question you choose in the appropriate box on the front cover of the script book.

4. 'When implementing a free-trade agreement, governments will experience short-term adjustment costs before the medium- to long-term benefits become evident.'

Evaluate this statement with reference to examples.

(20 marks)

5. 'It is easier to find the right combination of economic policies and policy instruments in an economy experiencing high unemployment than in one experiencing both high unemployment *and* high inflation.'

Evaluate this statement with reference to examples.

(20 marks)

6. 'When managing an economy, a government needs to use a combination of monetary and fiscal policy, as each policy has benefits and limitations.'

Evaluate this statement with reference to examples.

(20 marks)

