



South Australian
Certificate of Education

Economics 2019

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

Part B (Questions 4 to 6) 20 marks

- Answer **one** question in Part B
- Write your answer in the separate script book
- Allow approximately 50 minutes

Examination information

Materials

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

Instructions

- Use black or blue pen

Total time: 130 minutes

Total marks: 65

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Attach your SACE registration number label here



Government
of South Australia

SACE BOARD OF SOUTH AUSTRALIA

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

Answer **all** questions in Part A.

1. Refer to the following information:

Driverless vehicles — an economic and social revolution

Although a rarity in 2019, driverless vehicles are expected to be commonplace by 2030. New technology will not only make these vehicles more reliable, it will also lead to substantially lower production costs and more affordable prices for the consumer.

The first producers to successfully manufacture driverless vehicles will need to generate traffic data and develop software to direct the vehicles. A significant barrier for new producers who want to enter the market will be access to this software.

(a) Outline the way in which the question of ‘What to produce’ is likely to be answered in:

(i) a planned economy.

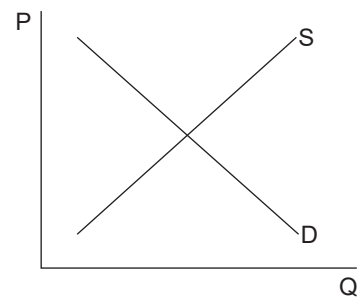
_____ (1 mark)

(ii) a market economy.

_____ (1 mark)

(b) Explain why the price of driverless vehicles is expected to decrease significantly by 2030. Complete the demand and supply diagram to support your answer.

**Market for
driverless vehicles**



_____ (2 marks)

- (c) 'An oligopoly is the most appropriate market structure for the driverless vehicle market.'

Present a case that either supports or rejects this statement.

(3 marks)

Refer to the following additional information:

Driverless vehicles will be able to drop off passengers, drive elsewhere to pick up new passengers, and park themselves anywhere when not in use. This will substantially reduce the need for inner-city, multi-storey car parks.

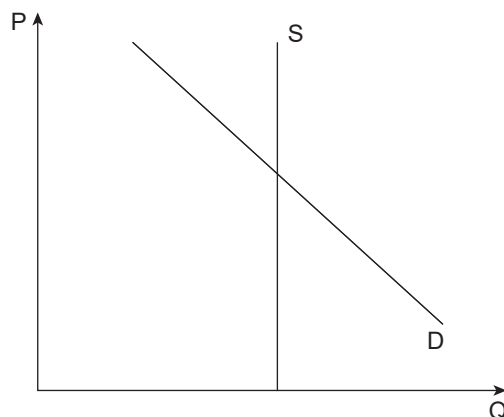
The use of driverless vehicles will create both positive and negative externalities. As driverless vehicles become more commonplace, governments will need to adopt a range of policies that reduce the possibility of market failure and maximise public welfare.

Government intervention could lead to more liveable and healthier cities, with the potential for more community and 'green' spaces due to a reduced need for car parks. The government could also ensure that everyone in society — including the disabled, the disadvantaged, and the elderly — has access to driverless vehicles.

- (d) (i) Show on the diagram below the effect of the use of driverless vehicles on the market for inner-city, multi-storey car parks.

Indicate the effect on price and quantity traded.

Market for inner-city, multi-storey car parks



(1 mark)

- (ii) Using appropriate economic terminology, explain why the short-term supply curve for inner-city, multi-storey car parks is shown as a vertical line in the diagram on page 4.

(2 marks)

- (e) 'As driverless vehicles become more commonplace, governments will need to adopt a range of policies that reduce the possibility of market failure and maximise public welfare.'

Present a case that either supports or rejects this statement.

(3 marks)

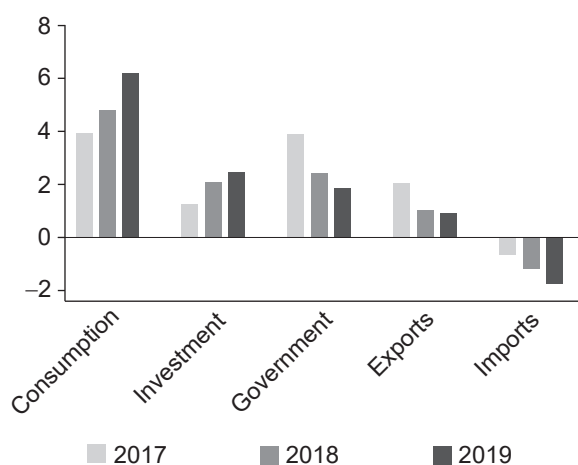
2. Refer to the following information, which shows data and graphs relating to key indicators for Country A:

	2018 (%)	2019 (%)	Macroeconomic targets (%)
Real GDP* growth	4.0	5.0	4.0
Unemployment rate	4.5	4.0	5.0
CPI†	5.0	5.5	2.0–3.0

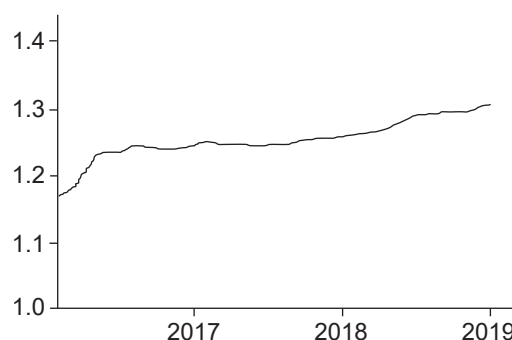
*gross domestic product

†consumer price index

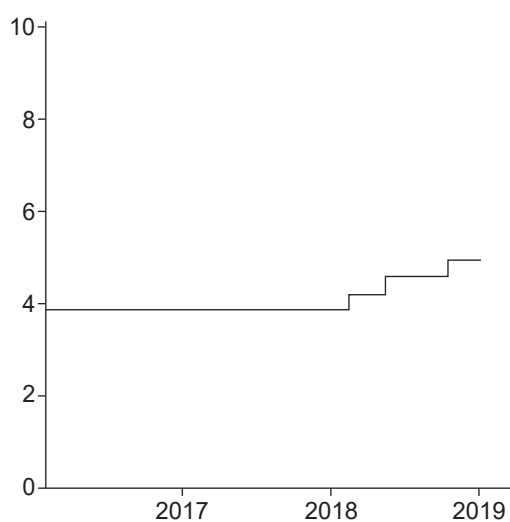
Graph 1: Components of GDP (\$billion)



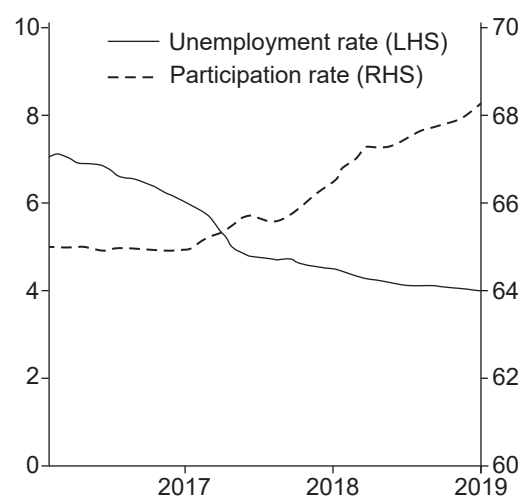
Graph 2: Exchange rate (\$US)



Graph 3: Cash rate (%)



Graph 4: Unemployment and labour force participation rates (%)

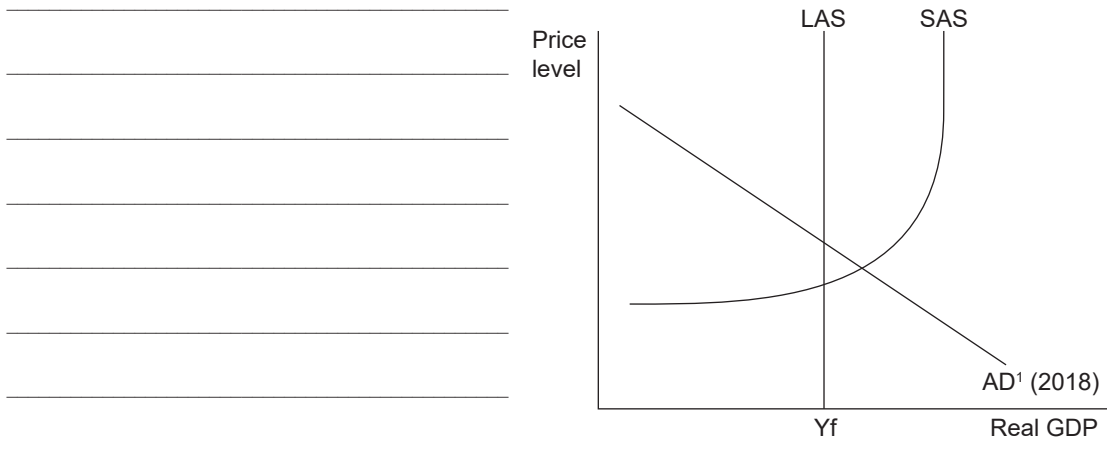


- (a) Identify the largest component of GDP.

_____ (1 mark)

- (b) Explain the likely phase of the business cycle for the economy of Country A in 2018/19.

Complete the aggregate demand – aggregate supply diagram to support your answer.



_____ (3 marks)

- (c) (i) Using the information on page 6, give *two* possible reasons for the change in the imports of Country A between 2017 and 2019.

(1) _____

_____ (1 mark)

(2) _____

_____ (1 mark)

- (ii) The balance of trade in Country A has changed between 2017 and 2019. Explain the possible effect of this change on the current account balance of Country A.

_____ (2 marks)

- (d) (i) Define what is meant by the term 'labour force participation rate'.

_____ (1 mark)

- (ii) Explain the relationship between the unemployment rate and the participation rate of Country A shown in Graph 4 on page 6.

_____ (2 marks)

- (e) Refer to the information on page 6.

Evaluate the effectiveness of the demand management policies of Country A. In your answer, refer to at least *one* problem of economic management.

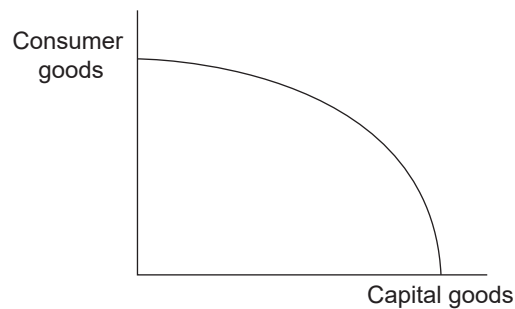
_____ (5 marks)

Refer to the following additional information about Country A:

As part of a policy to promote productivity, the government of Country A has commissioned a report into the impact of driverless vehicles on the economy. The report revealed some short-term negative effects, but also identified significant long-term benefits for the economy and individuals such as:

- a substantial reduction in traffic congestion, air pollution, and road accidents
- an increase of 2% to the GDP
- new employment opportunities in technology-related businesses such as software development and data management.

- (f) (i) Indicate on the production possibility diagram below the possible long-term impact of the use of driverless vehicles on the economy of Country A.



(1 mark)

- (ii) Explain the long-term impact of the use of driverless vehicles on aggregate demand – aggregate supply for Country A.

Complete the diagram below to support your answer.



(3 marks)

- (iii) Explain *one* type of unemployment that is likely to increase due to the use of driverless vehicles in Country A.

(2 marks)

3. Refer to the following information:

The government of Country A has removed most restrictions on foreign capital inflow, in the belief that the anticipated benefits will outweigh any costs to the economy. The government is expecting to see a substantial increase in business investment, which will allow Country A to further develop its comparative advantage.

Economists claim that the recent removal of tariffs on imported goods will also benefit consumers in Country A.

- (a) (i) Define the term 'comparative advantage'.

(1 mark)

- (ii) Explain how an increase in foreign capital inflow could help Country A to further develop its comparative advantage.

(2 marks)

- (b) Discuss the claim that consumers in Country A will benefit from the removal of tariffs on imported goods. Support your answer with an appropriate demand and supply diagram.



(2 marks)

- [illegible]

The examination questions for Part B are on page 12.

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. 'Fiscal policy is a government's most effective policy instrument for managing both short-term and long-term fluctuations in the business cycle.'

Evaluate this statement with reference to examples.

(20 marks)

5. 'Having access to a range of economic indicators and macroeconomic models should make economic management more straightforward for governments.'

Evaluate this statement with reference to examples.

(20 marks)

6. 'The causes of inflation need to be identified before a government can decide on the right combination of economic policies to reduce inflation when it is unacceptably high.'

Evaluate this statement with reference to examples.

(20 marks)