

Economics



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Course Content

The Global Economy



International Economic Integration



Test Yourself



Trade, Financial Flows and Foreign Investment

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Economic Issues | Economic Growth



3. Explain the causes of Australia's fluctuating economic growth rates and the negative consequences of strong economic growth on the Australian economy. (6 marks).

Australia has been generally effective at maintaining sustained strong economic growth, especially during the recent COVID-19 pandemic as compared to other economies. Domestically, the government's commitment to fiscal policy and pre-emptive monetary policy, as well as prudent financial system regulations, have been successful sources of economic growth. Productivity growth in Australia, especially growing labour productivity has also contributed to increasing economic growth. Australia has generally benefitted from robust global economic conditions, particularly

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0% COMPLETE 0/65 Steps

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Short Answer Questions

1. Describe how Gross World Product is measured. (2 marks)

Gross World Product (GWP), which refers to the aggregate value of all goods and services produced worldwide each year, is usually measured by the Purchasing Power Parity (PPP) method. This involves converting the Gross Domestic Product (GDP) of each country into US dollars, and then adjusting it based on the country's PPP, before adding them all together.

PRO TIP: It's always a good idea to give a short definition within your answer, especially for 2-mark questions.

2. Discuss how transnational corporations contribute to globalisation? (4 marks)

Transnational corporations (TNCs), which are companies that are involved in the production of goods or services in more than one country, have been a key contributor to the globalization process. These companies develop global supply chains as they

Economic Issues | Economic Growth



Effects of Economic Growth in Australia

There are also **various effects of EG**, and it is critical that the benefits of EG are balanced against the costs of structural change as the economy grows in real terms. The advantages and disadvantages of EG are described in the table below.

ADVANTAGES	DISADVANTAGES
↑ per capita incomes and ↑ standards of living	Possible ↑ inflation from both demand-pull and cost-push sources
Creation of jobs and ↓ unemployment	↑ structural unemployment from possible structural change or new technology
↑ tax revenue for the government so	↑ income and wealth inequality <i>if</i> the

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Exam Practice

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Year 12 – Economics

Short Answers

☐ General Approach

☒ The Global Economy

☐ Australia’s Place in the Global Economy

☐ Economic Issues

☐ Economic Policies and Management

Extended Response Plans

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Short Answer Questions | The Global Economy



Case Study

For an economy other than Australia, identify ONE challenge posed by the globalisation process. (1 mark)

One challenge India has faced to due to globalisation is greater levels of inequality, with the economy having problems with unemployment and standards of living.

PRO TIP: For this type of question, remember to be relevant and concise given it is only worth one mark.

For an economy other than Australia, outline the impact of globalisation on its environmental sustainability. (3 marks)

Globalisation has ultimately had a negative impact on the environmental sustainability of the Indian economy. Globalisation has seen India attempt to increase their agricultural sector to cater for expanding global markets, resulting in greater resource exploitation and climate change. It is estimated that over 10% of India’s population live on degraded land, with the economy paying over \$80bn in environmental degradation costs.

PRO TIP: For this type of question, be sure to relate globalisation exclusively to

EXTENDED RESPONSES

Question

Explain how both labour market policies and fiscal policies can be used to reduce income inequality and wealth inequality. In your response, you should refer to the economic information provided.

An income safety net for all has been a long-term policy goal. The debate has been about whether minimum wages and welfare payments achieve this objective or whether disincentive effects mean that it has been counterproductive for some groups.

Distribution of Income, Taxes and Government Benefits in Australia, 2009–2010
(% shares of total income, taxes and benefits paid to/received by different income groups)

	<i>Share of the poorest 20% of income earners</i>	<i>Share of the richest 20% of income earners</i>
Income earned before tax (eg wages and salaries, interest income)	3.3%	45.0%
Less taxes paid:		
Income tax paid	1.2%	56.2%
Indirect taxes paid (eg GST, petrol taxes)	12.5%	30.1%
Plus government benefits received:		

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☐ Balance of Payments

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☐ Exchange Rates

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☐ Free Trade and Protection

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Economic Issues

☐ Economic Growth

☐ Test Yourself

Value, Direction and Composition of Trade and Financial Flows

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IN PROGRESS

Australia's Place | Value, Composition & Direction of Australia's Trade & Financial Flows



TRENDS IN AUSTRALIA'S FINANCIAL FLOWS – DEBT AND EQUITY

The main financial flows into Australia are in the form of **foreign investment**. Foreign investment refers to individuals or companies outside of Australia buying or creating assets in Australia, such as purchasing a share in an Australian company, or setting up a business in Australia. This foreign investment is an important contributor to Australia's economic growth, employment opportunities and innovation. There are several different types of foreign investment – direct, portfolio, financial derivatives and 'other' investments.

TYPE	EXAMPLES
	- An individual or company outside Australia starting a new business in Australia. - An investor outside Australia purchasing part of an existing Australian business. They must acquire 10% or

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1. Distinguish between direct investment and portfolio investment (2 marks).

Direct investment refers to an individual or entity outside Australia establishing a new business or purchasing a managerial stake (10% or more) of an existing local business. Whereas, portfolio investment involves the purchasing of financial assets and securities like stocks, bonds and land, which do not offer the investor any operational control.

PRO TIP: Make it clear to the marker that you are distinguishing the two by using words like: whereas, in contrast, conversely.

2. Describe changes in the composition of Australia's exports (4 marks).

Australia has long been seen as a resource-rich country, with a relatively small population, thus, exports are an important contribution to GDP. Throughout the 1900s, about half of all exports were agricultural products, such as wool, wheat and butter.

Extended Response | Labour Market



ESSAY PLAN

Explain how the Australian Government's labour market policies affect both the employed and the unemployed. In your response, refer to the economic information provided.

INTRODUCTION	- Define unemployment (refer to both employed and unemployed persons) - Define labour (critical input into production process) - Define labour market policies - Answer/expand upon question (refer to stimulus)
BODY 1 (TRENDS IN	- Identify trends in Australia's labour market (LM) - Reference shift from highly regulated/centralized wage fixation system to deregulated LM

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