

**PEARSON ECONOMICS 12**

**Australia in the  
Global Economy  
Workbook**

**ELEVENTH EDITION**

**Edited by:**

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With contributions from Michelle Mountford and Luke Goldman

## Pearson Australia

(a division of Pearson Australia Group Pty Ltd)  
459–471 Church Street, Level 1, Building B, Richmond, Victoria 3121  
PO Box 23360, Melbourne, Victoria 8012  
www.pearson.com.au

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First published 2023 by Pearson Australia  
2023 2022 2021

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Publishers: Simon Tomlin, Deborah Lombardo  
Project Manager: Michelle Thomas  
Production Editors: Virginia O'Brien, Laura Rentsch  
Editor: Piper Editorial  
Rights and Permissions Editor: Amirah Fatin Mohamed Sapi'ee  
Cover Design and Page Layout: Anne Donald  
Printed in Australia by the SOS Print + Media Group  
ISBN 9780655709350  
Pearson Australia Group Pty Ltd ABN 40 004 245 943



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We thank the following for their contributions to our text book:

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# About this book

This workbook aims to help you to develop your own skills of analysis and understanding as you move through the Year 12 Economics course. It is designed as a companion to *Australia in the Global Economy*, although it can be used with any Year 12 Economics textbooks based on the current syllabus. You can use it as you go through the Year 12 course, or just use it for practice questions when you are preparing for tests and exams.

The workbook has 18 chapters that align to the 18 chapters of *Australia in the Global Economy*. It is focused on Year 12-style multiple choice, short answer and extended response questions that test both your knowledge and skills, such as the ability to interpret economic graphs and data.

- Each chapter of the workbook contains 20 **multiple choice questions** designed to test key content. These also function as a practice set for the type of multiple choice questions asked in Year 12 Economics exams. The questions are graded to provide a selection of easy and difficult multiple choice questions.
- There are three **short answer questions** for each chapter worth 10 marks each. The short answer questions are designed to test the main syllabus content dot points and are a good way to ensure that you understand each topic in the course. You may also wish to revisit some of the short answer questions (especially the 4- and 5-mark questions) later when preparing for your examinations.
- Each chapter has a number of suggested **extended response topics** that are designed to test knowledge across syllabus topics. The questions are graded, beginning with easier descriptive questions to the more difficult analytical questions. These extended response questions are aimed at testing the parts of the syllabus that require students to examine economic issues – an area often overlooked by students but commonly tested in the Year 12 examination.
- Each chapter has a variety of **extension activities**. Some are designed to help make you comfortable with some of the more difficult calculations and theoretical aspects of the course by practising on commonly asked questions. Other skills activities also provide suggested frameworks to help you organise your study notes and draw out the linkages between key topics – a key economic skill.
- The suggested **class activities** can be used in class, but of course you may want to tackle these activities independently. The **independent research tasks** ask students to go beyond their textbook to gain a deeper understanding of key issues and policies in the domestic and global economies.
- Finally, the workbook contains three **practice exams** to help students prepare for their half-yearly, trial and Year 12 examinations. The half-yearly practice exam tests content from Topics 1 and 2. The trial and extension exams test content from the entire course. The extension examination provides a more challenging paper to students and is designed to provide an example of the more difficult economic questions and concepts that may be examined. The multiple choice questions in this paper are designed to be particularly challenging.

Our thanks to Michelle Mountford and Luke Goldman who contributed to this new edition of the workbook, and to the team at Pearson.

And most of all, thanks to the teachers and students whose support has bought this workbook to its eleventh edition – we hope it is a useful resource that makes your work just a little bit easier.

Tim Dixon

John O'Mahony

## Answers to this workbook

We have added enhanced answers to the workbook answers, including worked solutions for answers that require calculations and additional explanations for answers that require you to demonstrate a deeper understanding of key concepts and knowledge. These will allow you not only to confirm whether you arrived at the right or wrong answer but to understand why.

You can download the answers by following these simple steps:

**If you have access to *Australia in the Global Economy 2023 eBook*:**

After activating your code, you can find the workbook answers by clicking on the 'Explore resources' tab in your eBook.

**Alternatively, if you don't have an eBook:**

- 1 Go to: [www.pearsonplaces.com.au](http://www.pearsonplaces.com.au)
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- 4 Search for 'Australia in the Global Economy'
- 5 Click on 'Workbook answers' in the list.



**TOPIC**

**1**

# THE GLOBAL ECONOMY

◆ **Topic 1  
syllabus outcomes tested**

- H1** demonstrates understanding of economic terms, concepts and relationships
- H2** analyses the economic role of individuals, firms, institutions and governments
- H3** explains the role of markets within the global economy
- H4** analyses the impact of global markets on the Australian and global economies
- H5** discusses policy options for dealing with problems and issues in contemporary and hypothetical contexts
- H6** analyses the impact of economic policies in theoretical and contemporary Australian contexts
- H7** evaluates the consequences of contemporary economic problems and issues on individuals, firms and governments
- H8** applies appropriate terminology, concepts and theories in contemporary and hypothetical economic contexts
- H9** selects and organises information from a variety of sources for relevance and reliability
- H10** communicates economic information, ideas and issues in appropriate forms
- H11** applies mathematical concepts in economic contexts
- H12** works independently and in groups to achieve appropriate goals in set timelines

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# 1

# Introduction to the Global Economy

## Multiple Choice Questions

Select the alternative A, B, C or D that best answers the question. Write your answer in the box provided.

- 1 Which of the following is the most important difference between international investment flows and international financial flows?
- (A) International investment flows occur between developing countries whereas international financial flows occur between developed countries
  - (B) International investment flows are valued above US\$10bn whereas international financial flows are valued below US\$10bn
  - (C) The volume of international investment flows is larger than the volume of international financial flows
  - (D) International investment flows tend to be long-term whereas international financial flows tend to be short-term
- 2 Which of the following goods comprises the largest share of global trade?
- (A) Agriculture and raw materials
  - (B) Manufactured goods
  - (C) Fuels
  - (D) Ores and metals
- 3 Which is a likely consequence of an unequal distribution of global income in an economy?
- (A) Higher consumption in low-income countries
  - (B) Low Human Development Index (HDI) in high-income economies
  - (C) Low Gini coefficient in low-income countries
  - (D) Increased global migration of labour
- 4 Which of the following factors best explains the increased transmission of economic conditions from one country to another?
- (A) Countries with strong demand will spend more on imports, generating demand and growth in other countries
  - (B) Different levels of interest rates between countries
  - (C) Industries in smaller economies cannot achieve economies of scale to compete with industries in larger economies
  - (D) Most economies face common challenges such as technology change and population ageing

5 Which of the following best explains why global financial flows have grown rapidly during the globalisation era?

- (A) Technological change and financial deregulation
- (B) Financial deregulation and growth in global labour flows
- (C) The growth of the South Asian economies and trade barriers
- (D) The rise in transnational corporations and technological change

The table below shows estimated growth rates for different economies around the world. Use the table to answer questions 6 and 7.

	Region A	Region B	Region C	World
Year 1	4.3%	4.0%	2.3%	3.7%
Year 2	5.2%	4.5%	2.9%	4.4%
Year 3	6.3%	5.2%	2.0%	5.2%

6 Which region is least integrated with the international business cycle?

- (A) Region A
- (B) Region B
- (C) Region C
- (D) World

7 What is a likely cause of the change in the world growth rate from Year 1 to Year 3?

- (A) Decrease in transnational corporations
- (B) Decrease in foreign investment
- (C) Decrease in migration
- (D) Decrease in tariffs

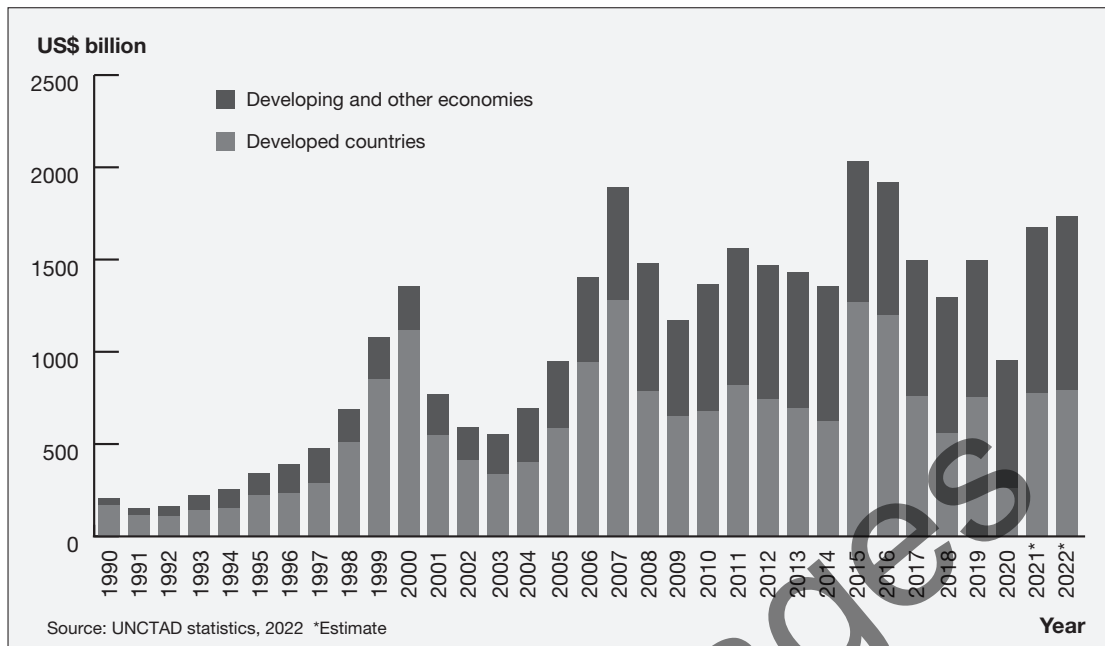
8 Which of the following best reflects the role of technology in the process of globalisation?

- (A) Advances in technology have increased communication and investment between economies, but reduced accessibility to businesses due to higher costs
- (B) Advancements in technology have allowed for greater integration between economies, and provided new opportunities for businesses to export their innovations
- (C) Technological developments have facilitated rapid growth in financial flows, but have not assisted with increasing accessibility to consumers or the tourism industry
- (D) Technological developments have increased costs for businesses by forcing them to invest in more advanced telecommunications and transportation methods

9 An Australian company is now able to communicate and interact with its overseas distributor around the clock, improving its efficiency. Which of the following features of globalisation is this an example of?

- (A) International investment
- (B) International goods trade
- (C) Technology, transport and communication
- (D) Transnational corporation

The following figure shows total world foreign direct investment (FDI) inflows for developed countries, and developing and other economies. Use the information to answer Question 10.



- 10** Based on the information above, which of the following statements is correct?
- (A) Developing and other economies have overtaken developed countries as a source of foreign direct investment
- (B) Foreign direct investment is supporting growth in developing and other economies
- (C) The share of foreign direct investment inflows to developing and other economies has increased
- (D) The majority of foreign direct investment inflows to developing countries flow to economies in Asia
- 11** Which of the following best describes the international division of labour?
- (A) Developing economies do manual tasks and advanced economies do skilled tasks
- (B) Transnational corporations use low-wage labour in tax havens
- (C) Transnational corporations use high-wage labour in the production process
- (D) Tasks in the production process are allocated to different workers around the world
- 12** Which of the following have been trends in international trade over the past two decades?
- (A) Manufacturing has declined as a share of total trade and East Asia's share of global trade has increased
- (B) Commercial services have increased as a share of total trade, and high income countries now account for a greater share of global trade
- (C) Fuels and minerals have increased as a share of total trade, and East Asia's share of global trade has decreased
- (D) Commercial services have decreased as a share of total trade, and high income countries now account for a smaller share of global trade
- 13** Which of the following best describes the role of transnational corporations (TNCs) in the integration of the global economy?
- (A) As TNCs increase production in other countries around the world, this worsens the environmental damage across different regions
- (B) As TNCs increase production in other countries around the world, this brings foreign investment and new technologies into different regions
- (C) Governments will set up subsidies or tax concessions to encourage TNCs to set up facilities in that country, which increases production in that region
- (D) TNCs increase the spread of social media and communication around the global economy



- 14** Which of the following is an advantage of globalisation?
- (A) Short-term unemployment increases
- (B) Consumers have access to a greater variety of products
- (C) Problems arising within one economy can have negative spillover effects on the entire global economy
- (D) There is a greater disparity in wealth
- 15** Which international organisation is most likely to intervene if a nation experiences a sudden financial crisis?
- (A) The World Bank
- (B) The United Nations
- (C) The World Trade Organisation
- (D) The International Monetary Fund
- 16** Which of the following best describes the concept known as the 'brain drain'?
- (A) High-skilled workers leaving developing economies to earn lower incomes in developed economies
- (B) Low-skilled workers leaving developing economies to earn higher incomes in developed economies
- (C) High-skilled workers leaving developing economies to earn higher incomes in developed economies
- (D) A reduction in government spending on public education
- 17** Which of the following statements best describes the brain-drain effect in the international labour market?
- (A) Increased use of social media is contributing to a decline in the intelligence and skills of workers around the world
- (B) Skilled workers migrate to countries that offer greater rewards for their talents, resulting in a shortage of skills in their home countries due to the outflow of workers
- (C) Companies offshore their production to low-income economies in order to take advantage of reduced labour costs by using unskilled workers
- (D) The brain drain effect is becoming less of a problem because of the increased flow of people across borders

Use the information in the table below about a hypothetical economy to answer question 18.

Year	GDP
1	\$1,100,000,000
2	\$1,150,000,000
3	\$1,140,000,000

- 18** Which of the following aspects of globalisation most likely caused the change in GDP from Year 2 to Year 3?
- (A) A downturn in the international business cycle
- (B) A new bilateral trade agreement
- (C) An increase in foreign direct investment
- (D) An increase in net migration inflows

**19** Which of the following best explains why global financial flows have grown rapidly during the globalisation era?

- (A) Technological change and financial deregulation
- (B) Financial deregulation and growth in global labour flows
- (C) The growth of the South Asian economies and trade barriers
- (D) The growing debt levels of many countries due to rising trade deficits

**20** Which of the following is most likely to weaken an economy's integration with the international business cycle?

- (A) A reduction in global trade
- (B) A reduction in interest rates
- (C) An increase in global financial flows
- (D) Policies of international organisations

### Short Answer Questions

Write your answer in the space provided.

**Question 1**

**(10 marks)**

“International trade performance was mixed in 2021. Merchandise trade bounced back, with global trade in goods surpassing the pre-pandemic level. Trade in services has remained subdued, however, as many cross-border services, particularly international travel and tourism, have yet to recover ... Although trade in services is yet to recover, it is expected to gradually improve as external demand patterns normalize.”

*– United Nations World Economic Situation and Prospects 2022, page viii*

**a)** Outline TWO reasons why countries engage in international trade.

**(2 marks)**

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**b)** Explain the role of technology in increasing world trade.

**(2 marks)**

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c) Identify THREE benefits of globalisation of the labour market. (3 marks)

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d) With reference to the quote on page 6, discuss recent trends in international trade in goods and services. (3 marks)

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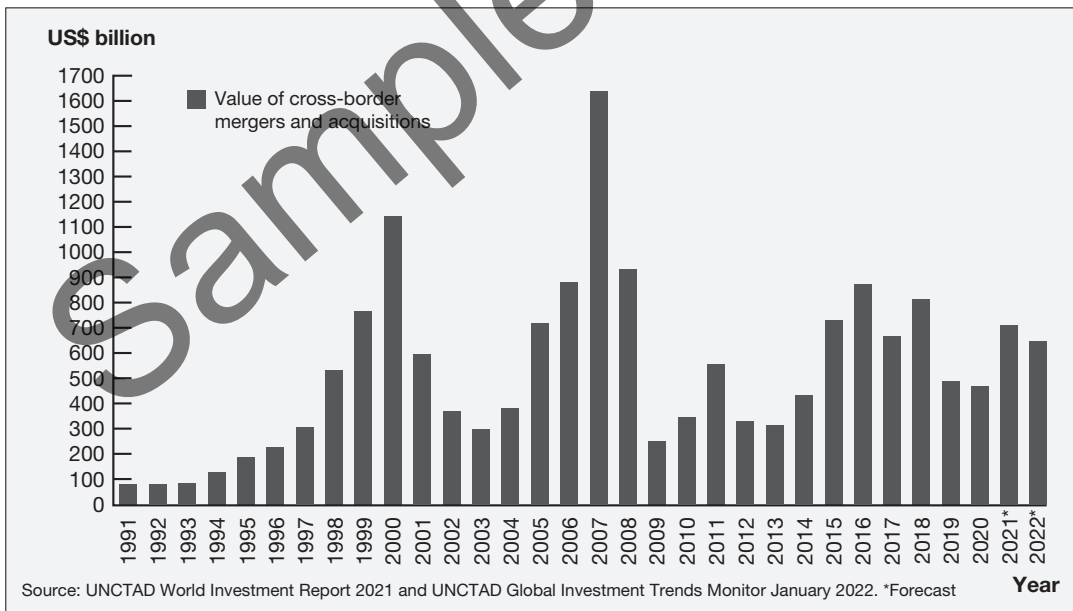
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Question 2 (10 marks)



Cross-border mergers and acquisitions

a) Outline TWO benefits of increased financial flows. (2 marks)

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**b)** Outline the relationship between international mergers and acquisitions and global economic conditions. (2 marks)

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**c)** Distinguish between financial flows and foreign direct investment. (2 marks)

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**d)** Analyse the role of the International Monetary Fund in promoting portfolio and foreign direct investment. (4 marks)

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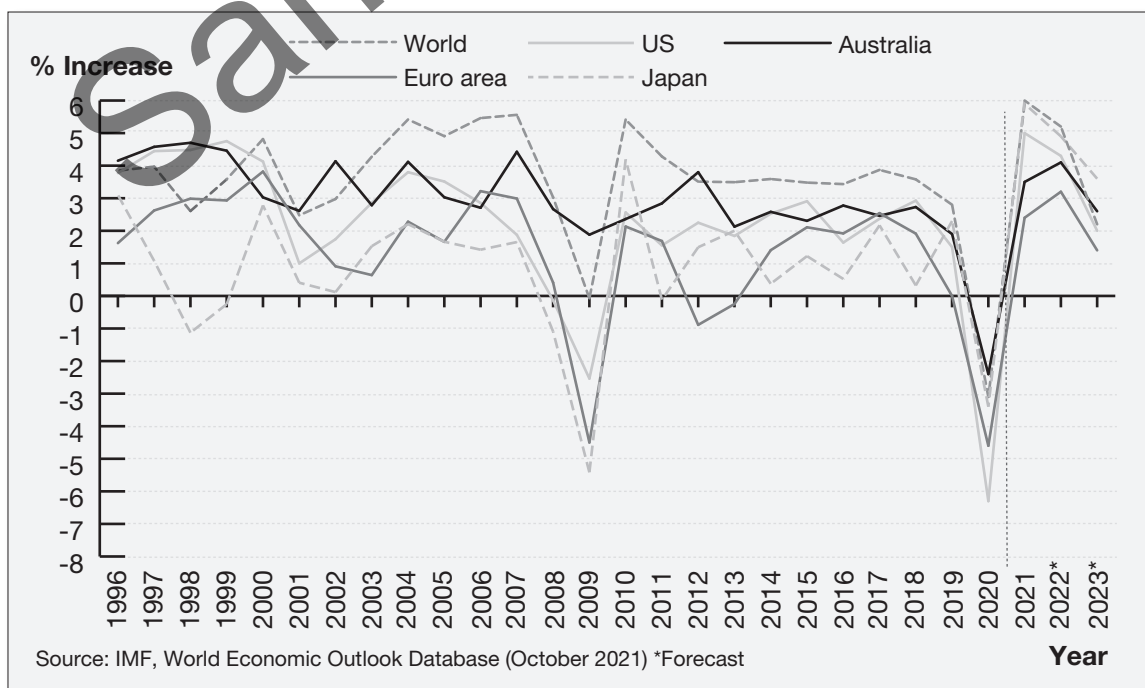
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**Question 3**

**(10 marks)**



**Economic growth performance of major economies**



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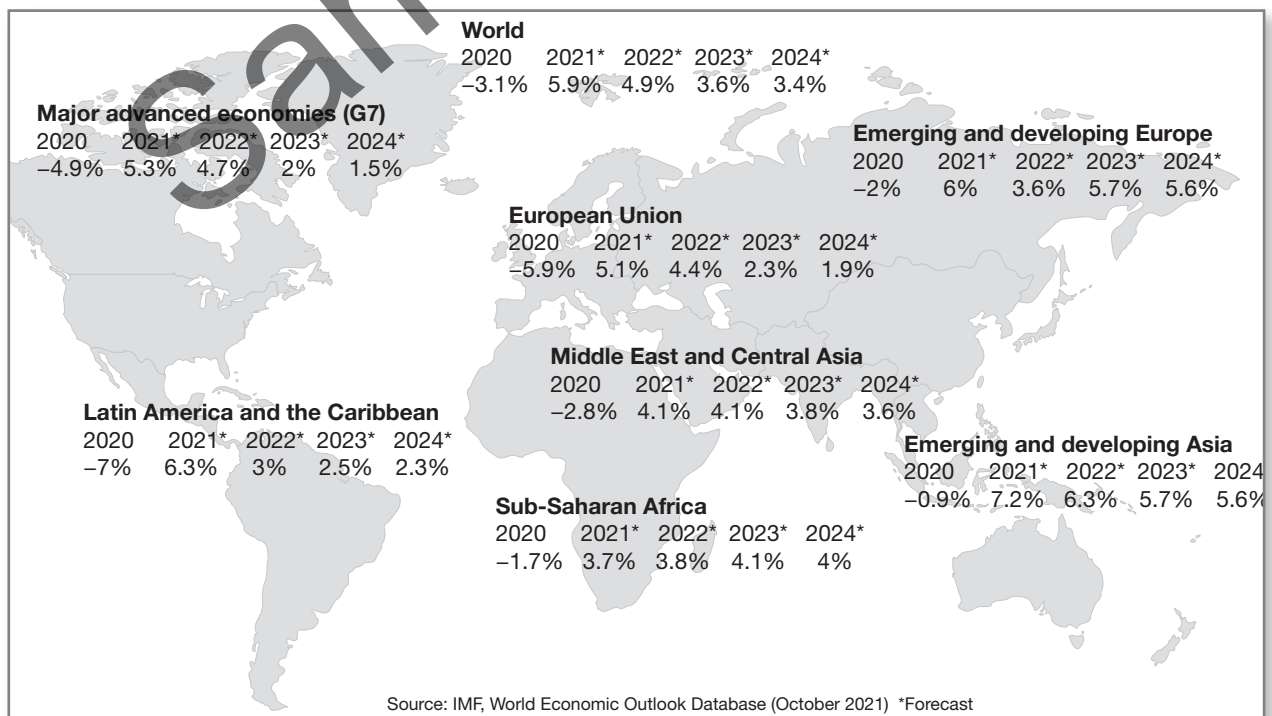
International Monetary Fund: [www.imf.org](http://www.imf.org)  
 World Bank: [www.worldbank.org](http://www.worldbank.org)  
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 United Nations: [www.un.org](http://www.un.org)  
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Note: As federal government departments were undergoing a restructure at time of printing, some web references and links may have been changed and/or updated.

# ca **classactivity**

## The Impact of Regional Business Cycles

The map below shows growth rates for selected regions around the world. Use the map as a stimulus for the class activity on the following page.



**Economic growth in selected regions**

Divide the class into five groups. Each group chooses ONE of the below regions. Within each group, use the stimulus provided for a brainstorming session about whether regional business cycles are experiencing a similar trend compared with world economic growth. Use the map on the previous page to stimulate your thinking about various regional business cycles and their recent trends.

Have one person in the group write down reasons for any similarities or differences within the table below. Other members in the group must be prepared to explain these factors to the rest of the class. When the groups have finished brainstorming, come together as a class to discuss which regions are more closely associated with the international business cycle, and the factors explaining this.

	Regional business cycle	Factors explaining similarities or differences with the international business cycle
Latin America and the Caribbean		
European Union		
Middle East and Central Asia		
Sub-Saharan Africa		
Emerging and developing Asia		

# sr skillsrevision

Define each of the concepts related to the international division of labour in the table below. Identify an example of that concept and briefly explain its impact on the country or countries in which they occur.

Concept	Definition	Example	Impact
International division of labour			
Net emigration			
Net immigration			
Brain drain			
Global supply chain			



# ir independentresearch

Conditions in the global economy change constantly, and the international business cycle plays an important role in changing global economic conditions. Changes in trade, labour, investment and financial flows can all contribute to the state of the international business cycle. In this task, you should conduct your own research using the internet to discover the major factors affecting the current performance of the global economy.

When conducting economic research, it is important to focus your research efforts on the most relevant and reliable information. The best sources for information about globalisation are the reports issued by international organisations. These can be found on their websites and are freely available to download. While the reports themselves can be lengthy and contain a lot of detail, the overviews and introductions of reports can often provide a useful summary of material relevant to topic 1 of the Year 12 syllabus.

*Hint:* Sometimes the websites of international organisations can be difficult to navigate, even if you know the publication you are looking for. It may be easier to perform an internet search for the publication title. To narrow down your search results, make sure you enclose the publication title in double quotation marks, for example, “*World Investment Report*”.

Use the following websites to find the major current influences on the international business cycle:

- **Recent trends in the international business cycle:** The International Monetary Fund (IMF), as part of its monitoring of the global economy, regularly publishes its *World Economic Outlook*, which summarises the major influences on the international business cycle over the upcoming years. Visit [www.imf.org](http://www.imf.org) and click on the “Publications” page.

Use the *World Economic Outlook* to outline the recent trends in the international business cycle, and the forecast for the next year.

- **Trade flows:** The World Trade Organisation (WTO) publishes a large amount of information on its website [www.wto.org](http://www.wto.org) on the “Documents, data and resources” page. You can access the WTO’s *Trade and tariff data* as well as information about recent trends in tariff rates. The WTO also regularly publishes its *World Trade Report* with information about recent trends in trade agreements, reductions in protection and global trade flows. For example, the World Bank published a report in January 2022 summarising the recent developments and economic outlook of the East Asia and Pacific region, a rapidly growing region of the world with considerable influence. Available at: <https://thedocs.worldbank.org/en/doc/cb15f6d7442eade4df75bb95c4fdec1b3-0350012022/related/Global-Economic-Prospect-Analysis-EAP.pdf>

Use the websites of the WTO and World Bank to outline the recent trends in global trade flows and examine their impact on the recent performance of the international business cycle.

- **Investment and Technology:** The United Nations Conference on Trade and Development (UNCTAD) regularly publishes its *World Investment Report*, which contains information about recent trends in global FDI flows and TNCs. Visit <https://unctad.org/topic/investment/world-investment-report> to find the latest report. The website also has information about TNCs and the role of investment and technology. You can also find out more about technology levels between different countries in the *World Development Indicators* report on the website of the World Bank.

Use the *World Investment Report* and the UNCTAD website to outline the recent trends in global investment flows and examine their impact on the recent performance of the international business cycle.

- **Migration:** The OECD Development Centre and the International Labour Organization, with support from the European Union, published a report on *How Immigrants Contribute to Developing Countries’ Economies*. The project provides empirical evidence on the multiple ways immigrants affect their host countries. Visit [https://www.oecd-ilibrary.org/development/how-immigrants-contribute-to-developing-countries-economies\\_9789264288737-en](https://www.oecd-ilibrary.org/development/how-immigrants-contribute-to-developing-countries-economies_9789264288737-en)
- Use the websites of the ILO and the OECD to outline recent trends in migration and labour and their relationship to the international business cycle.

Summarise your research in the table below:

Recent trends in the <b>international business cycle</b> :
Impact of <b>trade flows</b> on the international business cycle:
Impact of <b>financial flows</b> on the international business cycle:
Impact of <b>investment flows and technology</b> on the international business cycle:
Impact of <b>migration</b> and the international division of labour on the international business cycle:

Sample pages

# Trade in the Global Economy

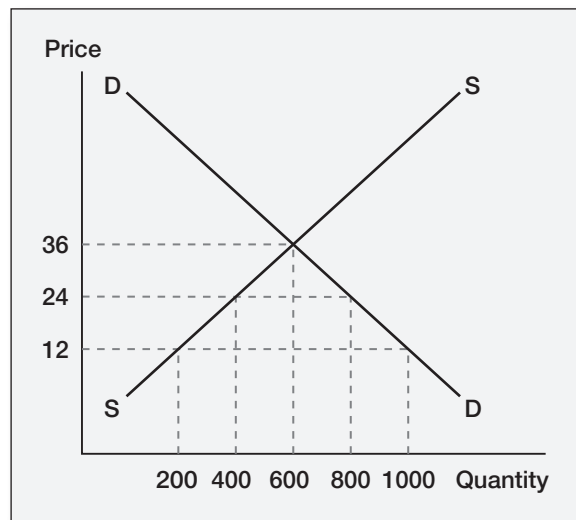
# 2

## Multiple Choice Questions

Select the alternative A, B, C or D that best answers the question. Write your answer in the box provided.

- 1 Which of the following international organisations is most likely to provide a low interest loan for infrastructure in a developing economy?
- (A) The International Monetary Fund
  - (B) The World Bank
  - (C) The World Trade Organisation
  - (D) The United Nations
- 2 Which of the following is a disadvantage of bilateral trade agreements?
- (A) Output may be diverted from domestic use to overseas exports
  - (B) Trade volumes between the member countries will decrease during a global downturn
  - (C) Bilateral trade agreements are converted into multilateral trade agreements, with no overall increase in trade
  - (D) Trade may be diverted away from economies that are the most efficient producers towards countries that have signed a bilateral agreement
- 3 Which of the following is a likely economic consequence of providing a subsidy?
- (A) Domestic producers will reduce the quantity produced of the good
  - (B) Resources in the economy will shift away from other areas towards the protected industry
  - (C) Subsidies allow governments to gain revenue from imposing a higher barrier to trade
  - (D) Consumers will pay a higher price and receive more goods, because the subsidy shifts the supply curve upwards
- 4 Which of the following are two arguments in favour of protectionist trade policies?
- (A) Prevention of dumping and self-sufficiency to improve national security
  - (B) Prevention of dumping and accelerated innovation
  - (C) More efficient allocation of resources and self-sufficiency to improve national security
  - (D) Protecting Australian jobs and more efficient allocation of resources

The diagram shows the impact of a tariff in a hypothetical economy. Use the diagram to answer questions 5–7.



Tariff protection

5 What is the size of the tariff?

- (A) \$6
- (B) \$12
- (C) \$18
- (D) \$200

6 What is the quantity of imports before the imposition of the tariff?

- (A) 100
- (B) 200
- (C) 500
- (D) 800

7 What is the value of government revenue from the tariff?

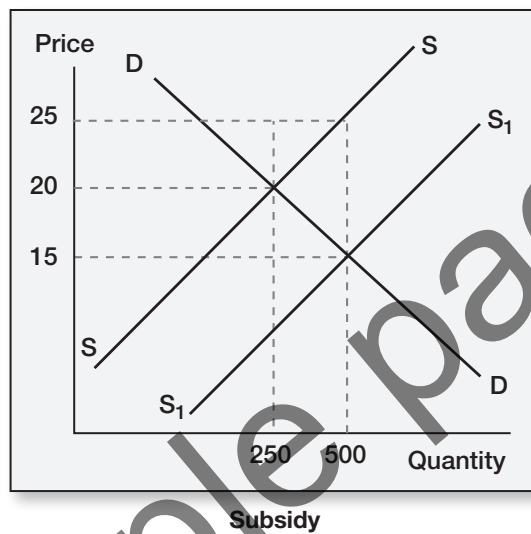
- (A) \$2400
- (B) \$4800
- (C) \$6000
- (D) \$9600

8 Which of the following best describes the practice known as dumping?

- (A) Foreign firms selling goods in a domestic market
- (B) Foreign firms selling goods in a domestic market cheaper than local markets
- (C) Foreign firms selling higher quality goods in a domestic market than local producers
- (D) Foreign firms selling more goods in a domestic market than local producers

- 9 Which of the following best describes why an improvement in the allocation of resources is regarded as an advantage of free trade?
- (A) The principle of comparative advantage states that trade allows resources to shift to the areas of production where an economy is more efficient
  - (B) The principle of absolute advantage states that economies should produce at the lowest point on the average cost curve
  - (C) The principle of *ceteris paribus* states that centrally planned economies achieve more stable economic growth rates over time
  - (D) The principle of diminishing marginal returns suggests that an economy benefits from diversification of its export industries

The diagram below shows the impact of a subsidy on a hypothetical economy. Use the diagram to answer questions 10–11.



- 10 What is the decrease in market price due to the subsidy?

- (A) \$5
- (B) \$10
- (C) \$20
- (D) \$250

- 11 What is the cost of the subsidy to the government?

- (A) \$1000
- (B) \$2500
- (C) \$4500
- (D) \$5000

- 12 Which of the following best describes the main role of the G20 in the global economy?

- (A) Funding infrastructure in developing countries
- (B) Increasing the growth of global trade through reducing protectionist policies
- (C) Maintaining the stability of the financial system
- (D) Helping coordinate the efforts of major economies to sustain economic growth

- 13** Which of the following involves a reduction in overall levels of protection?
- (A) A reduction in an import quota
  - (B) An increase in a tariff
  - (C) A decrease in a subsidy
  - (D) An increase in the minimum percentage of local inputs required in production
- 
- 14** Consider a situation where a dispute arises between the United States and India over subsidies provided to agricultural producers. Which of the following institutions is most likely to intervene in this dispute?
- (A) The World Bank
  - (B) The United Nations
  - (C) The OECD
  - (D) The World Trade Organisation
- 
- 15** Which of the following is an example of a multilateral trade agreement?
- (A) The Malaysia-Australia Free Trade Agreement
  - (B) The G7
  - (C) The ASEAN-Australia-New Zealand Free Trade Agreement
  - (D) The North Atlantic Treaty Organisation
- 
- 16** Which method of protection is a government most likely to implement if it wants to protect domestic producers while also raising revenue?
- (A) Quota
  - (B) Tariff
  - (C) Subsidy
  - (D) Local content rule
- 
- 17** When is it advantageous for two economies to trade with each other?
- (A) When one economy can produce a greater quantity of products than the other economy
  - (B) When one economy can produce one product at a lower production cost than the other economy
  - (C) When one economy has a lower exchange rate than the other economy
  - (D) When one economy can produce one product at a lower opportunity cost than the other economy
- 
- 18** What is the most likely effect of an increase in import quotas on an economy?
- (A) An increase in the general price level
  - (B) An increase in competition for domestic producers
  - (C) A decrease in government revenue
  - (D) A decrease in the market share of foreign producers
-

- 19** Which of the following distinguishes a trading bloc from a trade agreement?
- (A) A trading bloc imposes protectionist trade barriers on non-member nations
  - (B) A trading bloc does not impose protectionist trade barriers on non-member nations
  - (C) A trading bloc occurs within a regional area, whereas a trade agreement can occur between economies all around the world
  - (D) A trading bloc occurs within a regional area, whereas a trade agreement occurs between two economies only
- 20** Which of the following is an advantage of multilateral trade agreements over bilateral trade agreements?
- (A) Multilateral agreements are faster to negotiate than bilateral agreements
  - (B) Multilateral agreements are easier to implement than bilateral agreements
  - (C) Multilateral agreements tend to result in a greater reduction of global protection
  - (D) Multilateral agreements tend to result in a greater reduction of trade

### Short Answer Questions

Write your answer in the space provided.

**Question 1** **(10 marks)**

**a)** Identify ONE bilateral and ONE multilateral trade agreement of which Australia is a member. (2 marks)

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**b)** Define the terms *free trade* and *protection*. (2 marks)

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**c)** Explain the role of the World Trade Organisation in the global economy. (3 marks)

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- d) Compare the role of the International Monetary Fund and the World Bank in the global economy. (3 marks)

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**Question 2 (10 marks)**

	Japan	Turkey
Beer (million litres)	80	40
Cotton (thousand tonnes)	45	30

**Production possibilities for Japan and Turkey**

- a) Calculate the opportunity cost of producing beer in Japan. (1 mark)

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- b) Identify which economy has a comparative advantage in the production of cotton. (1 mark)

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- c) Distinguish between a *comparative advantage* and an *absolute advantage*. (2 marks)

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- d) Identify TWO reasons for imposing protectionist policies in an economy. (2 marks)

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- e) Briefly outline TWO advantages and TWO disadvantages of free trade. (4 marks)

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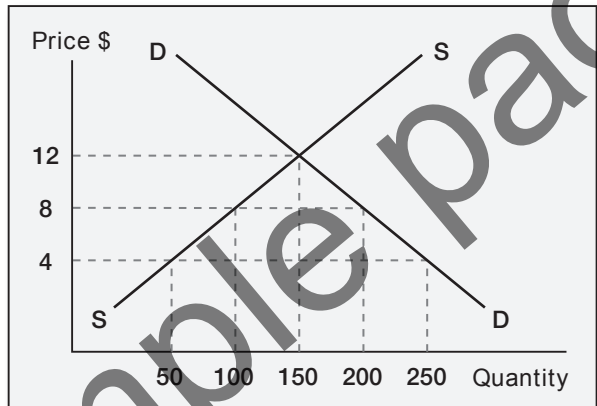
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**Question 3** (10 marks)

The figure below depicts the market for the production of a certain type of face masks. The price for face masks on the global market is \$4, while the local price for face masks is \$8 after the imposition of a tariff.



- a) Calculate the government revenue from imposing a tariff on face masks, as shown in the figure above. (2 marks)

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- b) Outline TWO economic effects of a government implementing a quota on imports. (2 marks)

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- c) Outline TWO reasons why the government might impose a tariff on the importation of face masks. (2 marks)

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d) Analyse the effects of protectionist policies on a domestic economy.

(4 marks)

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## er extended response

- 1 Discuss the impact of the expansion in the number of preferential trade agreements on the global economy.
- 2 Assess the role of international organisations in promoting free trade in the global economy.
- 3 Explain the different methods of protection available to governments and discuss their effects on the domestic economy.
- 4 Evaluate the arguments for and against free trade and protection.
- 5 Analyse the impact of protectionist policies on globalisation.

## wl weblinks

World Trade Organisation: [www.wto.org](http://www.wto.org)

World Bank: [www.worldbank.org](http://www.worldbank.org)

International Monetary Fund: [www.imf.org](http://www.imf.org)

The European Union: [www.europa.eu](http://www.europa.eu)

Association of Southeast Asian Nations: [www.asean.org](http://www.asean.org)

Asia-Pacific Economic Cooperation forum: [www.apec.org](http://www.apec.org)

Organisation for Economic Cooperation and Development: [www.oecd.org](http://www.oecd.org)

Group of Twenty Nations: [www.g20.org](http://www.g20.org)

Australian Government Department of Foreign Affairs and Trade: [www.dfat.gov.au/trade](http://www.dfat.gov.au/trade)

Fairtrade Foundation: [www.fairtrade.org.uk](http://www.fairtrade.org.uk)

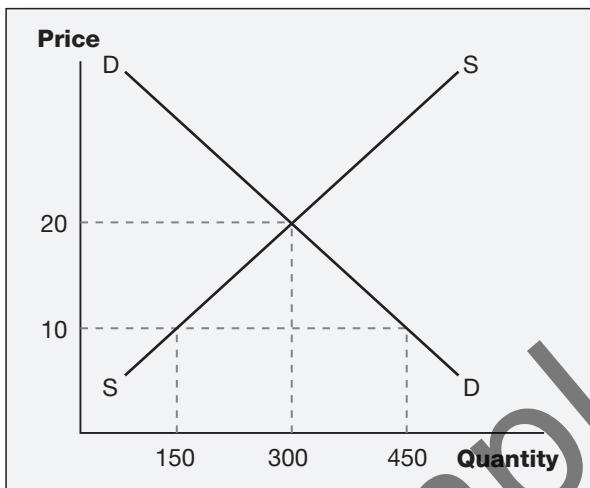
Note: As federal government departments were undergoing a restructure at time of printing, some web references and links may have been changed and/or updated.

# sr skillsrevision

The following exercises are designed to increase your familiarity with tariff, subsidy and quota diagrams. The aim of these exercises is to make students comfortable with the level of detail in each diagram and ensure that students can answer the most common questions associated with protection diagrams.

*Hint:* When answering the questions, remember that revenue is equal to price multiplied by quantity:  $R = P \times Q$ . The demand curve represents domestic consumer demand, and the supply curve represents domestic supply.

## The Market with Free Trade



An import-competing market

Calculate the following:

Price without free trade .....

World price (the price with free trade).....

Quantity supplied without free trade .....

Quantity supplied with free trade.....

Quantity demanded with free trade.....

Quantity of imports with free trade.....

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Domestic supplier revenue without free trade.....

.....

Domestic supplier revenue with free trade.....

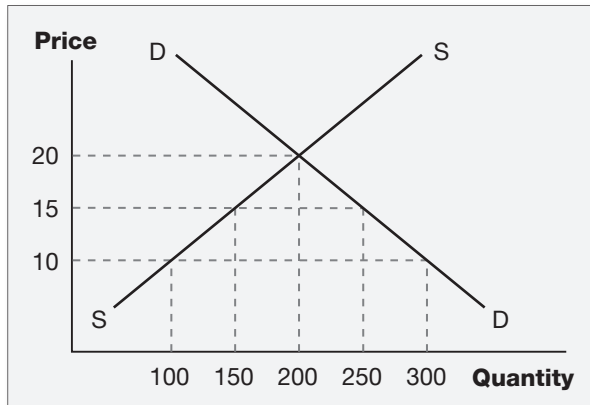
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*Extension:* Why is this an import-competing market?

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## The Tariff Diagram



**Market for a Good**

**Calculate the following (with free trade):**

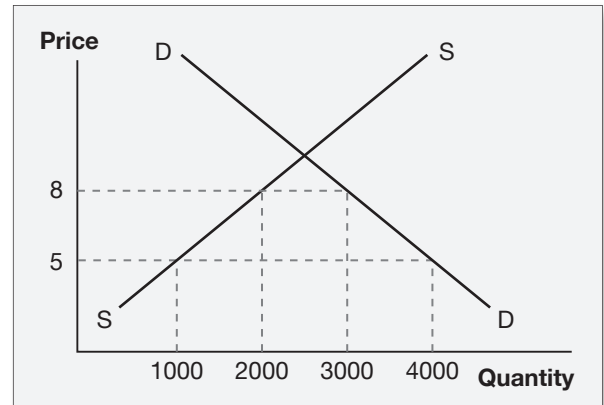
- World price.....
- Quantity supplied at world price.....
- Quantity demanded at world price.....
- Quantity of imports before the tariff.....
- Domestic supplier revenue before the tariff.....

**Calculate the following (after the tariff):**

- Size of the tariff.....
- Price after the tariff.....
- Quantity supplied after the tariff.....
- Quantity demanded after the tariff.....
- Quantity of imports after the tariff.....
- Price received by domestic firms after the tariff.....
- Price received by foreign producers.....
- Domestic supplier revenue after the tariff.....

**Impacts of the tariff:**

- Loss of consumer choice (fall in quantity demanded).....
- Gain to domestic producer revenue.....
- Government revenue.....
- Decrease in imports.....
- Extension:* Loss of revenue to foreign producers.....



**Market for a Good**

**Calculate the following (with free trade):**

- World price.....
- Quantity supplied at world price.....
- Quantity demanded at world price.....
- Quantity of imports before the tariff.....
- Domestic supplier revenue before the tariff.....

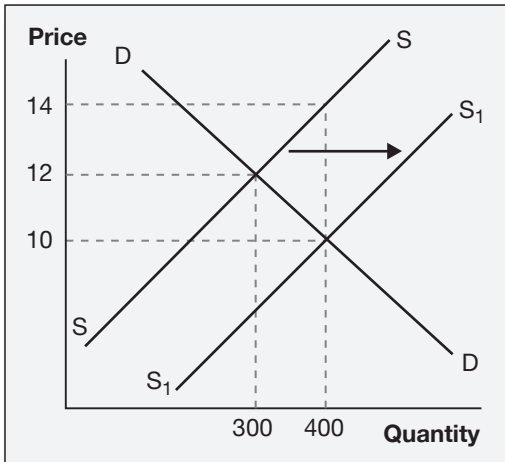
**Calculate the following (after the tariff):**

- Size of the tariff.....
- Price after the tariff.....
- Quantity supplied after the tariff.....
- Quantity demanded after the tariff.....
- Quantity of imports after the tariff.....
- Price received by domestic firms after the tariff.....
- Price received by foreign producers.....
- Domestic supplier revenue after the tariff.....

**Impacts of the tariff:**

- Loss of consumer choice (fall in quantity demanded).....
- Gain to domestic producer revenue.....
- Government revenue.....
- Decrease in imports.....
- Extension:* Loss of revenue to foreign producers.....

## The Subsidy Diagram



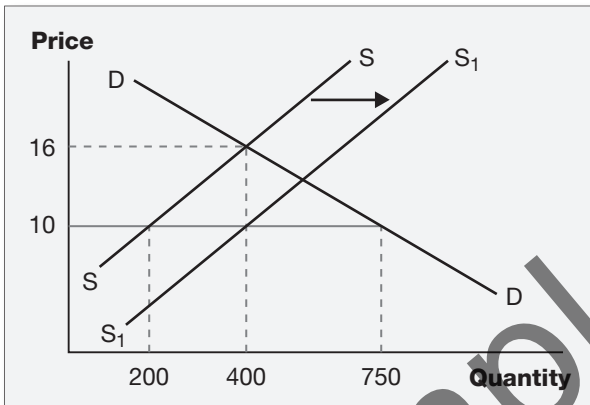
A subsidy diagram for a domestic market

Calculate the following:

- Equilibrium price before the subsidy.....
- Equilibrium quantity before the subsidy.....
- Equilibrium price after the subsidy.....
- Size of the subsidy.....
- Equilibrium quantity after the subsidy.....
- Increase in quantity due to the subsidy.....
- Government expenditure on the subsidy scheme in the market  
(Hint: Expenditure = Price of Subsidy × Quantity)

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A subsidy diagram for an import-competing market

Calculate the following:

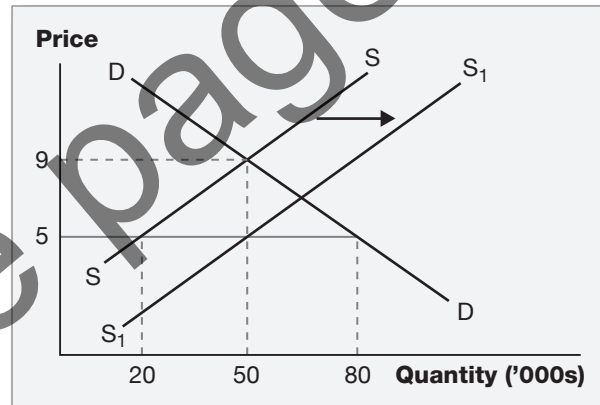
- World price.....
- Quantity demanded at world price.....
- Quantity supplied before the subsidy.....
- Imports before the subsidy.....

Calculate the following (after the subsidy):

- Size of the subsidy.....
- Quantity supplied after the subsidy.....
- Imports after the subsidy.....

Impacts of the subsidy:

- Government expenditure on the subsidy.....
- .....
- Increase in domestic market share.....
- Decrease in imports.....



A subsidy diagram for an import-competing market

Calculate the following:

- World price.....
- Quantity demanded at world price.....
- Quantity supplied before the subsidy.....
- Imports before the subsidy.....

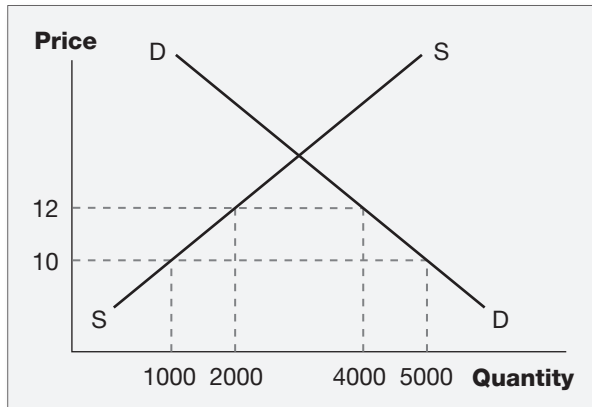
Calculate the following (after the subsidy):

- Size of the subsidy.....
- Quantity supplied after the subsidy.....
- Imports after the subsidy.....

Impacts of the subsidy:

- Government expenditure on the subsidy.....
- .....
- Increase in domestic market share.....
- Decrease in imports.....

## The Quota Diagram



Market for a Good

**Calculate the following (with free trade):**

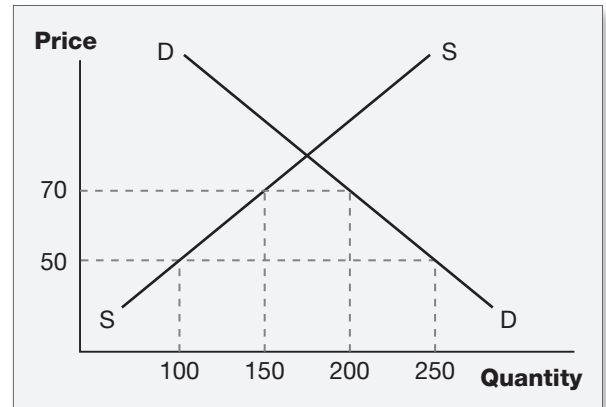
- World price .....
- Quantity supplied at world price .....
- Quantity demanded at world price .....
- Quantity of imports before the quota .....
- Domestic supplier revenue before the quota .....
- .....
- Overseas producer revenue before the quota .....
- .....

**Calculate the following (after the quota):**

- Size of the quota .....
- Price after the quota .....
- Increase in price due to the quota .....
- Quantity supplied after the quota .....
- Quantity demanded after the quota .....
- Domestic supplier revenue after the quota .....
- .....
- Overseas producer revenue after the quota .....
- .....

**Impacts of the quota:**

- Loss of consumer choice (fall in quantity demanded).....
- .....
- Gain to domestic producer revenue .....
- .....
- Decrease in imports .....
- Loss of revenue to foreign producers .....
- .....



Market for a Good

**Calculate the following (with free trade):**

- World price .....
- Quantity supplied at world price .....
- Quantity demanded at world price .....
- Quantity of imports before the quota .....
- Domestic supplier revenue before the quota .....
- .....
- Overseas producer revenue before the quota .....
- .....

**Calculate the following (after the quota):**

- Size of the quota .....
- Price after the quota .....
- Increase in price due to the quota .....
- Quantity supplied after the quota .....
- Quantity demanded after the quota .....
- Domestic supplier revenue after the quota .....
- .....
- Overseas producer revenue after the quota .....
- .....

**Impacts of the quota:**

- Loss of consumer choice (fall in quantity demanded).....
- .....
- Gain to domestic producer revenue .....
- .....
- Decrease in imports .....
- Loss of revenue to foreign producers .....
- .....

# ca classactivity

## International Organisations

For this activity, divide the class into small groups. Each group should research one international organisation and fill out the information topics in the table. Each group should then give a 3–5 minute presentation on their findings to the class. Students can take notes to fill in the rest of the table when other groups are presenting.

International organisation	Role in the global economy	Recent developments	Effectiveness
International Monetary Fund			
World Trade Organisation			
World Bank			
OECD			
G7 and G20			
United Nations			

# 3

# Globalisation and Economic Development

## Multiple Choice Questions

Select the alternative A, B, C or D that best answers the question. Write your answer in the box provided.

- 1 Which of the following is a measure of economic development?
- (A) GDP per capita
  - (B) Real GDP per capita
  - (C) Real GDP per capita adjusted for purchasing power parity
  - (D) Human Development Index
- 2 Which of the following is a potential strategy a government may use to promote economic growth and development?
- (A) Introduce new programs to improve education
  - (B) Terminate a regional free trade agreement
  - (C) Impose new restrictions on foreign investment in certain industries
  - (D) Nationalise strategic industries such as mining and energy
- 3 What is the most pronounced impact of globalisation on the international business cycle?
- (A) More similar trends in economic growth between economies
  - (B) Less similar trends in economic growth between economies
  - (C) More similar income levels between economies
  - (D) Less similar income levels between economies
- 4 Which of the following is a factor within developing economies that causes differences in living standards between economies?
- (A) Concentration of financial flows towards developed economies
  - (B) Exclusion of developing economies from regional trading agreements
  - (C) Higher levels of foreign debt in developed economies
  - (D) Lower levels of education in developing economies



- 5 Which of the following distinguishes the performance of advanced economies from developing economies in recent years?
- (A) Developing economies have higher levels of economic development
  - (B) Most developing economies are in Africa while most advanced economies are in East Asia
  - (C) Developing economies tend to have higher levels of economic growth
  - (D) Advanced economies have high population growth while developing economies have low population growth

The following table shows the Human Development Index (HDI) for various regions around the world. Use it to answer Question 6.

Arab States	East Asia and the Pacific	Europe and Central Asia	Latin America and the Caribbean	South Asia	Sub-Saharan Africa	World
0.705	0.747	0.791	0.766	0.641	0.547	0.737

Source: Human Development Report 2020

- 6 According to the table, which geographic region has the highest level of human development?
- (A) Latin America and the Caribbean
  - (B) Europe and Central Asia
  - (C) Sub-Saharan Africa
  - (D) World
- 7 Which of the following is a common feature of transnational corporations?
- (A) Headquarters established in developing economies
  - (B) Contribute to investment flows into developing economies
  - (C) Operate in monopoly markets
  - (D) Concentrate production in advanced economies
- 8 Which of the following best describes the distribution of global income and wealth?
- (A) Global wealth is more unevenly distributed than global income
  - (B) 1 per cent of the world's population owns 10 per cent of global wealth
  - (C) Global wealth is more evenly distributed than global income
  - (D) Low-income economies account for half of global population but less than 1 per cent of global income
- 9 How is real gross national income (GNI) measured?
- (A) Total value added by all resident producers plus export income
  - (B) The value of all income received by a country's residents
  - (C) Total value added by all resident producers plus receipts of primary income from foreign sources, adjusted for inflation
  - (D) The sum of primary income for all residents, adjusted for inflation

- 10** Which of the following is true of the relationship between economic growth and economic development?
- (A) Countries with high levels of economic growth always achieve significant improvements in economic development
  - (B) Emerging economies have experienced improvements in both economic growth and development resulting in higher income levels and quality of life
  - (C) Advanced economies suffer from lower levels of economic development despite experiencing high growth because the benefits of growth are not distributed evenly
  - (D) Developing economies have higher levels of development than emerging economies
- 
- 11** Which of the following has occurred in the global economy during the globalisation era?
- (A) Absolute poverty levels have fallen while global inequality levels have risen
  - (B) Absolute poverty levels have fallen and global inequality levels have fallen
  - (C) Absolute poverty levels have risen and global inequality levels have risen
  - (D) Absolute poverty levels have risen while global inequality levels have fallen
- 
- 12** Which of the following is a limitation of free trade agreements in reducing global inequality?
- (A) Free trade agreements are only negotiated between advanced economies
  - (B) High administrative costs of implementing and enforcing free trade agreements limits their effectiveness for developing nations
  - (C) Free trade agreements are not effective in lowering tariffs on agricultural products, which represent the majority of production for developing economies
  - (D) Free trade agreements result in structural change, disadvantaging lower-skilled workers in developing countries
- 
- 13** Which of the following is a possible positive impact of globalisation on the natural environment?
- (A) Globalisation makes it easier for countries to address environmental problems at a global level
  - (B) Globalisation reduces pressure on the use of non-renewable resources in an economy
  - (C) Globalisation encourages governments to pursue short-term economic gains at the expense of their environment
  - (D) Globalisation prevents governments from developing policies which harm the environment
- 
- 14** Which of the following is a result of increased technology flows throughout the global economy?
- (A) Developing nations have benefited the most from technological advancements in pharmaceutical products due to the high prevalence of infectious diseases
  - (B) Advances in technology facilitate increased trade within the global economy, by reducing communications and transport costs
  - (C) Advanced economies profit by selling advanced manufactures to developing economies
  - (D) Developing economies generate new technological developments more quickly than advanced economies
- 
- 15** Which of the following contributes to global inequality between nations?
- (A) Foreign aid flows
  - (B) Foreign direct investment which benefits advanced economies more than emerging economies
  - (C) Increased financial market volatility which has greater impacts on developing economies
  - (D) High levels of immigration which reduce wages in advanced economies
-

- 16** Which of the following is an example of a negative impact of globalisation on a developing country?
- (A) Increased financial instability in advanced economies
- (B) The faster introduction of new technologies
- (C) Increased income inequality between higher and lower income groups
- (D) Increased poverty amongst populations in urban regions
- 17** Which of the following explains why economists adjust the national incomes of economies to make allowance for purchasing power parity (PPP)?
- (A) To take into account life expectancy at birth and the level of educational attainment for a nation
- (B) To reflect how national income is distributed across the economy
- (C) To reflect the impacts of inflation on purchasing power
- (D) To reflect the domestic purchasing power of income by adjusting for exchange rates
- 18** Which of the following best explains why a nation may have relatively high levels of economic growth, but relatively low economic development?
- (A) Individuals receive large social welfare payments
- (B) Individuals face a high level of income tax
- (C) The nation has unequal distribution of income
- (D) The nation has a low level of corruption
- 19** Which of the following best describes how the Human Development Index is derived?
- (A) Life expectancy at birth, educational attainment and GDP per capita
- (B) Life expectancy at birth, environmental quality and GNI per capita
- (C) Life expectancy at birth, educational attainment and GNI per capita
- (D) Infant mortality rate, educational attainment and GNI per capita
- 20** Which of the following are common characteristics of emerging economies?
- (A) Growing agricultural sector, volatile financial markets, democratic governments
- (B) Shrinking agricultural sector, increasing tariff levels, growth in imports
- (C) Growing services sector, volatile financial markets, democratic governments
- (D) Growing manufacturing sector, high economic growth, growth in exports

## Short Answer Questions

Write your answer in the space provided.

### Question 1

(10 marks)

- a)** Explain why a country with a high Gross National Income (GNI) may not necessarily have a high Human Development Index (HDI). (1 mark)

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- b)** Identify THREE adjustments to Gross National Income that improve the use of this measure when comparing income in different countries. (3 marks)

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- c)** Identify and explain TWO domestic factors that contribute to global inequality. (3 marks)

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- d)** Discuss the significance of the global trade system in contributing to global inequality. (3 marks)

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**Question 2** (10 marks)

- a)** Distinguish between developing and emerging economies. (2 marks)

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Sample pages

- b)** Outline THREE characteristics of advanced economies. (3 marks)

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- c)** Evaluate the impact of globalisation on developing countries. (5 marks)

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**Question 3** (10 marks)

- a)** Identify the international economic organisation whose primary role is to help low income countries improve their economic development. (1 mark)

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- b)** Identify TWO limitations of global aid in reducing global inequality. (2 marks)

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- c)** Explain how the Sustainable Development Goals promote economic development in the global economy. (2 marks)

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- d) For an economy other than Australia, analyse the strategies used by the government in response to globalisation.

(5 marks)

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# er extended response

- 1 Outline how trade, finance and transnational corporations have affected the international business cycle and environmental sustainability.
- 2 Outline how economic growth and development are measured and the different categories of economic development.
- 3 Assess the effectiveness of global aid and assistance in addressing global inequality.
- 4 With reference to BOTH Australia AND one other economy, analyse the effects of globalisation on economic growth and development.

# wi weblinks

World Bank: [www.worldbank.org](http://www.worldbank.org)

United Nations Conference on Trade and Development: [www.unctad.org](http://www.unctad.org)

United Nations Development Program: [www.undp.org](http://www.undp.org)

United Nations Economic and Social Council: [www.un.org/en/ecosoc](http://www.un.org/en/ecosoc)

Asian Development Bank: [www.adb.org](http://www.adb.org)

Oxfam International: [www.oxfam.org](http://www.oxfam.org)

New Internationalist magazine: [www.newint.org/magazine](http://www.newint.org/magazine)

The Global Goals for Sustainable Development: [www.globalgoals.org](http://www.globalgoals.org)

Note: As federal government departments were undergoing a restructure at time of printing, some web references and links may have been changed and/or updated.

# sr skillsrevision

Summarise the impacts of globalisation across the various indicators listed below. Consider both the positive and negative impacts of globalisation.

	Positive impacts	Negative impacts
Economic growth		
Economic development		
Income inequality		
Globalisation of financial markets		
Environmental sustainability		

# ca classactivity

## Sustainable Development Goals

The United Nations' 17 Sustainable Development Goals address key global challenges including poverty, inequality, climate change, environmental degradation, peace and justice. These goals were developed as part of the 2030 Agenda for Sustainable Development, which was adopted by all United Nations Member States in 2015.

In small groups, select one or more of the Sustainable Development Goals to research. Consider:

- What is the key issue being addressed by this goal?
- How does this issue affect developing and emerging economies?
- How does this issue affect advanced economies?
- What does success look like?
- What progress has been made on this goal?
- What further action is required?

The following websites provide useful information:

- The United Nations website details each of the Sustainable Development Goals: <https://www.un.org/sustainabledevelopment/sustainable-development-goals/>
- The Global Change Data Lab's 'SDG Tracker' presents charts and data on progress towards the Sustainable Development Goals: <https://sdg-tracker.org/>
- Monash University's 'Transforming Australia' research tracks Australia's progress on the Sustainable Development Goals: <https://www.sdgtransformingaustralia.com/>

When the groups have finished making notes, come together as a class. Each group will present an overview of the goal(s) they have researched, and other students can take notes. As a class, discuss the value of global co-operation in improving global economic development, and the role of the Sustainable Development Goals in reducing global inequality.

Sustainable Development Goals	
Goal 1	End poverty in all its forms everywhere
Goal 2	End hunger, achieve food security and improved nutrition and promote sustainable agriculture
Goal 3	Ensure healthy lives and promote well-being for all at all ages
Goal 4	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
Goal 5	Achieve gender equality and empower all women and girls
Goal 6	Ensure availability and sustainable management of water and sanitation for all
Goal 7	Ensure access to affordable, reliable, sustainable and modern energy for all
Goal 8	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
Goal 9	Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation
Goal 10	Reduce inequality in and among countries
Goal 11	Make cities and human settlements, safe, resilient and sustainable
Goal 12	Ensure sustainable consumption and production patterns
Goal 13	Take urgent action to combat climate change and its impacts
Goal 14	Conserve and sustainably use the oceans, seas and marine resources
Goal 15	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification and halt and reverse land degradation and halt biodiversity loss
Goal 16	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
Goal 17	Strengthen the means of implementation and revitalise the global partnership for sustainable development



# ir independentresearch

## Researching Your Case Study

### STEP ONE: CHOOSING YOUR COUNTRY

- Think about researching an emerging or developing economy. Some of the best economies for a case study can be found in the following regions:
  1. South-East Asia – Indonesia, Thailand, Vietnam, etc.
  2. Latin America – Argentina, Brazil, Chile, etc.
  3. Sub-Saharan Africa – Kenya, Mali, South Africa, etc.

These economies have generally experienced some positives associated with globalisation, but have also been faced with challenges to economic policy – a very important aspect of your case study.
- Advanced economies have a disadvantage as they tend to have mainly experienced the positives of globalisation and provide less of a contrast with the Australian economy. Also remember you will need to be able to find data on recent performance as well as economic policy.

### STEP TWO: RESEARCHING YOUR COUNTRY

- The best place to start is with books and reports that will give you a good overview of the overall performance of a country. For example, look at the International Monetary Fund's *World Economic Outlook*, the *World Development Indicators* or the *CIA World Factbook*.
- Some useful websites include:
 

<a href="http://www.wto.org">www.wto.org</a>	<a href="http://www.imf.org">www.imf.org</a>	<a href="http://www.worldbank.org">www.worldbank.org</a>	<a href="http://www.oecd.org">www.oecd.org</a>
<a href="http://www.unctad.org">www.unctad.org</a>	<a href="http://www.dfat.gov.au">www.dfat.gov.au</a>	<a href="https://www.cia.gov/the-world-factbook/">https://www.cia.gov/the-world-factbook/</a>	

The central bank and other government websites for your country may also be useful.
- Finally, look at some magazine or newspaper articles to get a picture of what is currently happening in your case study. Some good sources include: *The Economist*, *Foreign Policy*, and newspapers such as the *Australian Financial Review*.

### STEP THREE: WRITING YOUR REPORT

- A good structure for your report is to examine how globalisation has impacted your economy in terms of the dot points in the syllabus under the heading "Globalisation and economic development".
- Some of these dot points overlap, so you may be able to group some together, such as in the following example:
 

**Growth:** What have been recent trends and what have been the impacts of globalisation on this growth level? To what extent are they influenced by the international business cycle?

**Economic development and income inequality:** Although a country may have experienced high rates of growth, this may not have translated into benefits for the people of that country. Make sure you consider a range of quality of life measures such as poverty levels, literacy and infant mortality rates, and wages, and examine whether globalisation has made things better or worse.

**Trade, investment and transnational corporations:** Look at the trends and impacts. Have they had a positive or negative impact on growth and development?

**Environmental sustainability:** Has the economy faced significant environmental consequences of economic development? How is it planning to address the challenges of climate change?

**Government policy:** Has globalisation changed the government's approach to economic issues? How has the country promoted economic development?
- Don't just list statistics – you need to analyse how globalisation has impacted upon the economy, not just give an overview of that country's economic performance. And don't give a history lesson either – the focus should always be on the effects of changes in the global economy, economic policy decisions made by the country, and the impacts that these have had on economic outcomes.

**NOTES**

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Sample pages