

2002 HIGHER SCHOOL CERTIFICATE EXAMINATION
Economics

Section II (continued)

Marks

Question 22 (10 marks)

The table shows labour force and population information for a nation.

<i>Labour force data</i>	<i>Number of persons (million)</i>
Employed persons	9
Unemployed persons	1
Population of working age	16
Total population	20

- (a) Calculate the labour force unemployment rate for this nation. 1

$$\frac{\text{unemployed}}{\text{unemployed} + \text{employed (labour force)}} = \frac{1}{10} \times 100 = 10\%$$

- (b) Calculate the labour force participation rate for this nation. 1

$$\frac{10}{20} = 50\%$$

Question 22 continues on page 12

Question 22 (continued)

(c) Explain ONE economic and ONE social cost created by unemployment.

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One economic and social cost will be the summation of ~~costs~~ the dollar value and the

(d) Explain how TWO economic policies could be used by the Australian Government to reduce the level of unemployment

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~~microeconomic policy and macroeconomic policy~~
 Monetary policy and fiscal policy
 If the level of unemployment was not to reduce then the RBA would intervene and monetary policy would be used to further smooth out any fluctuations. Therefore using this policy would vary interest rates and lead to a reduce in unemployment levels.
 Fiscal policy:

End of Question 22