

2002 HIGHER SCHOOL CERTIFICATE EXAMINATION
Economics

Section II (continued)

Marks

Question 23 (10 marks)

The table gives selected data for a closed economy.

| <i>Year</i> | <i>Income (Y)</i> (\$m) | <i>Consumption (C)</i> (\$m) | <i>Savings (S)</i> (\$m) | <i>Investment (I)</i> (\$m) |
|-------------|----------------------------|---------------------------------|-----------------------------|--------------------------------|
| 1 | 400 | 360 | 40 | 200 |
| 2 | 500 | 420 | 80 | 200 |
| 3 | 600 | 480 | 120 | 200 |

- (a) Write the formula for the simple multiplier (k). **1**

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- (b) Use the information in the table to calculate the value of the simple multiplier for this economy. **1**

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- (c) Outline how the simple multiplier can affect economic activity. **2**

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Question 23 continues on page 14

Question 23 (continued)

- (d) Explain ONE benefit of economic growth to an economy. 2

If your ~~country~~ economy ~~grows~~ grows
then your country is richer and you can
live a richer lifestyle

- (e) Explain the impact of economic growth on ecologically sustainable development. 4

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End of Question 23