

**2002 HIGHER SCHOOL CERTIFICATE EXAMINATION**  
**Economics**

**Section II (continued)**

**Marks**

**Question 23 (10 marks)**

The table gives selected data for a closed economy.

Year	Income (Y) (\$m)	Consumption (C) (\$m)	Savings (S) (\$m)	Investment (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

$$k = \frac{1}{1 - c}$$

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

$$\frac{400}{500} \times 100 = 80\%$$

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

multiplier can affect economic activity as it introduces injections into it which increase the level of economic activity.

**Question 23 continues on page 14**

## Question 23 (continued)

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

2

Economic growth can increase the standards of living as it provides various variety to consumers as well as many possibilities for employment which could increase income per capita.

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

4

Economic growth could ~~degenerate~~ <sup>generate</sup> the <sup>ability for</sup> ecologically sustainable development as it gives the opportunity for nations to engage in activities such as deforestation and depletion of non renewable resources. However it could also in the future create organisations which could enforce laws to force nations to keep the ecosystems ~~balanced~~, unharmed ~~and~~ and enhance them for the future.

End of Question 23