

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

$k = \frac{1}{1 - c_1}$   
.....  
.....

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

.....  
.....

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

*It can affect economic activity because it affects how much people spend, how much they save and how much they invest.*  
.....  
.....

Question 23 continues on page 14

## Question 23 (continued)

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

2

Economic growth provides a rising standard of living. Standard of living is one of the most important factors in an economy.

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

4

Economic growth can impact the environment greatly. Economic growth means expansion, everything gets bigger. When a city grows it may cause a few problems with the environment. An ecologically sustainable development has to ensure that ~~that~~ the balance between man and nature is enforced.

End of Question 23