

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

$$\frac{1}{16} = 0.0625 = 6.25\%$$

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

$$\frac{10}{16} = 0.625 = 62.5\%$$

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Question 22 (continued)

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

4

The economy is not operating at its maximum capacity, ie the production frontier as the human resource labour is not ^{being} used ~~to~~ to produce goods and services.

Increase in ~~cost~~ ^{Suicidal rates} in society is a social cost as unemployed persons ~~don't~~ ~~often~~ suffer from depression ~~and~~ from being laid off from work for long periods of time.

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

4

The gov. can use the fiscal policy in manipulating the budget so more funds are spent on structural projects which require many people to be employed to build.

The gov can also use monetary policy to decrease interest rates so ~~more~~ investment is more likely to occur, stimulating economic activity and creating many job openings as companies are built and expanded.

End of Question 22