

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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$$k = \frac{1}{MPS}$$

- (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

More exports therefore
more money coming
in.

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

The impact of economic
sustainable development
development of economic
growth would be an
increase of standards
living.

End of Question 23