Economics

Section II (continued)

Marks

Question 22 (10 marks)

The table shows labour force and population information for a nation.

Labour force data	Number of persons (million)
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**

$$\frac{UE}{WF} = \frac{1}{10} = 10\%$$

(b) Calculate the labour force participation rate for this nation.   **1**

$$\frac{WF}{people\ over\ 15} = \frac{10}{16} = 62.5\%$$

Question 22 (continued)

(c) Explain ONE economic and ONE social cost created by unemployment.   4

Economic - Opportunity cost of unemployment is lost production and income. This results in lower economic growth and lower living standards or material wellbeing for the unemployed and for the entire population due to the country operating inside it's production possibilities curve.

Social - Increased crime levels, as people are unemployed they are not receiving an income, Therefore they're unable to purchase the goods and services they want or are demanding. So, these people may have to steal goods in order to obtain them eg bread, cereals. Leading to higher crime levels.

(d) Explain how TWO economic policies could be used by the Australian   4
Government to reduce the level of unemployment.

Monetary Policy - Expansionary monetary policy could be used by the government where the government lowers interest rates, this leads to higher ~~consumption~~ consumer and investment spending, meaning production will increase and firms will ~~employ~~ demand extra labour. Therefore, unemployment is reduced. Fiscal Policy - Expansionary fiscal policy may be used, the government could adopt a deficit budget, increasing government spending, this will cause aggregate demand to increase, causing spending to rise leading increased production and demand for labour, hence, reducing unemployment.

End of Question 22