

AUSTRALIAN NATIONAL UNIVERSITY

Mid Semester Examination – April 2004

AUSTRALIAN ECONOMY (ECHI1006)

Study Period: 15 minutes

Writing Time: 45 minutes

Dictionaries for students with written approval

Answer any **three (3)** questions

1. 'The majority of the countries of the world have had difficulty in the last four decades of the twentieth century in raising their respective per capita incomes relative to that for the poorest of the rich countries.'

Is this statement correct? Explain your answer.

2. Answer all parts of the following question:
 - (i) Why is noise pollution a local externality?
 - (ii) How was an implicit market for the right to create noise pollution created with respect to aircraft using Kingsford-Smith Airport Sydney after 1995?
 - (ii) In the process of creating this market what powers did the Commonwealth government draw upon in the Australian constitution?

3. If a government business entity (GBE) in Australia produces under conditions of scale economies and x-inefficiency should this GBE be privatized?

Explain your answer.

4. Answer both of the following questions:
 - (i) For a particular country, how might the level of the rule of law and security of property rights be measured?
 - (ii) Has both of the institutions of the rule of law and the security of property rights been of importance in allowing Australia to achieve a comparatively high level Gross National Income per capita at the beginning the twenty-first century? Explain your answer.

5. Answer both of the following questions:
- (i) Section 51 of the Australian constitution implicitly provides the Commonwealth Parliament with the powers to mitigate various weaknesses in the free market system. Provide a list of these weaknesses.
 - (ii) In recent decades it has been argued that the Commonwealth Parliament does not possess enough powers to adequately mitigate all of these weaknesses. Explain the nature of this argument.
6. Answer both of the following questions:
- (i) What is meant by the term common good?
 - (ii) What costs does the presence of these goods place upon the Australian community?
