

The Australian National University

Mid-Semester Examination - April 2005

THE AUSTRALIAN ECONOMY (ECHI1006)

Study period: 15 minutes

Writing time: 45 minutes

Permitted Materials: Dictionaries for students with written approval

Answer any **three (3)** questions

1. Should a government business entity, which produces under conditions of scale economies and x-inefficiency, be privatized? Carefully explain your answer.

2. Answer both of the following questions:

Besides goods providing insurance against uncertain future events,

- (i) What are the four broad categories of goods to be found in the market economy in Australia?
- (ii) Of these four categories of goods, for which is the market economy present in Australia best at producing with minimal intervention by governments in the market system?

Explain both of your answers and provide examples from the Australian economy.

3. Carefully explain why the Australian Commonwealth government becomes involved in providing (implicitly or explicitly) certain types of insurance in Australia.

4. Answer all of the following questions.

In the area of Federal-State financial relations:

- (ii) Why is there a relatively large amount of vertical imbalance found in Australia;
- (iii) What criticisms can be made of the system of grants made to the States through the Commonwealth Grants Commission in the attempt to achieve horizontal equity?

5. Explain in broad terms why Australia, at the end of the twentieth century, has achieved a high level of per capita income (measured using the purchasing power parity exchange rate) compared to that for other countries.

6. Answer both of the following questions:

- (i) Did the rate of growth of multi-factor productivity for the Australian economy increase in 1990s? Explain your answer.
- (ii) What factors explain this increase in the rate of growth of multi-factor productivity?
