

Question 24 (a)

Criteria	Marks
<ul style="list-style-type: none"> Clearly demonstrates the relationship between microeconomic reform and aggregate supply 	3
<ul style="list-style-type: none"> Sketches in general terms the relationship between microeconomic reform and aggregate supply 	2
<ul style="list-style-type: none"> Provides some relevant information 	1

Sample answer:

Microeconomic reform can cause an increase in aggregate supply by allowing domestic businesses to produce more output at each price level. This can be achieved through more efficient use of resources in the factor markets and by adopting greater efficiencies in the product market. Linking wage outcomes to productivity may allow a business to lower their average costs of production.

Answers could include:

- Improvement in factor market productivity
- Allocative efficiency
- Dynamic and technical efficiencies
- Less government regulation/deregulation
- Competition policy.

Question 24 (b)

Criteria	Marks
• Demonstrates a thorough understanding of how ONE microeconomic reform has led to increased efficiencies in a specific product market	4
• Demonstrates a sound understanding of how ONE microeconomic reform has led to increased efficiencies in a specific product market	3
• Demonstrates some understanding of microeconomic reform and/or increased efficiencies	2
• Provides some relevant information	1

Sample answer:

Telecommunications is an industry that has achieved improved efficiencies through the implementation of microeconomic reform. These efficiencies have been achieved through the implementation of government deregulation policies.

Foreign-owned telecommunication companies have been allowed to invest in the Australian market. This has ensured the existing domestic suppliers have been exposed to greater competitive practices. As a result there has been an improvement in allocative efficiencies.

In 2009–2010 the Federal Government established the National Broadband Network to improve the speed and efficiency with which all sectors of the Australia economy are able to communicate and transfer information. Some consumers may have also benefited from lower prices and greater choice of service providers and it has allowed the Australian economy to benefit from improved technical efficiencies.

Answers could include:

- Deregulation of the finance sector
- The national competition policy
- Privatisation of public trading enterprises
- Improvements in the tax system, through the broadening of the tax base
- Deregulation of the aviation/airline industry
- Trade and industry policy/trade liberalisation
- Corporatisation and commercialisation of public trading enterprises
- Health and community services through the National Disability Insurance scheme and implementation of the Medical Research Future fund.

Question 24 (c)

Criteria	Marks
• Demonstrates a thorough understanding of how microeconomic reform in the labour market can lead to a lowering of cost inflation in Australia	4
• Demonstrates a sound understanding of how microeconomic reform in the labour market can lead to a lowering of cost inflation in Australia	3
• Sketches in general terms how microeconomic reform in the labour market can lead to a lowering of cost inflation	2
• Provides some relevant information	1

Sample answer:

Labour market microeconomic reform has been an important microeconomic policy in recent years. It has been designed to improve the productivity of labour along with developing improvements in the quality of labour through a focus on education and training. A key feature of this reform has been the move towards wage rises linked to productivity and greater flexibility in the negotiation of employment contracts. As labour has become more efficient businesses have been able to produce more at a lower average cost, hence reducing pressure on the cost of production. This has the direct effect of lowering cost-push inflation.

Answers could include:

- Technical efficiency
- Reform of workplace relations
- Awards modernisation
- Labour market flexibility
- Unfair dismissal laws
- Introduction of National Employment Standards
- Enterprise agreements and good-faith bargaining
- Reform of penalty rates
- Casualisation of labour
- Rise of underemployment.