Question 1

The most important reasons given for the privatisation of publicly owned assets such as the state electricity networks have been:

Select one:

Select one:

a. Running complex businesses with multi-faceted components such as generation, transmission, distribution and retail have become too complicated for government.

b. Competition is good and drives down prices. It is not possible to have other firms to compete with government enterprises; you need to privatise them.

c. Governments cannot run electricity networks as well as private firms can, because they do not have the highly technical skills required.

d. Government run organisations are less efficient than private organisations, and because of that, electricity would be more expensive for consumers.

Question 2

The manufacturing sector has been responsible for a declining share of Australian GDP over recent decades, while the services sector has increased its share over that period. Which of the following alternatives has NOT been a trend that has contributed to this outcome?

Select one:

a. Goods are more easily tradable, in general, than services. This means goods are more open to competition from both domestic and foreign business.

b. Greater productivity improvements in manufacturing goods than in the services sector has brought the relative price of manufactured goods down.

c. Demand for manufactured goods has declined over that period of time. The value of manufacturing has therefore had to reduce over the past several decades.

d. Demand for manufactured goods has not grown as strongly over recent decades as demand for services because goods are more durable, require storage, are reusable etc.

Question 3

Which of the following alternatives best describes an example of :

1) the public interest view of Government and

2) the private interest view of government

Select one:

Select one:

a. 1) Governments imposing tariffs on imports; 2) Governments imposing a new mining tax.

b. 1) Governments imposing tariffs on imports; 2) Mining companies successfully lobbying to reduce the new mining tax payments.

c. 1) Governments imposing a new mining tax; 2) Governments creating an organisation to reduce anti-competitive business behaviour.

d. 1) Governments imposing a new mining tax; 2) Mining companies successfully lobbying to reduce the new mining tax payments.

Question 4

Which of the following alternatives is NOT an economic argument for Governments to intervene in the market economy?

Select one:

a. There exist common resources, such as the air, the oceans, forests etc. If Governments did not intervene with property rights and other regulation, there would be no incentives for people to look after and conserve these resources.

b. Free Markets may be efficient, but that does not necessarily mean they are equitable. Governments intervene with progressive taxation and transfer payments to redistribute incomes more equitably in the economy.

c. Governments are more efficient providers of goods. It is generally shown that a Government run organisation can produce goods and services cheaper than a private organisation.

d. There are some goods and services that are natural monopolies, where the economies of scale are so large that it is cheaper for only one producer to provide the goods & services. Governments may choose to be the provider to prevent private monopolies from charging higher prices and restricting output.

Question 5

In order to meet Australia's Paris Agreement commitments, Australia's key climate change policy of the last few years has been the Emissions Reduction Fund (ERF). Which of the following statements most accurately reflects an assessment of the operation of the ERF against good climate change policy?

Select one:

a. It has not been environmentally effective, because consumers are likely to benefit little from the projects.

b. It has been cost-effective, because there has not been very much taxpayer money spent on many projects.

c. It has not been cost-effective, because many of these projects would have gone ahead anyway.

d. It has been environmentally effective, because many of the projects have been agriculturally based.

Question 6

What is "economic rent"?

Select one:

Select one:

a.

the name for profits, which are above a level of profits that is just enough to keep the owners of the firm happy to remain in that business.

b. the name for the payments made for the minerals and other products from mining.

c. the name for the payments made when leasing or renting land from the Government.

d. the name for the fines and penalties paid by a business when the ACCC finds them guilty of inappropriate business conduct.

Question 7

Which of the following alternatives provides the best definitions of 1) economies of scale AND 2) economies of scope?

Select one:

a. 1) as the quantity that is produced gets larger, the total costs fall but the average cost per unit gets larger; 2) the total costs of making two or more products jointly is less than the total cost of making the same quantities of each separately.

b.

1) as the quantity that is produced gets larger, the total costs rise but the average cost per unit gets smaller; 2) the total costs of making two or more products jointly is less than the total cost of making the same quantities of each separately.

c. 1) as the quantity that is produced gets larger, the total costs fall but the average cost per unit gets larger; 2) the total costs of making two or more products jointly is more than the total cost of making the same quantities of each separately.

d. 1) as the quantity that is produced gets larger, the total costs rise but the average cost per unit gets smaller; 2) the total costs of making two or more products jointly is more than the total cost of making the same quantities of each separately.

Question 8

Which of the following alternatives is NOT a reasonable economic argument in favour of Government subsidies and protection for the Australian car (motor vehicle) manufacturing industry?

Select one:

a. there are significant spillover effects of the skills base associated with car manufacturing that help create and maintain the mining, aerospace and defence sectors.

b. vehicle manufacturing in Australia has a history of requiring Government subsidies and intervention and the industry ought to be able to expect this support into the future.

c. all developed industrial economies have had a car manufacturing industry because the skills, jobs and other aspects associated with the car industry confer enormous benefits.

d. significant unemployment would result from losses in the automotive components industry, which provides 45,000 jobs, in addition to the job losses in the car manufacturing industry.

Question 9

Select which of the following alternatives is the most accurate statement.

An industry with a high concentration ratio:

Select one:

a. may have higher prices than a more competitive industry; especially if there are no economies of scale and scope available in the industry.

b. may have lower prices, but are unlikely to be dynamically efficient, as the ACCC reported about Coles and Woolworths in the grocery industry.

c. is likely to have lower prices as a few, large companies are more likely to compete savagely on price.

d. is likely to keep raising prices to increase their profits; just as the ACCC reported that Coles and Woolworths have done in the grocery industry.

Question 10

Which of the following alternatives best describes the key findings by the Court for the two separate unconscionable conduct cases that the ACCC took against Coles and Woolworths in 2015 and 2016? (example of uconscionable act in lecture 5 slides)

Select one:

a. The Court regarded Coles to have behaved unconscionably because it entered into negotiations with suppliers for rebates which were not part of their contractual arrangement.

b. The Court regarded Coles to have behaved unconscionably because they said Coles did not treat suppliers consistently with acceptable standards in usual commercial dealings.

c. The Court regarded Woolworths not to have behaved unconscionably because they said Woolworths treated suppliers consistently with acceptable standards in usual commercial dealings.

d. The Court regarded Woolworths to have behaved unconscionably because they were in a stronger bargaining position than all the relevant suppliers.