Question 1

Tins of mackerel are money in the Lompoc Federal Correctional Complex, according to reporter Justin Scheck in the Wall Street Journal on the 3rd October. Possible reasons for this are:

1. Tins of mackerel are used to facilitate trade in goods and services; that is, these tins are a medium for exchange.

2. Tins of mackerel are used to price different goods and services (“A haircut is two macks”); that is, they are a unit of account

3. You can save a pile of mackerel tins and use them later to make payments with; that is, they are a store of value

4. Tins of mackerel are food, and therefore can be eaten. Therefore, tins of mackeral have intrinsic value.

Which of the following alternatives best supports this view of tins of mackeral as money?

Select one:

a. 1, 2 and 3

b. 1, 2 and 4

c. 1 and 3

d. 1 and 4

Question 2

Which of the following alternatives best describes the types of Australian policies that have been directed toward the agricultural sector over the past decade or so:

Encouraging the smoothing of income over several years via tax treatment (to help farmers with the fluctuation in their incomes);

Funding research by the CSIRO to find better ways of doing things (increasing farm productivity);

Providing funding to help farms adapt to climate change;

Creating new, and maintaining established, Government-run collective marketing organisations such as the Australian Egg Board.

Select one:

a. 1, 2, 3 and 4

b. 1, 3 and 4

c. 1, 2 and 4

d. 1, 2 and 3

Question 3

Arguments against foreign investment in significant agricultural operations such as S Kidman & Co are often made on the basis that:

Select one:

a. selling significant productive assets like a huge agricultural landholding is not in the national interest.

b. foreign ownership means they will be subject to foreign laws.

c. a foreign workforce is likely to be brought in, and they will probably be paid less than Australian workers.

d. profits from the operation belong to the foreign owners and are likely to go overseas.

Question 4

Which of the following alternatives is not an argument FOR a mining tax to be imposed in Australia?

Select one:

a. Governments can change the rules on taxation to suit their agenda without imposing sovereign risk on the investment.

b. The royalties paid for extracted minerals have not kept pace with the increases in the sales prices.

c. Norway has successfully swapped their North Sea oil capital for their Pension Fund Global capita.

d. Mining companies ought to be adequately rewarded for the efforts they expend, but governments should extract super-profits.

Question 5

Which of the following alternatives is not an advantage of financial intermediation?

Select one:

a. Small amounts of household savings from many different households are able to be pooled into viable loan amounts.

b. Small businesses and households are better able to access loan funds than if they had to negotiate them directly.

c. It reduces the shoe leather costs for those who want to loan the money out, and for those who want to take a loan out.

d. Each saver with surplus funds available to loan out, and each borrower who would like to access those funds, will get a better return by going through a financial intermediary.

Question 6

Which of the following alternatives best describes how the size of the primary sector – that is, the agriculture and mining industries – have changed from the 1950s to the late 2000s:

Select one:

a. Both mining and agriculture have increased in absolute size. However, both mining's and agriculture’s percentage contributions to GDP are smaller now.

b. Mining has increased in absolute size, but agriculture has decreased in absolute size. Mining has increased its percentage contribution to GDP, but for agriculture it has decreased.

c. Mining has increased in absolute size, but agriculture has decreased in absolute size. However, both mining's and agriculture’s percentage contributions to GDP are smaller now.

d. Both mining and agriculture have increased in absolute size. Mining has increased its percentage contribution to GDP, but for agriculture it has decreased.

Question 7

Which of the following alternatives is the most accurate response to this statement? “Debt is always a burden and should never be entered into.”

Select one:

a. False, because debt can be used to finance business investment that results in extra income that is greater than the repayments. That is not a burden. It is quite appropriate to enter into. purchases that provide valuable services and build wealth.

b. True, because debt requires repayment of the capital with interest, which is a burden. Some purchases provide valuable services and build wealth, but debt should not be used to finance them.

c. False, because debt can be used to finance business investment that results in extra income that is greater than the repayments. That is not a burden. However, if there is an economic downturn, having debt is catastrophic, so it should never be entered into.

d. True, because debt requires repayment of the capital with interest, which is a burden. Further, if there is an economic downturn, having debt is catastrophic.

Question 8

Which of the following alternatives best describes the farm problem-:

1. Demand for agricultural goods doesn’t change a lot, but supply can change enormously from year to year depending on climatic conditions. This results in prices changing dramatically, and this causes large fluctuations in farmers’ incomes.

2. Due to the drive to achieve productivity improvements, and the fact that farmers’ face very competitive markets, farm produce prices decline in the long term. The result is a decline in real incomes for farmers in the long run.

3. Because most of the agricultural output in Australia is exported, it means that Australians have to buy whatever is left over. This tends to be foodstuffs of lesser quality at higher prices.

4. Because the Australian Government gives a large amount of subsidies to the agricultural industry, both in the past and currently, this has made our farmers inefficient and unable to compete in world markets.

Select one:

a. 1 and 2

b. 2 and 3

c. 3 and 4

d. 1 and 4

Question 9

Which of the following alternatives best describes government protection policies for agriculture in an international setting:

Select one:

a. Most developed countries experience the “farm problem” as we have discussed for Australia. Therefore, many OECD countries subsidise their agricultural industries in an attempt to improve the economic outcomes for their farmers.

b. Australia and New Zealand export a large amount of agricultural output. Their agricultural sectors are important to the overall GDP of their countries, and therefore they provide a high level of protection to their agricultural sectors.

c. The USA as a country is one of the strongest proponents of capitalism in the world. They believe in free markets, and therefore governments in the USA provide less protection to their agricultural industry than Australia.

d. The European Union (EU) provides many different types of protection to their agricultural industries. Their main aim is to make food products cheaper for households to purchase.

Question 10

Which of the following is NOT a significant argument in favour of foreign direct investment in Australia?

Select one:

Select one:

a. it enables a project to proceed that may otherwise not have been able to go ahead, thereby producing benefits to the Australian nation.

b. it enables local employment and raises taxation revenue from increased household incomes and from company profits.

c. it enables a transfer of skills, because foreign firms are bringing skills, innovation and other knowledge to Australia.

d. it enables substantial profits to flow to foreign owners of some Australian assets, thereby producing benefits to other nations.