



Answer Guide

Sydney Boys High School

2013
Higher School Certificate
Trial Examination

Economics

General Instructions

- Reading time – 5 minutes
- Working time – 3 hours
- Write using black or blue pen
- Board approved calculators may be used
- Write your student number and/or name at the top of every page

Total marks – 100

Section I – Pages 2–10

20 marks

- Attempt Questions 1–20
- Allow about 35 minutes for this section

Section II – Pages 11–18

40 marks

- Attempt Questions 21–24
- Allow about 1 hour and 15 minutes for this section

Section III – Pages 19–20

20 marks

- Attempt either Question 25 or Question 26
- Allow about 35 minutes for this section

Section IV – Page 21

20 marks

- Attempt either Question 27 or Question 28
- Allow about 35 minutes for this section

This paper MUST NOT be removed from the examination room

Section I**20 marks****Attempt Questions 1–20****Allow about 35 minutes for this section**

Select the alternative A, B, C or D that best answers the question and indicate your choice with a cross (X) in the appropriate space on the grid below.

	A	B	C	D
1				X
2	X			
3		X		
4	X			
5			X	
6			X	
7				X
8				X
9				X
10			X	
11			X	
12	X			
13		X		
14		X		
15	X			
16	X			
17				X
18		X		
19			X	
20			X	

- 1 Which of the following would be most likely to increase structural unemployment in the manufacturing sector of the Australian economy?

(A) An increase in tariff protection for manufacturing firms
 (B) An increase in government subsidies to manufacturing firms
 (C) An increase in global demand for Australian manufactured goods
 (D) An increase in export prices for export-oriented manufacturing firms

- 2 What is the equilibrium level of national income if $S = -40 + 0.2Y$ and $I = 200$?

(A) 1200
 (B) 800
 (C) 480
 (D) 240

- 3 The Reserve Bank of Australia buys Commonwealth government securities.

What is the most likely effect on the supply of cash in Exchange Settlement Accounts and the cash rate?

	<i>Supply of cash in Exchange Settlement Accounts</i>	<i>Cash rate</i>
(A)	Decrease	Decrease
(B)	Increase	Decrease
(C)	Decrease	Increase
(D)	Increase	Increase

- 4 What would be the most likely outcome of increased global economic integration?

(A) Increased financial deregulation in global capital markets
 (B) Higher levels of tariff protection in order to protect local producers from excessive levels of overseas competition
 (C) Reduced levels of financial contagion during global financial crises
 (D) Higher levels of global inflation due to increased production activity

- 5 The following table shows selected information for the balance of payments of a country with a floating exchange rate.

<i>Category</i>	<i>Amount (\$ millions)</i>
Goods Balance	10
Net Services	2
Net Primary Income	?
Net Secondary Income	−2
Capital and Financial Account	30

What is the net primary income balance on the current account?

- (A) −\$20 million
 (B) −\$30 million
 (C) −\$40 million
 (D) \$30 million
- 6 Which of the following would result in market failure?
- (A) Increased demand for mining resources leads to an increase in market prices.
 (B) The supply of doctors to a regional hospital is insufficient to meet the demand for hospital beds.
 (C) A local cement manufacturer increases the emission of greenhouse gases into the atmosphere due to the abolition of a carbon tax.
 (D) People stop driving their cars to a local shopping centre due to the lack of available parking.
- 7 The table below shows selected data for the Australian economy.

<i>Year</i>	<i>Exchange rate</i>	<i>Export Price Index</i>	<i>Import Price Index</i>
Year 1	\$US/\$A 0.98	185	116
Year 2	\$US\$A 1.04	187	119

According to the data, which statement is correct between Year 1 and Year 2?

- (A) International competitiveness has improved and the terms of trade have improved.
 (B) International competitiveness has improved and the terms of trade have deteriorated.
 (C) International competitiveness has deteriorated and the terms of trade have improved.
 (D) International competitiveness has deteriorated and the terms of trade have deteriorated.

8 Which of the following is classified as a Bilateral Agreement?

- (A) EU
- (B) WTO
- (C) ASEAN
- (D) ANZCERTA

9 The table shows selected economic data for two countries A and B.

<i>Country</i>	<i>Nominal GDP</i>	<i>Consumer Price Index</i>	<i>Human Development Index</i>
Country A	\$390 billion	114	0.976
Country B	\$390 billion	120	0.751

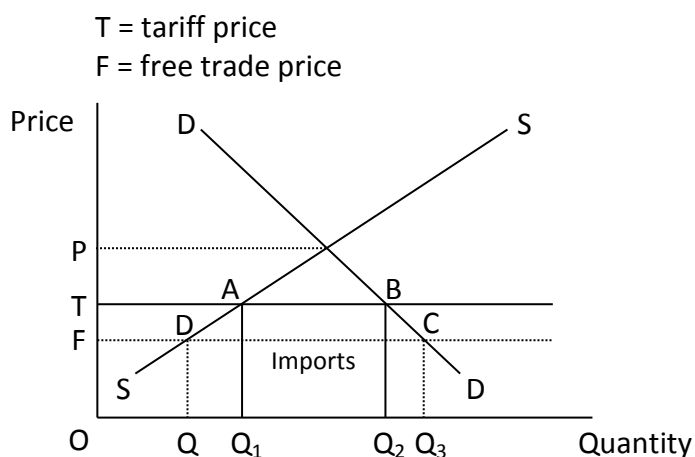
According to the data in the table, which statement correctly describes the value of real GDP and level of economic development between Country A and Country B?

- (A) Country A has a higher real GDP only than Country B.
 - (B) Country A has a higher level of economic development only than Country B.
 - (C) Country A has a lower real GDP and level of economic development than Country B.
 - (D) Country A has a higher real GDP and level of economic development than Country B.
- 10 The Reserve Bank decides to alter the setting of monetary policy by adopting an expansionary stance.

What is the likely impact on the Australian economy?

- (A) The Australian dollar will appreciate and aggregate demand will increase.
- (B) The Australian dollar will appreciate and aggregate demand will fall.
- (C) The Australian dollar will depreciate and aggregate demand will increase.
- (D) The Australian dollar will depreciate and aggregate demand will fall.

- 11 How would a withdrawal of funds from Australia by United States investors be recorded in Australia's Balance of Payments?
- (A) As a debit on the Australian current account
 (B) As a credit on the Australian current account
 (C) As a debit on the Australian capital and financial account
 (D) As a credit on the Australian capital and financial account
- 12 The following diagram shows the effect of a tariff on an imported good.



What effect does the imposition of the tariff have on the domestic market?

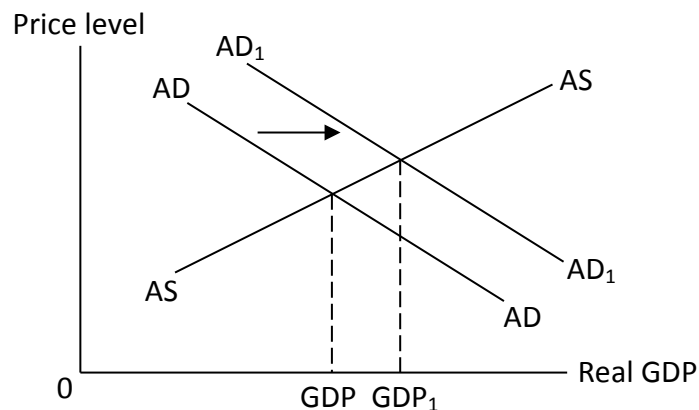
- (A) Expenditure on imports falls from QDCQ₃ to Q₁ABQ₂.
 (B) Domestic demand increases from Q₂ to Q₃.
 (C) Domestic supply decreases from Q to Q₁.
 (D) The government raises tariff revenue of OTBQ₂.
- 13 Which of the following would be an example of foreign direct investment?
- (A) A European corporation increases its purchases of Australian government securities.
 (B) An Australian textiles manufacturer buys a controlling interest in an Indonesian garment factory.
 (D) A Mexican entrepreneur takes out a number of option and swap contracts in order to hedge against an exchange rate risk.
 (D) The Reserve Bank of Australia sells Australian dollars to foreign central banks in return for foreign assets.

- 14 What type of arrangement would best represent a managed exchange rate system?
- (A) A currency is fixed by the central bank to another currency, usually on a daily basis.
- (B) A currency is pegged or adjusted to variations in a major trading partner's currency.
- (C) The Reserve Bank intervenes occasionally in the foreign exchange market to smooth out currency fluctuations.
- (D) The value of a currency is determined by the forces of supply and demand.
- 15 The following table shows data on the labour market of a hypothetical economy.

<i>Employed persons</i>	<i>Unemployed persons</i>	<i>Population 15 years and over</i>
20,000,000	1,000,000	30,000,000

What is the participation rate in this economy?

- (A) 70%
- (B) 5%
- (C) 66.6%
- (D) 6.6%
- 16 The following diagram shows aggregate demand and supply curves for an economy.



All other things being equal, which of the following changes in government economic policy could have caused the aggregate demand curve to shift from AD to AD₁?

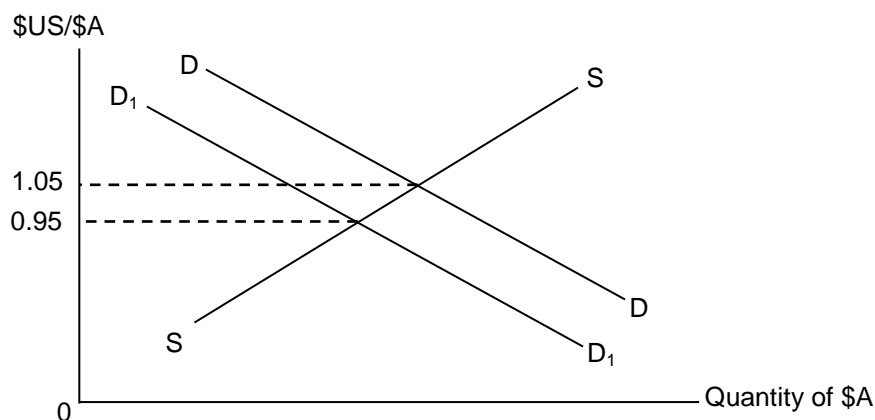
- (A) Lower interest rates and increased government expenditure
- (B) Higher interest rates and increased government expenditure
- (C) Lower interest rates and reduced government expenditure
- (D) Higher interest rates and reduced government expenditure

- 17 The following table shows Consumer Price Index (CPI) data for an economy.

<i>Year</i>	<i>CPI</i>
1	100
2	110
3	114
4	115

What is the inflation rate for Year 3?

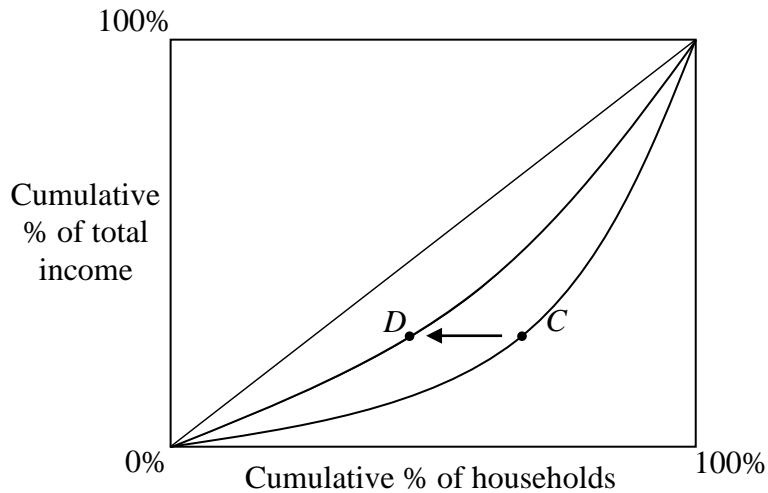
- (A) 10%
 (B) 14%
 (C) 0.8%
 (D) 3.6%
- 18 The following diagram shows a depreciation of the Australian dollar against the US dollar in the foreign exchange market.



Which of the following could have caused the fall in the value of the Australian dollar?

- (A) Increased foreign direct investment in Australia
 (B) Reduced demand for Australia's mineral exports
 (C) Rising commodity prices in world markets
 (D) Reduced imports into Australia

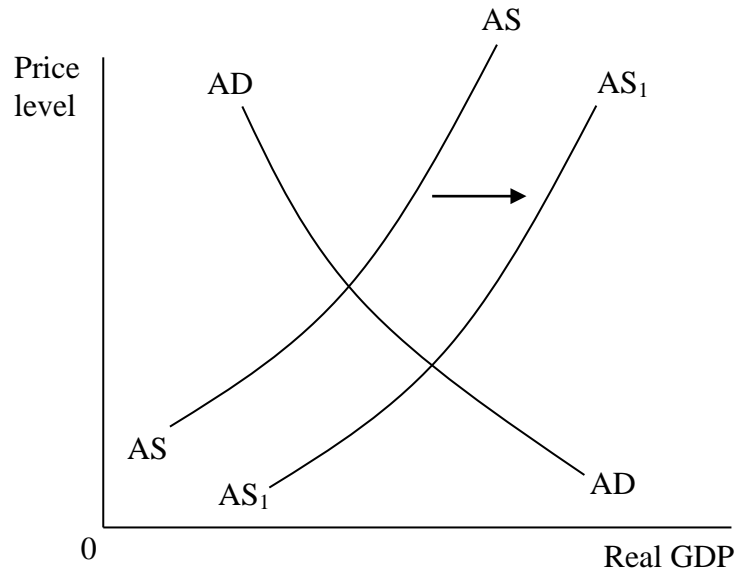
- 19 The diagram shows the movement of a Lorenz curve from *C* to *D* for an economy after the use of government taxation and welfare policies.



Which of the following statements may account for the movement of the Lorenz curve from *C* to *D*?

- (A) Regressive taxation and lower welfare spending has led to increased income inequality.
- (B) Regressive taxation and higher welfare spending has led to increased income equality.
- (C) Progressive taxation and targeted welfare spending has reduced income inequality.
- (D) Progressive taxation and targeted welfare spending has increased income inequality.

- 20 The following diagram shows the movement in the aggregate supply curve from AS to AS₁ for an economy.



Which of the following factors could have caused the shift of the aggregate supply curve from AS to AS₁?

- (A) The use of expansionary monetary policy by the government
- (B) The use of a budget deficit by the government
- (C) An improvement in the productivity of labour and capital
- (D) An increase in spending on investment by business

Section II

40 marks

Attempt Questions 21–24

Allow about 1 hour and 15 minutes for this section

Answer the questions in the spaces provided. These spaces provide guidance for the expected length of response.

Question 21 (10 marks)

Marks

- (a) What does *external stability* measure?

1

Ability of a nation to meet long term obligations deriving from its trade with the rest of the world

- (b) Define the term *net foreign debt*.

1

A country's gross net foreign debt (private and public overseas debt borrowings) minus Australian financial assets held overseas.

- (c) Describe two advantages of a *floating exchange rate*.

2

Describes two advantages and may include:

- 1. realistic price for the currency which impacts realistically on the governments economic objectives**
- 2. discourages destabilising speculation about future value if it was not fixed by the government**
- 3. Governments can pursue a more independent monetary policy**
- 4. Could provide insulation from external shocks by markets already factoring in possible fluctuations**
- 5. Provides greater flexibility for capital integration and mobility**

Question 21 continues on the next page

Question 21 (continued)

Marks

- (d) Explain two factors that have contributed to the recent *depreciation* of the Australian dollar against the US dollar (A\$1.00 = US\$1.11/June 2011 to A\$1=US\$0.89/August 2013).

2

Explains two recent contributors and may include:

- 1. Lower prices for our exports eg minerals**
- 2. Slowdown in Chinese economy which impacts on exports**
- 3. Confidence in US economy which may have contributed to capital flight**
- 4. Lower interest rates in Australia**
- 5. Previous high value of the A\$ which impacted negatively on our services sector eg education and tourism**

- (e) Discuss two negative and two positive impacts of a *depreciating* dollar on the economy.

4

Negative impacts of depreciation may include:

- 1. Could lead to lower export income upsetting CAD**
- 2. May lead to higher domestic inflation and may impact on the economy**
- 3. Can raise servicing debt ratio**
- 4. RBA may need to intervene by increasing rates which is contractionary**

Positive impacts of depreciation may include:

- 1. For the long run improves competitiveness and results in efficiency**
- 2. Capital inflows are possible as domestic assets become cheaper**
- 3. Possible structural adjustments which helps competitiveness**

End of Question 21

Question 22 (10 marks)**Marks**

- (a) Distinguish between
- microeconomics*
- and
- macroeconomics*

2

Micro aims to increase productivity (supply) and competitiveness in the long run eg deregulation and macro aims to influence aggregate demand in the short run through the use of Fiscal and Monetary policies.

- (b) Describe two
- efficiency gains*
- that can be gained from successfully implementing microeconomic policies.

2

Any two including:

- 1. technical/ productive efficiency – maximisation production via a minimum cost**
- 2. Allocative efficiency – charging prices reflective of costs and consumer preferences**
- 3. Dynamic efficiency – responsiveness to change via the use of technology**

- (c) Describe two key
- functions*
- of the Fair Work Ombudsman under the Fair Work Act 2009

2

Describes any two functions including:

- 1. providing advice, assistance and education to employees employers and outworkers**
- 2. ensuring compliance with the FWA 2009 and investigating possible breaches**
- 3. taking court action regarding series contraventions of FWA 2009**
- 4. Auditing workplaces for possible non compliance**
- 5. Inspectorial role**
- 6. publishing information relating to standards, modern awards, agreement making etc**

Question 22 continues on the next page

Question 22 (continued)

Marks

- (d) Discuss the impact of the new fair *Work Act 2009* on *income inequality* and level of *industrial disputes*. **4**

Impacts:

Income inequality – stronger safety net for low paid workers (10 standards need to be met) so there was an improvement

Industrial disputes – can be either way. Statistically less due to stricter controls. However the loss of possible flexibility under Work Choices can be debatable

End of Question 22

Question 23 (10 marks)

Marks

- (a) Define *ecologically sustainable development*.

2

Using current resources without compromising future use.

NB Key words (Future Use)

- (b) Distinguish between *positive* and *negative* externalities.

2

Associated with spillovers

Positive externality ; positive flow on from an economic activity eg

Negative externality: price mechanism does not take into account other possible costs eg car price may not incorporate possible cost to society of pollution.

- (c) Describe two key features of *public goods* (use an example).

2

Non excludable and non rival

Question 23 continues on the next page

Question 23 (continued)

Marks

- (d) Outline two recent *government policies* used for environmental management purposes and discuss one *positive* and one *negative* impact on the business environment. **4**

Two government policies may include carbon tax, emissions trading schemes, insulation projects, solar rebates, funding for water management (Murray Darling) etc

Positive impacts may include: sustainable business practices, green jobs for the future, encourage business to go green, long term employment growth, etc

Negative impacts may include: costs, fines, loss of jobs in the short term, structural unemployment

End of Question 23

Question 24 (10 marks)**Marks**

- (a) The table shows selected labour force data for an economy.

<i>Labour force statistics</i>	
Full-time employed persons	8,150,600
Part-time employed persons	3,510,000
Unemployed persons	700,400
Population of working age	18,987,711

- (i) Using information from the table,
- calculate*
- the size of the labour force.

1

$$8,150,600 + 3,510,000 + 700,400 = 12,361,000$$

- (ii) Using information from the table,
- calculate*
- the unemployment rate of the labour force.

1

$$700,400/12,361,000 \times 100/1 = 5.6\%$$

- (b) Distinguish between
- structural*
- and
- frictional*
- unemployment.

2

Structural – mismatch of labour skill and job vacancies due to eg technology
Frictional – moving between jobs

Question 24 continues on the next page

Question 24 (continued)

Marks

- (c) Describe the *trade-off* that exists between *inflation* and *unemployment*. 2

When unemployment is low an upward pressure may force up wages ie inflationary

When unemployment is high wages may be pushed down as job seekers compete for jobs ie lower inflationary pressures.

May associate trade off with an increase in aggregate demand leading to lower unemployment and increased inflation in the long term.

NB. A simple trade off of unemployment increase will result in lower inflation was not accepted as a full answer.

- (d) Discuss one *microeconomic* and one *macroeconomic* government policy used to reduce unemployment. 4

Micro- deregulation or reduced subsidies, quotas etc can increase competition and productivity in the long term resulting in improved job prospects.

Macro – expansionary fiscal and monetary policy promotes an increase in aggregate demand which in turn could result if the creation of jobs.

End of Question 24

Section III

20 marks

Attempt either Question 25 or Question 26

Allow about 35 minutes for this section

Answer the question on your own paper or in a writing booklet, if provided. Start the question on a new page.

Expected length of the response is *approximately* 800 words or six written pages.

In your answer you will be assessed on how well you:

- demonstrate knowledge and understanding relevant to the question
- use the information provided
- apply relevant economic terms, concepts, relationships and theory
- present a sustained, logical and cohesive response

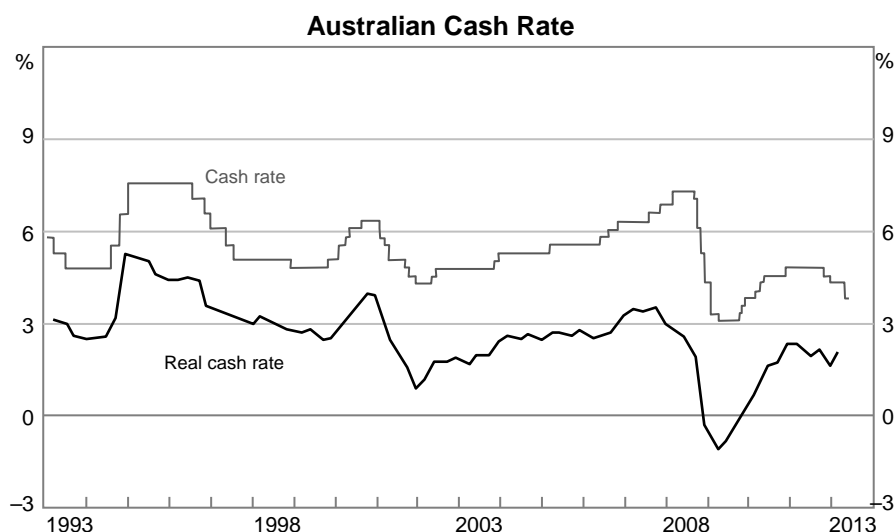
Question 25 (20 marks)

Analyse the impact of monetary policy on economic growth, price stability and full employment in the Australian economy.

In your response, you should refer to the economic information provided.

At its May meeting, with inflation a little lower than had been expected, and growth of economic activity likely to remain below trend into next year, the Board judged that a further reduction in the cash rate would help to support sustainable growth in the economy, and would be consistent with achieving the inflation target. The Board will adjust the cash rate as appropriate to foster sustainable growth and low inflation.

Source: Reserve Bank of Australia, *Statement on Monetary Policy*, May 2013.



Source: Reserve Bank of Australia (2013), Chart Pack, www.rba.gov.au

OR

In your answer you will be assessed on how well you:

- demonstrate knowledge and understanding relevant to the question
 - use the information provided
 - apply relevant economic terms, concepts, relationships and theory
 - present a sustained, logical and cohesive response
-

Question 26 (20 marks)

Analyse the impact of fiscal policy on economic growth, income distribution and resource use in the Australian economy.

In your response, you should refer to the economic information provided.

Personal Income Tax Rates – from July 1st 2013

<i>Taxable Income (\$)</i>	<i>Marginal Tax Rate (%)</i>
\$0 – \$18,200	Nil
\$18,201 – \$37,000	19%
\$37,001 – \$80,000	32.5%
\$80,001 – \$180,000	37%
>\$180,000	45%

The social security and welfare system provides pensions and services to the aged; assistance to the unemployed, people with disabilities and families with children; and income support and compensation for veterans and their dependants. It also includes assistance provided to Indigenous Australians. Welfare payments are means and assets tested and targeted at the most vulnerable members of the community.

Source: Commonwealth of Australia (2013), *Budget Paper No. 1*.

Section IV

20 marks

Attempt either Question 27 or Question 28

Allow about 35 minutes for this section

Answer the question on your own paper or in a writing booklet, if provided. Start the question on a new page.

Expected length of the response is *approximately* 800 words or six written pages.

In your answer you will be assessed on how well you:

- demonstrate knowledge and understanding relevant to the question
 - apply relevant economic information, terms, concepts, relationships and theory
 - present a sustained, logical and cohesive response
-

Question 27 (20 marks)

Describe the influence of globalisation on an economy other than Australia, including an evaluation of the strategies used to promote economic growth and development in this economy.

OR

Question 28 (20 marks)

Describe reasons and methods of protection and evaluate the effects of protection on the domestic and global economy.

End of paper

Q25. Analyse the impact of monetary policy on economic growth, price stability and full employment in the Australian economy.

Criteria	Marks
<ul style="list-style-type: none"> Integrates appropriate economic terms, concepts, relationships and theory in discussing the use of monetary policy in achieving economic growth, price stability and full employment. Synthesises own knowledge with the information provided to develop a sustained, logical and well-structured response on how monetary policy can be used to achieve economic growth, price stability and full employment. Identifies components and the relationship of the use of monetary policy as an appropriate policy instrument to achieve economic growth, price stability and full employment. 	17 – 20
<ul style="list-style-type: none"> Consistently uses appropriate economic terms and applies concepts, relationships and theory in discussing the use of monetary policy to achieve the objectives of economic growth, price stability and full employment. Combines own knowledge with the information provided to develop a coherent response on monetary policy. Identifies components and the relationship of the use of monetary policy as an appropriate policy instrument to achieve economic growth, price stability and full employment. 	13 – 16
<ul style="list-style-type: none"> Uses some appropriate economic terms, concepts and relationships in developing an answer on the use of monetary policy. Uses own knowledge and the information provided to develop a coherent response on monetary policy. Identifies components and the relationship of the use of monetary policy as an appropriate policy instrument to achieve economic growth, price stability and full employment. 	9 – 12
<ul style="list-style-type: none"> Uses some appropriate economic terms, concepts and relationships in the answer on monetary policy. Uses generalised knowledge to develop a limited response on monetary policy. Minimal use of the information provided. Sketches in general terms the use of monetary policy as an appropriate policy instrument to achieve economic growth, price stability and full employment. 	5 – 8
<ul style="list-style-type: none"> Uses some appropriate terminology to develop an answer. Unable to utilise the information provided and incorporate it in the extended response answer on monetary policy. Presents a limited response to the question. 	1 – 4

Examiners Comment:

- Poorer responses are still confused with the differences between the Money Supply in the general economy and the use of the Overnight Cash Market (Exchange Settlement Accounts) and the cash rate determination for MP.
- A general lack of use of statistics from recent movements in Monetary Policy.
- Diagrams were poorly constructed and not explained in full.
- Poorer responses failed to show linkages between MP changes and their impacts.
- Too many students did not answer the specific question asked and tended to include large explanations of other material without any need to do so or any relevant linkage.
- Better students linked the role and impact of Monetary Policy on inflationary expectations. Very few mentioned the six main effects from changes in MP.

Q26. Analyse the impact of fiscal policy on economic growth, income distribution and resource use in the Australian economy

Criteria	Marks
<ul style="list-style-type: none"> Integrates appropriate economic terms, concepts, relationships and theory in discussing the impacts of fiscal policy in achieving economic growth, income distribution and resource use in the Australian economy. Synthesises own knowledge with the information provided to develop a sustained, logical and well-structured response on how fiscal policy has impacted on the achievement of economic growth, income distribution and resource use in the Australian economy. Identify components and the relationship of the use and impacts of fiscal policy as an appropriate policy instrument to achieve economic growth, income distribution and resource use. 	17 – 20
<ul style="list-style-type: none"> Consistently uses appropriate economic terms and applies concepts, relationships and theory in discussing the impact of fiscal policy to achieve the objectives of economic growth, income distribution and resource use. Combines own knowledge with the information provided to develop a coherent response on fiscal policy and its impacts. Identifies components and the relationship of the use and impacts of fiscal policy as an appropriate policy instrument to achieve economic growth, income distribution and resource use. 	13 – 16
<ul style="list-style-type: none"> Uses some appropriate economic terms, concepts and relationships in developing an answer on the use of fiscal policy to achieve economic growth, income distribution and resource use in the Australian economy. Uses own knowledge and the information provided to develop a coherent response on fiscal policy and/or its impacts. Identifies components and the relationship of the use/impacts of fiscal policy as an appropriate policy instrument to achieve economic growth, income distribution and resource use. 	9 – 12
<ul style="list-style-type: none"> Uses some appropriate economic terms, concepts and relationships in the answer on fiscal policy. Uses generalised knowledge to develop a limited response on fiscal policy. Minimal use of the information provided. Sketches in general terms, the use/impacts of fiscal policy as an appropriate policy instrument to achieve economic growth, income distribution and resource use. 	5 – 8
<ul style="list-style-type: none"> Uses some appropriate terminology to develop an answer. Unable to utilise the information provided and incorporate it in the extended response answer on fiscal policy. Presents a limited response to the question. 	1 – 4

Analyse: Identify components and the relationships between them; draw out and relate implications.

- Most responses were able to identify the use and components of Fiscal Policy (FP), but there were some responses where the impacts of fiscal policy were not fully discussed in proper detail.
 - There were a number of answers that seemed to be pre-prepared, but were not properly adapted to answer the specific question asked in the examination. Answers regularly analysed the impacts on external stability, inflation and unemployment, even though they were not asked to do so. This cost valuable time and effort and as a result some responses were left rushing their answer on the FP impacts on income distribution and resource use.
 - Poor use of statistics from the most recent budgets (2013-14) to back up policy analysis. Limited linkages made between components of FP and impacts of them. Better responses used recent statistics from the 2013-14 and other budgets to back up analysis and argument.
 - Poorly drawn diagrams and limited references to theory (other than name dropping) and the stimulus given in the question. Better responses spoke of frameworks (The Charter of Budget Honesty Act 1998 and Gillard's Fiscal Sustainability) and their effect on fiscal consolidation and policies.
 - A number of responses continue to have problems with legibility and structure. Better responses came from students who made use of essay plans and applied appropriate economic terms, relationships and concepts with clear linkages to the question.
 - There still remains some confusion on the different roles of automatic stabilisers and the use of discretionary budgetary policy spending and taxation to achieve economic objectives.
 - Poorer responses used less relevant and simple diagrams that did not back up the analysis of the impacts of FP.
1. Economic Terms
 - Crowding out, allocative efficiency, fiscal consolidation, fiscal stance and outcome, fiscal drag or bracket creep, discretionary spending, income inequality, redistribution, reallocation of resources, expansionary and contractionary policy, multiplier, aggregate demand, underlying budget outcome,
 2. Diagrams and Theory
 - J.M. Keynes and the Income and Expenditure Analysis (Keynesian Cross or AD/AS) diagrams showing analysis of the impacts on economic growth
 - Deficit/Surplus Budget diagram and/or Pigouvian Tax on externalities
 - Lorenz Curve with analysis (& Gini Coefficient)

Question 27 (20 marks)

Describe the influence of globalisation on an economy other than Australia, including an evaluation of the strategies used to promote economic growth and development in this economy.

Band 6 17-20	<ul style="list-style-type: none"> describes in detail the influence of globalisation on an economy other than Australia with reference to economic growth and development evaluates in detail strategies used to promote economic growth and development in this economy uses extensively statistics, examples, links, theory and diagrams. integrates economic terms, concepts, relationships and theory in a variety of economic contexts displays superior analysis of the role of economic participants and markets in a variety of economic contexts uses extensive economic vocabulary and illustrative examples in exposition of problems and policies in a variety of contexts demonstrates critical judgment and sound reasoning to select, organise, synthesise and evaluate relevant information presents excellent explanation and evaluation of the impact of government economic policies in contemporary and hypothetical economic contexts produces comprehensive economic arguments to evaluate the consequences of economic problems and issues on economic participants
Band 5 13-16	<ul style="list-style-type: none"> describes the influence of globalisation on an economy other than Australia with reference to economic growth and development. describes rather than evaluate strategies used to promote economic growth and development in this economy uses statistics, examples, links, theory and diagrams. provides concise definitions of economic terms and applies concepts and relationships in contemporary and hypothetical economic contexts demonstrates detailed analysis of the role of economic participants and markets in a variety of economic contexts uses precise economic vocabulary and illustrative examples in the exposition of problems and policies in a variety of contexts demonstrates accomplished judgement and reasoning to select, organise and evaluate relevant information provides an analysis and evaluation of the policy options and their consequences in a contemporary and hypothetical economic context

Band 4 9-12	<ul style="list-style-type: none"> describes in some detail the influence of globalisation on an economy other than Australia with reference to economic growth and development describes some strategies used to promote economic growth and development in this economy uses some statistics, examples, links, theory and diagrams provides clear definitions of relevant economic terms and sound discussion of economic concepts and relationships in contemporary and hypothetical economic contexts demonstrates an understanding of current economic issues, participants, markets, government economic policies and their impact demonstrates a clear understanding of economic problems, policies in theoretical and contemporary contexts demonstrates an understanding of the implications of changes in economic data for economic policy makers
Band 3 5-8	<ul style="list-style-type: none"> describes vaguely the influence of globalisation on an economy other than Australia with reference to economic growth and development. describes vaguely strategies used to promote economic growth and development in this economy uses few statistics, examples, links, theory and diagrams provides basic definition of some economic terms, concepts and relationships offers basic descriptions of relationships between economic issues, participants, markets, data and theory in a variety of contexts communicates in a descriptive way demonstrates basic computational skills provides basic descriptions of the main economic problems and policies
Band 2 1-4	<ul style="list-style-type: none"> demonstrates an elementary knowledge of some economic concepts provides limited understanding of the links between economic concepts, relationships and theory to a variety of economic contexts demonstrates limited interpretation of simple economic data attempts simple computational techniques uses some appropriate terminology to communicate basic economic ideas
Band 1	

Examiners Comment:

Question 27 (20 marks)

Describe the influence of globalisation on an economy other than Australia, including an evaluation of the strategies used to promote economic growth and development in this economy.

Band 6 responses stayed focussed on the task.

Introduction (2 paragraphs/half a page)

Heading of Chosen Economy eg China/India/Brazil/South Africa/ Indonesia/Russia

Paragraph 1 - definition of globalization. Mentions the challenges facing global economies.

Paragraph 2 – Short economic history of chosen country

Body of Essay

Describes the influence of globalisation on an economy. Influences include: (5 paragraphs)
(LIFTIT)

- trade in goods and services
- financial flows
- investment
- TNC's
- technology, transport and communication
- labour movements/division of labour

Describes the influence of globalisation on that economy. For example in China global factors have pushed forward reforms to: (5 paragraphs)

- Agriculture
- The open door policy
- Tax reforms
- Banking reforms
- Tariff cuts

Evaluates the strategies (Macro – Fiscal-Monetary/Micro) used to promote economic growth and development which includes: up to 10 short paragraphs

Economic growth, economic development, income and quality of life indicators, distribution of income, trade, finance, investment, the exchange rate and environment.

The response should include statistics that are up to date and relevant, theory and 2 diagrams

Concludes

1 paragraph

Question 28 (20 marks)

Describe reasons and methods of protection and evaluate the effects of protection on the domestic and global economy.

Criteria	Marks
<ul style="list-style-type: none"> Integrates extensive and relevant economic terms, concepts, relationships and theories Provides comprehensive economic information in a sustained logical and cohesive response Demonstrates a clear and comprehensive knowledge and understanding of reasons for protection and evaluates effects of protection on the domestic and global economy. 	17–20
<ul style="list-style-type: none"> Integrates relevant economic terms, concepts, relationships and theories Provides sound economic information in a logical and cohesive response Demonstrates a sound understanding of the impact of reasons for protection and evaluates effects of protection on the domestic and global economy. 	13–16
<ul style="list-style-type: none"> Applies economic terms, concepts and relationships Develops a coherent response Sketches in general terms the impact of protection and discusses effects of protection on the domestic and global economy. 	9–12
<ul style="list-style-type: none"> Uses some economic terms, concepts and relationships Develops a generalised response States some aspects of the impact of protection and influences on the domestic and global economy. 	5–8
<ul style="list-style-type: none"> Uses some economic terms and/or concepts Presents a limited response Lists some impacts of protection on the local and global economy. 	1–4

Examiner's comments:

Suggested guide:

Question 28 (20 marks)

Describe reasons and methods of protection and evaluate the effects of protection on the domestic and global economy.

Guide: Essay plan

Defines protection

Reasons for protection – infant industries, employment, dumping, terms of trade, reducing CAD, self defence argument

Methods of different types of protection - tariffs, subsidies, quotas, examples and (diagrams)

Evaluates impacts on domestic economy in relation to resource allocation, inflation, economic growth, export earnings, productivity/ efficiency.

Evaluates impacts on the global economy and may mention agricultural barriers, new treaties, movement back to regionalism, exposure to external shocks and TNC dominance.