
Student Number

THE KING'S SCHOOL

2022

Year 12
Trial Higher School Certificate Examination
August 2022

Economics

General Instructions

- Reading time: 5 minutes
- Working time: 3 hours
- Write using black pen
- NESA-approved calculators may be used
- Write your Student Number where indicated

Total marks: 100

Section I Pages 3–11
20 marks
- Attempt Questions 1–20
- Allow about 25 minutes for this section

Section II Pages 12–19
40 marks
- Attempt Questions 21–24
- Allow about 1 hour and 5 minutes for this section

Section III Page 20
20 marks
- Attempt Question 25
- Allow about 45 minutes for this section

Section IV Page 21
20 marks
- Attempt either Question 26 or Question 27
- Allow about 45 minutes for this section

THIS PAPER MUST NOT BE REMOVED FROM THE EXAMINATION ROOM

Section I
20 marks

Attempt Questions 1–20
Allow about 25 minutes for this section

Write your answers on the multiple choice answer sheet provided.

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1 The table shows Balance of Payments data for a hypothetical economy with a floating exchange rate.

	$ Billion
Balance of Goods and Services	17
Net Primary Income	-10
Net Secondary Income	4
Capital Account	2
Financial Account	?

What is the balance on financial account?

A. $1 billion surplus

B. $11 billion deficit

C. $13 billion deficit

D. $13 billion surplus

2 Which of the following is a possible cause of demand pull inflation?

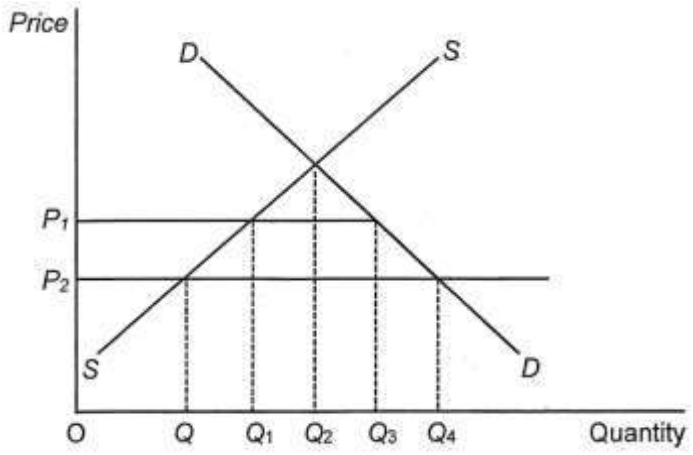
A. Labour shortages are leading to serious production constraints in the manufacturing industry.

B. A reduction in household savings has contributed to higher consumer spending.

C. Chinese COVID-19 lockdowns are causing substantial disruption to global shipping

D. Coal plant shutdowns and coal supply issues for power generators creating gas and electricity price issues.

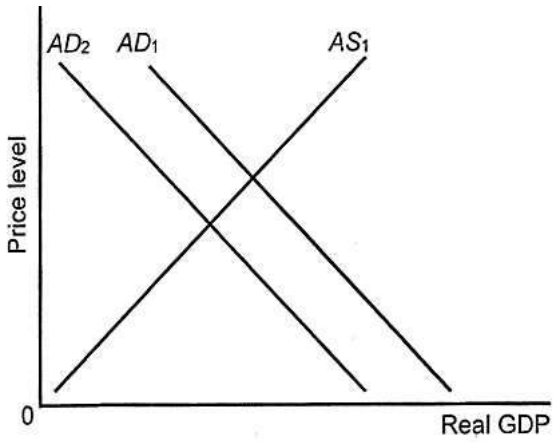
3 The following diagram shows a change in protection from P1 to P2 for domestic motor vehicles for a hypothetical economy.



Which row of the table shows the likely effect of the change in trade protection on imports and government revenue?

	Imports	*Government Revenue*
A.	Increase	Increase
B.	Increase	Decrease
C.	Decrease	Decrease
D.	Decrease	Increase

4 The following diagram shows two aggregate demand curves for a hypothetical economy.



All other things being equal, the shift from AD1 to AD2 is most likely to have been caused by an increase in which of the following?

A. Higher levels of inflation in an economy of a major trading partner

B. Increased consumption of locally made goods and services

C. Increased government expenditure on infrastructure projects

D. Increased productivity of workers in the labour force

5 Which of the following best reflects the current composition of Australia's exports?

A. Australia's largest export category in terms of value is rural exports

B. Australia's share of manufactured exports is smaller than rural exports

C. Australia's share of manufactured exports is greater than service exports

D. Australia's share of service exports is smaller than exports of minerals

6 The following table shows data for the labour market of a hypothetical economy.

Population	Population aged 15 years and over	Employed	Unemployed	Long-term unemployed
30 million	24 million	16 million	1 million	0.5 million

A. The unemployment rate is 4.2 per cent and the labour force participation rate is 53 per cent

B. The unemployment rate is 8.6 per cent and the labour force participation rate is 71 per cent

C. The unemployment rate is 5.9 per cent and the labour force participation rate is 71 per cent

D. The unemployment rate is 6.3 per cent and the labour force participation rate is 67 per cent

7 The following table shows economic data for a hypothetical economy.

Year	*Import Price Index*	*Export Price Index*
1	100	100
2	110	88

According to the data in the table, which of the following statements is correct?

A. The terms of trade in Year 2 is 125 and the economy can increase its imports of goods and services with a given volume of exports.

B. The terms of trade in Year 2 is 110 and the economy can increase its imports of goods and services with a given volume of exports.

C. The terms of trade in Year 2 is 88 and the economy can import the same volume of goods and services with a given volume of exports.

D. The terms of trade in Year 2 is 80 and the economy can import less goods and services with a given volume of exports.

8 Which of the following describes how the global trade system may contribute to global inequality?

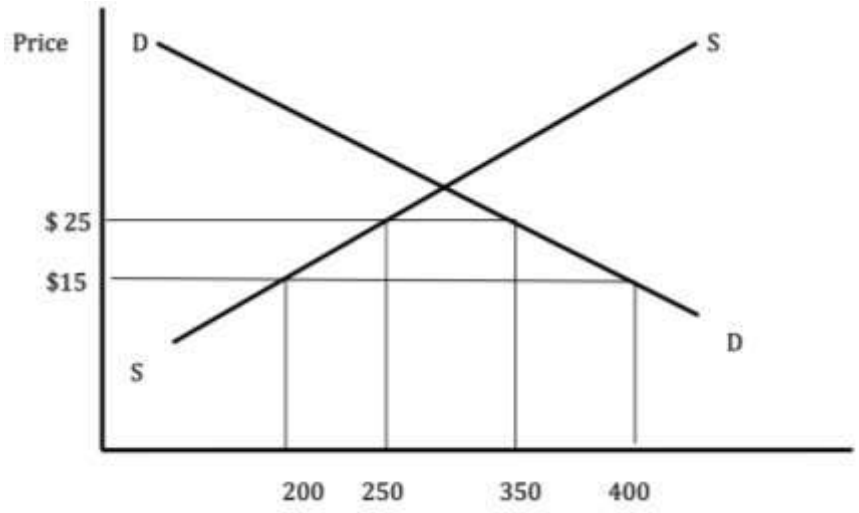
A. All nations are free to implement protection at any levels they wish.

B. The World Trade Organisation has been effective in crafting unilateral trade agreements.

C. Global aid is focused on ensuring developing economies create industries with trading opportunities.

D. Trade is highly regionalised, with nations forming blocs and agreements with neighbouring economies.

9 The following diagram shows the impact of a tariff of $10 on an imported good. The world price of the imported good is $15.



What is the amount of government revenue raised by the imposition of the tariff on the imported good?

A. $1,000

B. $2,000

C. $3,000

D. $6,250

10 A hypothetical economy records a decrease in real Gross Domestic Product (real GDP) over a one-year period.

Which row of the table shows a likely global factor and a domestic factor which could have caused the change in real GDP.

	Global factor	*Domestic factor*
A.	Increase in international borrowing rates	Increase in the marginal propensity to save
B.	Decrease in commodity prices	Decrease in labour supply chain
C.	Increase in international supply chain disruptions	Increase in discretionary expenditure by the government
D.	Decrease in protectionist policies	Decrease in labour productivity

11 An economy is experiencing an increase in its inflation rate yet is achieving full employment in the labour market and a positive rate of GDP growth.

What would be the appropriate stances of monetary and fiscal policies for this economy?

A. An easing of monetary policy and a tightening of fiscal policy

B. A tightening of monetary policy and an easing of fiscal policy

C. An easing of monetary policy and an easing of fiscal policy

D. A tightening of monetary policy and a tightening of fiscal policy

12 Which of the following is an example of discretionary fiscal policy?

A. Increases in welfare payments due to poor economic conditions

B. Decrease in taxation revenue due to strong economic growth

C. Changes in taxation rates by the government in its budget

D. A change in the budget outcome from a deficit to a surplus

13 In a hypothetical economy a change in the level of investment of $25 million brings about a new equilibrium level of $600 million when the multiplier is 4.

Which row of the table shows the correct value of the marginal propensity to save (MPS) and the initial equilibrium level of national income

	Marginal propensity to save	*Initial equilibrium level of national income ($m)*
A.	0.75	500
B.	0.25	500
C.	0.75	575
D.	0.25	575

14 What are the impacts of reduced protection levels in Australia on the Australian economy?

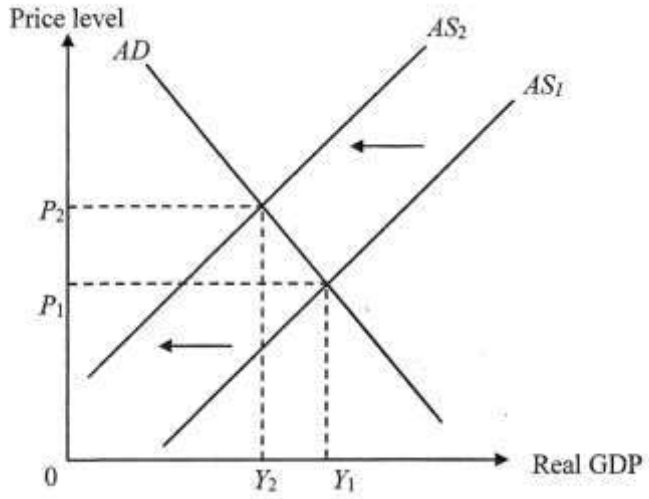
A. Integration of financial markets, decrease in environmental costs, increase in the cost of production

B. Inefficient industries benefit, efficient allocation of resources, infant industries suffer

C. Efficient allocation of resources, lower prices for consumers, improved international competitiveness

D. Increases in environmental costs, higher prices for consumers, efficient allocation of resources

15 The following diagram shows a shift in the aggregate supply curve from AS1 to AS2 for an economy.



What is a possible cause and effect of the shift in the aggregate supply curve?

A. A decrease in labour productivity and a decrease in productive capacity

B. An increase in saving and a decrease in productive capacity

C. A decrease in taxation and an increase in productive capacity

D. An increase in capital productivity and a decrease in productive capacity

16 The following table shows data for a hypothetical economy.

Which of the following combinations would be the most likely impacts of this decision?

Year	*Nominal GDP $ millions*	*CPI*
1	1600	100
2	1850	110

What is the real level of GDP (to the nearest whole number) in Year 2?

A. $1,600 million

B. $1,682 million

C. $1,850 million

D. $1,455 million

17 Which of the following best describes the crowding out effect?

A. Budget deficits are financed by borrowing from overseas, which reduces the supply of borrowable funds for investors.

B. Budget deficits are financed by selling government business enterprises, which increases the supply of borrowable funds for investors.

C. Budget deficits are financed by printing money, which. Increases the supply of borrowable funds for investors.

D. Budget deficits are financed by borrowing from the private sector, which reduces the supply of borrowable funds for investors.

18 The table shows selected data in 2020 for four countries in the global economy.

Which country is most likely to have the highest value for Human Development Index in 2020?

Country	*Life Expectancy (years)*	*Mean Years of Schooling*	*Per Capita Income (US$ PPP)*
China	76.0	13.5	13,345
Brazil	74.7	15.2	14,245
Indonesia	69.1	10.8	10,053
The Philippines	68.3	11.7	8,395

A. The Philippines

B. Indonesia

C. Brazil

D. China

19 The table shows hypothetical data for an economy.

S	X	G	T	I	M
45	80	35	40	30	70

Which statement about this economy is correct?

A. It is expanding because exports are greater than imports.

B. It is contracting because savings are greater than taxation.

C. It is contracting because leakages are greater than injections.

D. It is expanding because injections are greater than leakages.

20 Which of the following best describes the main role of the G20 in the global economy?

A. Helping coordinate the efforts of major economies to sustain economic growth

B. Increasing the growth of global trade through reduced protectionist policies

C. Funding infrastructure in developing countries

D. Marinating stability of the financial system

End of Section I

Student Number

Section II
40 marks
Attempt Questions 21–24

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

Question 21 (10 marks) **Marks**

(a) Outline a cost that may be associated with achieving ecological sustainable development. **2**

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(b) Explain how price mechanism can play a limited role in preserving the environment. **3**

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Question 21 continues on the next page

Student Number

Question 21 (continued) **Marks**

(c) Discuss how the government has attempted to achieve environmental sustainability in Australia. **5**

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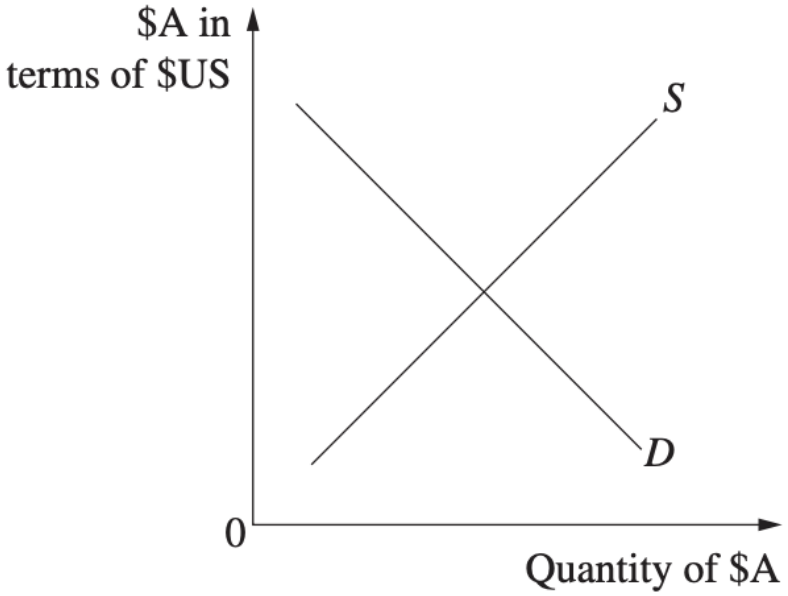
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End of Question 21

Student Number

Question 22 (10 marks) **Marks**

(a) On the diagram draw a new supply curve that shows a depreciation of the Australian dollar, labelling it S2. **1**



(b) Explain ONE factor that would cause an increase supply of the Australian dollar. **2**

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Question 22 continues on the next page

Student Number

Question 22 (continued) **Marks**

(c) Explain how a decrease in Australia's Trade Weighted Index may affect the level of inflation in that economy. **3**

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(d) Discuss the impact of a depreciation in the Australian dollar on employment and on the Current Account. **4**

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End of Question 22

Student Number

Question 23 (10 marks) **Marks**

(a) Outline what would happen to unemployment rate if the hidden unemployed begin seeking work. **2**

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(b) Explain TWO ways unemployment affects economic growth in an economy. **4**

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Question 23 continues on the next page

Student Number

Question 23 (continued) **Marks**

(c) Contrast the use of fiscal policy for an economy at the non-accelerating inflation rate of unemployment (NAIRU) with its use when the economy is above the NAIRU. **4**

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End of Question 23

Student Number

Question 24 (10 marks) **Marks**

(a) Describe ONE cost and ONE benefit of globalisation. **2**

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(b) Explain ONE advantage and ONE disadvantage of bilateral trade agreements. **4**

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Student Number

(c) Assess the effectiveness of ONE strategy used to promote economic development in a country other than Australia. **4**

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End of Question 24

Section III
20 marks
Attempt Question 25

Answer the question in the writing book provided.

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

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

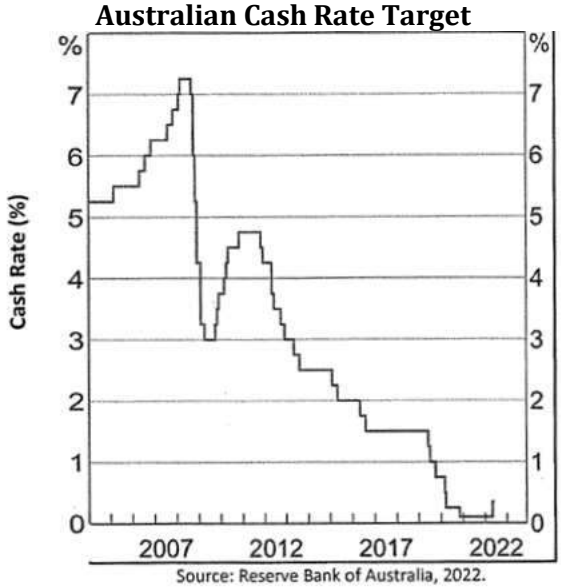
Question 25 (20 marks)

Explain how changes in the stance of monetary policy and interest rates can impact economic activity and the exchange rate. In your response refer to the information provided.

The Board judged that given the inflation data and outlook…, it was no longer appropriate for interest rates in Australia to remain at COVID-emergency levels. The increase in the cash rate in May followed the higher than expected CPI outcome in March quarter and evidence from business surveys and our own liaison that growth in labour costs had picked up and would continue to do so in the months ahead. In June, we decided to make a bigger, 50 basis points, adjustment on the basis of the additional information suggesting a further upward revision to an already high inflation forecast. The Board also gave consideration to the fact that the level of interest rates was still very low.

Source: Philip Lowe, Governor, RBA
June 21st 2022

Australian Cash Rate Target



Source: Reserve Bank of Australia, 2022.

Section IV
20 marks
Attempt either Question 26 or Question 27

Answer the question in the writing booklet provided.

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

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

Question 26 (20 marks)

Assess the factors that impact the composition and trends of Australia's Current Account.

OR

Question 27 (20 marks)

Assess how the drivers of globalisation have impacted the global economy.

End of Examination Paper

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August 2022

MULTIPLE CHOICE ANSWER SHEET

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				
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Yr 12 Economics: AT5: Trial HSC

Marking Criteria and Marker's Feedback

Section I - Multiple Choice

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

Section II – Short Answers

Question 21 (10 marks)

(a) Outline a cost that may be associated with achieving ecological sustainable development.

Criteria	Marks
● Provides an outlines a cost that may be associated with achieving ecological sustainable development	2
● Identifies a cost that may be associated with achieving ecological sustainable development	1

Answer can include:

- Slower economic growth in the short term
- Higher debt levels
- Lower export volumes

(b) Explain how price mechanism can play a limited role in preserving the environment.

Criteria	Marks
● Provides an explanation of how price mechanism can play a limited role in preserving the environment	3
● Describes how price mechanism can play a limited role in preserving the environment	2
● Identifies externalities	1

Answer can include:

Price mechanism does not effectively take into account the long-term effect of economic activity on the environment. Resources may be continued to be used until it runs out. Eg: forests can be logged until there are none left. This is because producers enjoy a private benefit from the activity that depletes resources, but they do not directly face the social costs that their economic activity creates. Similarly, the market price that is paid by consumers does not reflect these social costs.

(c) Discuss how the government has attempted to achieve environmental sustainability in Australia.

Criteria	Marks
● Provides a detailed discussion on how the government has attempted to achieve environmental sustainability in Australia ● Has a good understanding of environmental sustainability ● Discusses specific strategy/policies that is aimed at specific environmental issues	5
● Provides a description on how the government has attempted to achieve environmental sustainability in Australia ● General understanding of environmental sustainability ● Includes a specific strategy/policies that is aimed at specific environmental issues	3- 4
● Provides a description on how the government has attempted to achieve environmental sustainability in Australia ● Includes one specific strategy/policy that is aimed at a specific environmental issue	2
● Identifies one specific environmental strategy/policy	1

Answer can include:

- Market based policies such as tax on demerit goods
- Market based policies such as subsidies on merit goods
- Ban on the production or sale
- Regulations on products/services
- Government can provide the good themselves
- Monitor and measure changes in the environment

Marker's Feedback for Question 21
- Students need to gain a more concise and accurate understanding of ecological sustainability. It is disappointing how many marks were lost because students didn't understand the basic concept. - Students need to gain a better understanding of price mechanism and market failure. This would then help students explain externalities. - When discussing any government policies regarding the environment, use the economic terms 'market-based policies'. Policies need to be specific, measurable and links back to the concept of environmental sustainability.

Question 22 (10 marks)

(a) Draw a new supply curve that shows a depreciation – Student draws a supply curve shift to the left

(b) Explain one factor that would cause an increase supply of the Australian dollar.

Criteria	Marks
● Accurately explains one factor that would cause an increase supply of the Australian dollar	2
● Identifies one factor that would cause an increase supply of the Australian dollar	3

Answers may include:

- Increase in import spending
- Increase in Australians travelling overseas
- Increase in capital outflow (Australians investing overseas)
- Higher interest rates overseas relative to Australia

(c) Explain how a decrease in Australia's Trade Weighted Index may affect the level of inflation in that economy.

Criteria	Marks
● Provides an accurate detailed how a decrease in Australia's Trade Weighted Index may affect the level of inflation in that economy. Students MUST draw out that it's a relationship with major trading partners.	3
● Describes how a decrease in Australia's Trade Weighted Index may affect the level of inflation in that economy	2
● Identifies a link between TWI and inflation	1

Answers may include:

- Imports from major trading partners become more expensive which leads to higher prices contributing to inflation
- Inputs into the production process that are imported from major trading partners become more expensive which leads to higher cost of production, leading to higher inflationary pressures.

(d) Discuss the impact of a depreciation in the Australian dollar on employment and on the Current Account.

Criteria	Marks
● Discusses the impact of a depreciation in the dollar on employment and on the Current account.	4
● Describes the impact of a depreciation in the dollar on employment and on the Current account.	3
● Discusses the impact of a depreciation in the dollar on employment or on the Current account. OR outlines the impact on employment and the Current Account	2
● Outlines the impact of a depreciation in the dollar on employment or on the Current Account	1

Answers may include:

- Exports become more internationally competitive which increases the volume of exports which creates employment in export industries
- Increase in the volume of exports improves BOGS and improves the Current Account
- Imports become more expensive, making domestic import competing businesses more competitive, increasing employment in these industries, improving employment levels.
- Depreciation increases foreign debt levels (valuation effect) which will increase NPY debits on the current account, worsening the current account.

Marker's Feedback for Question 22
- This question needs to be redone by a large number of students - Stop confusing supply of the AUD with the demand. The factors are different. Clear your understanding before the HSC - Most students have an understanding of TWI however, you MUST draw out that it is a measure of the AUD against Australia's major trading partners. If you don't do that you are treating the question like exchange rate. If you did not do that the maximum number of marks you could access was 2/3. You needed to draw out how a depreciated TWI impacted import prices then inflation. Exports do not cause inflation. - A number of students wrote very convoluted answers for section (d). Keep it concise and simple. You cannot access 4 marks if you only spoke about the current account or just about employment. You had to cover both.

Question 23 (10 marks)

(a) Outline what would happen to unemployment rate if the hidden unemployed begin seeking work.

Criteria	Marks
● Outlines what would happen to unemployment rate if the hidden unemployed begin seeking work	2
● Defines hidden unemployment or makes a basic link between unemployment rate and hidden unemployment	1

Answers may include:

Unemployment rate would rise in the short term if the hidden unemployed begin seeking work as hidden unemployment is not included in the unemployment statistics as these people are not actively seeking work. Once they begin seeking work, until they find work they are considered unemployed.

(b) Explain TWO ways unemployment affects economic growth.

Criteria	Marks
● Explains two ways unemployment affects economic growth	4
● Describes two ways unemployment affects economic growth	3
● Describes one way unemployment affects economic growth	2
● Identifies one way unemployment affects economic growth	1

Answers may include:

- Unemployment reduces consumption which leads to a decrease in aggregate demand and GDP which decreases economic growth levels
- Unemployment reduces investment which leads to a decrease in aggregate demand and GDP which decreases economic growth levels
- Unemployment reduces export revenue which reduces growth
- Unemployment leads to an increase in government spending (expansionary fiscal policy) which can stimulate growth

- Unemployment decreases government revenue, which reduces economic growth rate
- Unemployment reduces an economy's productive capacity which will result in a reduced aggregate supply and operating within the PPF, which reduces income and growth

(c) Contrast the use of fiscal policy for an economy at the non-accelerating inflation rate of unemployment (NAIRU) with its use when the economy is above the NAIRU

Criteria	Marks
• Demonstrates a clear understanding of how fiscal policy can be used differently at AND above the NAIRU	4
• Demonstrates a clear understanding of how fiscal policy can be used differently at AND above the NAIRU OR • Demonstrates a clear understanding of how fiscal policy can be used EITHER at OR above the NAIRU and sketches in general terms the other	3
• Sketches in general terms the use of fiscal policy at AND above the NAIRU OR • Demonstrates a clear understanding of how fiscal policy can be used EITHER at OR above the NAIRU	2
• Makes a relevant statement about the NAIRU AND/OR fiscal policy	1

Answers may include:

At the NAIRU, there is no cyclical unemployment and so, if unemployment is to be reduced, fiscal policy needs to address the issue of increasing aggregate supply. This could be done by implementing policies aimed at education and/or the retraining of workers who do not have the necessary skills. By improving the skills of the working age population, this may increase labour force participation and reduce the burden of structural unemployment. If fiscal is used to increase aggregate demand, it will cause wage cost inflation. Above the NAIRU, there is cyclical unemployment and this can be reduced by increasing aggregate demand. This can be achieved by increasing government spending on any of the components of aggregate demand (consumption, investment). As labour is a derived demand, stimulating demand and growth will increase the need for labour and reduce unemployment.

Marker's Feedback for Question 23
Detailed feedback was given on each script. However, students need to ensure to address the following common mistakes made: - Clear your understanding of hidden unemployment and the definition of unemployment - When asked a question linking economic growth aim to address aggregate demand and its components AD = C + I + G + (X-M). Then link to economic growth - Economic growth can also link to Aggregate supply - When asked a question regarding unemployment – address the issue of unemployment. Avoid talking about lower unemployment or rising employment levels. You run the risk of writing your own question - When asked a question about NAIRU – inflation has to be somewhere in your answer. I was quite generous this time but the HSC marker may not be so generous.

Question 24 (10 marks)

(a) Describe one cost and one benefit of globalisation

Criteria	Marks
● Describes one cost and one benefit of globalisation	2
● Describes one cost or one benefit of globalisation	1

Answers may include:

Advantages	*Disadvantages*
- Increase access to goods and services that countries cannot produce themselves - Increases specialisation which leads to better allocation of resources and increase production and economies of scale - Encourages efficient allocation of resources - International competitiveness will improve as domestic businesses face greater competitive pressure from foreign producers and governments will encourage domestic industrial efficiency - Encourages innovation and the spread of new technology and production throughout the world - Can lead to higher living standards as a result of lower prices, increased production and increase consumer choice	- An increase in domestic unemployment as some domestic businesses may find it hard to compete with imports. - It may be difficult to for less advanced economies to establish new industries if they are not protected from larger foreign competitors - Globalisation may cause dumping which hurts efficient domestic industries - Globalisation may encourage environmental irresponsible production methods

(b) Explain one advantage and one disadvantage of bilateral trade agreements

Criteria	Marks
● Explains one advantage and one disadvantage of bilateral trade agreements (must show effect)	4
● Explains one and describes the other	3
● Explains one advantage or one disadvantage of bilateral trade agreements	2
● Identifies one advantage or one disadvantage of bilateral trade agreements	1

Answers may include:

Advantages	*Disadvantages*
- Easiest trade agreements to negotiate because they only need to factor in the interests of the two participants. Eg: ANSCERTA increased standardisation of laws, business practice and commercial structures. This is more difficult to do with a large number of nations. - Faster implication of the agreement which speeds up trade benefits between the two	- Protection is only reduced with one country which generate fewer economy-wide benefits than a broad trade liberalisation involving multiple countries. - Bilateral deals operate less as a means of unlocking new trading opportunities and more as a means of shoring up existing rules around free trade in a time of rising protection

countries	- Creates a complex web of overlapping and inconsistent trade rules for exporters and importers (exporters have to comply with different rules in order to sell the same product in different foreign markets. This increases inefficiencies

(c) In response to globalisation, assess the effectiveness of one strategy used to promote economic growth and development in a country other than Australia

Criteria	Marks
● Assess the effectiveness of one strategy used to promote economic growth and development in a country other than Australia in response to globalisation	4
● Explains the impact of one strategy used to promote economic growth and development in a country other than Australia in response to globalisation	3
● Assess the effectiveness of one strategy used to promote economic growth OR development in a country other than Australia in response to globalisation OR ● Describes one strategy used to promote economic growth and development in a country other than Australia	2
● Identifies one strategy used in a country other than Australia	1

Answer may include:

- Any strategy used to promote trade or investment – must link to growth and must be in response to globalisation
- Any strategy used to promote development and must be in response to globalisation
- Assess – must make a judgement based on criteria
-

Marker's Feedback for Question 24
- In section (a) too many students treated globalisation as free trade. They are not the same but I was very generous with marking - Section (b) was disappointing. Again most students wrote their own question and talked about the advantages and disadvantages of trade. When asked to specifically talk about bilateral agreement your advantages and disadvantages have to be exclusive to bilateral agreements. Revisit that as this is specifically drawn out in the syllabus - Section (c) was the most disappointing part of the exam. This was an assessment task you were marked on. Unfortunately a significant number of students threw away 4 marks because they didn't revisit that assessment task and take on feedback. You must ensure that the strategy you talk about is answering the question. You were asked – **in response to globalisation** – A large number of you just described domestic strategies used to address domestic issues. This was especially evident with those that chose Brazil. These are the types of mistakes that will cost you a Band.

Question 25 (20 Marks)

Explain how changes in the stance of monetary policy and interest rates can impact economic activity and the exchange rate.

Criteria	Marks
• Demonstrates a clear and comprehensive understanding of how changes in the stance of monetary policy and interest rates can impact on economic activity and the exchange rate. • Integrates relevant economic terms, concepts, relationships and theory • Synthesises own knowledge and understanding with the information provided to develop an extensive, sustained, logical and cohesive response.	**17 – 20**
• Demonstrates a sound understanding of how changes in the stance of monetary policy and interest rates can impact on economic activity and the exchange rate • Applies relevant economic terms, concepts, relationships, and theory • Synthesises own knowledge and understanding with the information provided to develop a logical and cohesive response	**13 – 16**
• Demonstrates some understanding of how changes in the stance of monetary policy and interest rates can impact on economic activity AND/OR the exchange rate • Uses relevant economic terms, relationships, and theory • Uses own knowledge and understanding with the information provided, to develop a coherent response	**9 – 12**
• Sketches in general terms some aspects of how changes in the stance of monetary policy and interest rates can impact on economic AND/OR the exchange rate • Uses some economic terms • Presents a generalised response	**5 – 8**
• Lists some aspects of EITHER changes in the stance of monetary policy OR interest rates on economic activity OR exchange rate • Uses some economic terms and concepts • Presents a limited response	**1 – 4**

Answers can include:

- Definition of Monetary Policy
- Stance of Monetary Policy
- Graphs
- Transmission mechanism
- Objectives of monetary policy
- RBA inflation target
- Underlying and Headline inflation
- CPI

- Conventional tools: cash rate target and the policy interest rate corridor
- Unconventional monetary policy: quantitative easing and forward guidance
- Limitations of Monetary Policy

Sample Essay

Essay plan: Monetary policy is the macroeconomic policy instrument that is concerned with influencing the cost and availability of money and credit in the Australian economy. Changing the stance of monetary policy through changing the cash rate impacts on the level of economic activity and the exchange rate through a process known as the monetary policy transmission mechanism. Monetary policy is one of two macroeconomic policies that can be used to address issues with aggregate demand in the economy. The other instrument is the Australian government's use of the budget and fiscal policy. The main objectives of monetary policy are the stability of the currency of Australia, the maintenance of full employment and the economic prosperity and welfare of the people of Australia.

The responsibility for conducting monetary policy lies with the Reserve Bank of Australia (RBA) which is a statutory body operating independently from the Australian government. In attempting to achieve its objectives the RBA has an inflation target of between 2 per cent and 3 per cent on average over the economic cycle. The target is set in terms of the underlying inflation rate which excludes particular anomalies from the headline inflation rate. However, the Reserve Bank interprets and analyses a wide range of measures of consumer price inflation.

The RBA implements monetary policy by using a range of tools. The main conventional tool of monetary policy is the cash rate target and the policy interest rate corridor. The RBA also has a range of unconventional monetary policy tools that it can use such as quantitative easing and forward guidance. Changes in the stance of monetary policy occur when the Reserve Bank Board announces a change in the cash rate target. This occurs at a media release on the first Tuesday of each month of each year, except in January. There are three stances of monetary policy which the RBA can adopt:

- A contractionary stance, when the cash rate is raised to address inflationary concerns and dampen the level of economic activity by increasing the cost of borrowing
- An expansionary stance, when the cash rate is lowered to stimulate economic activity and reduce unemployment, by lowering the cost of borrowing
- A neutral stance, when there is no change in the cash rate

When the RBA changes the cash rate target it is achieved through shifting the policy interest rate corridor in the cash market. The corridor provides a mechanism for implementing changes to the cash rate target. The corridor is central to how the RBA implements monetary policy, especially in relation to changing the stance of monetary policy. The change in the stance of monetary policy encourages banks to trade their Exchange Settlement balances at the cash rate target.

Following a change to the stance of monetary policy the cash market automatically trades at the new cash rate. This is achieved by the policy interest rate corridor, which resets around the new cash rate target, and banks have no incentive to trade outside of this corridor.

Since the COVID-19 recession in 2020, the RBA has also used a range of unconventional monetary policy tools. This has included forward guidance which refers to public commitments made by the RBA as to how it will conduct monetary policy in the future. As well, in 2020 the RBA introduced explicit pricing and quantity targets for the purchase of government bonds in order reduce longer-term interest rates and increase liquidity during the COVID-19 recession. Other unconventional monetary policy tools include term funding facilities, adjustments to market operations and negative interest rates.

By changing the stance of monetary policy, the RBA attempts to influence domestic interest rates and the level of economic activity through the monetary policy transmission mechanism. The transmission mechanism operates through changes in household borrowing and saving, consumer spending patterns, investment by firms, the supply of credit and asset prices. A change in the stance of monetary policy may also impact on Australia's exchange rate.

When the RBA increases the cash rate, the purpose of the contractionary stance is to curb the level of aggregate demand and reduce inflation and inflationary expectations in the economy. This was evident in mid to late 2007 and early 2008 with excessive growth in aggregate demand causing inflation to rise to 4.5 per cent which was outside the target band of 2 per cent to 3 per cent. This was coupled with a tight labour market and high levels of capacity utilisation. By June 2008, aggregate demand had moderated due to a decrease in household spending, a reduction in the demand by households for credit and the number of businesses requiring credit for purchases and investment.

The cash rate was raised by the RBA on four occasions from 6.25 per cent in July 2007 to 7.25 per cent in March 2008. The higher interest rates helped to put upward pressure on the exchange rate. The higher returns increased the demand for Australian assets and attracted more foreign investors. During this period the Australian dollar appreciated against the US dollar from US$0.78 in 2006–07 to US$0.89 in 2007–08. Despite the rise in the Australian dollar, higher world commodity prices were supporting the level of economic activity.

Between September 2008 and April 2009, the RBA lowered the cash rate from 7 per cent to 3 per cent in response to declining global and domestic economic conditions brought about by the Global Financial Crisis (GFC). This easing in the stance of monetary policy was designed to support spending and aggregate demand in an attempt to underpin economic and employment growth to prevent rising levels of unemployment. Inflation pressures at this time had eased and inflation was within the Reserve Bank's target band of 2 per cent to 3 per cent. However, the unemployment rate had begun to rise from a low of 4.2 per cent and reached 5.8 per cent by 2009. The easing in monetary policy helped to support consumer and business confidence with higher cash flows through cuts to interest rates including mortgage rates and business borrowing rates. The global recession led to a fall in global commodity prices which led to a depreciation in the value of the Australian dollar against all currencies. The depreciation of the Australian currency was further impacted by the lower interest rate environment. The depreciation in the exchange rate helped to support the competitiveness of export and import competing industries.

A contractionary stance was adopted by the RBA from October 2009 until November 2010. Over this period of time there were seven increases in the cash rate from 3.25 per cent to 4.75 per cent. This stance was deemed necessary by the RBA as inflation showed signs of moderate growth. There was also growth in expenditure by the public sector, and global economic growth added to domestic demand in the Australian economy. The impact of these changes in interest rates became evident in early 2011 as household spending became more cautious and savings started to increase. As well, asset values steadied. This was apparent, for example, in a more subdued housing market. The Australian dollar continued to appreciate against the major currencies of Australia's trading partners, underpinned by the global resources boom and rising interest rates.

The contractionary stance adopted by the RBA remained in place until November 2011. At this point in time the Reserve Bank Board decided that a change in the stance of monetary policy to an expansionary stance was necessary. The cash rate was lowered from 4.75 per cent to 4.50 per cent.

From November 2011 to August 2013 the stance adopted by the RBA continued to be expansionary with the cash rate being lowered on seven occasions. The last change was in August 2013 when the cash rate was lowered to 2.5 per cent. The easing of monetary policy had supported "interest sensitive spending" for example through the housing market. This had had an effect on asset prices which increased during this time.

The easing of monetary policy from late 2011 until April 2013 started to impact through a range of transmission channels during this time. The flow-on effect continued into 2014 as demand picked up in the housing market as low interest rates were accommodating and supported the borrowing of funds. As well, asset prices increased. This view was expressed by the Reserve Bank Governor at the time in the *Statement on Monetary Policy* when he stated that "dwelling prices have increased significantly over the past year". Australian Bureau of Statistics (ABS) figures released in March 2014 also showed that lower interest rates were encouraging spending, as retail sales figures had increased by 6.2 per cent over the same period of time.

From November 2011 to August 2013 the stance of monetary policy was expansionary. The lowering of the cash rate had an impact on the exchange rate as the Australian dollar against the US dollar depreciated from US$1.03 in 2011–12 to US$0.89 in 2012–13. The easing of monetary policy along with a fall in global commodity prices and a strengthening in the US dollar assisted the re-balancing of growth in the Australian economy. The exchange rate was still considered to be high by historical standards in June 2014. A lower exchange rate was considered necessary by the RBA Governor in order to restore competitiveness in export and import competing industries such as manufacturing, education and tourism.

The cash rate remained at 2.5 per cent from August 2013 until February 2015. Following this period, the RBA cut the cash rate seven times from February 2015 until October 2019 when the cash rate stood at 0.75 per cent. The expansionary stance of monetary policy adopted by the RBA Board during 2015 and 2016 was due to a combination of overseas and domestic factors. The predominant overseas factor was a moderation in growth of the global economy, including China's growth rate. Domestically a decline in commodity prices, a lower terms of trade and a slightly sluggish labour market, were important factors when the Board considered determining the stance of monetary policy. The easing of monetary policy to support economic activity was particularly relevant in underpinning domestic demand, household credit and business investment which support economic growth.

From August 2016 until June 2019 the cash rate remained at 1.5 percent. In June, July and October 2019 the RBA reduced the cash rate in each of these months by 0.25 per cent to 0.75 per cent. The RBA's expansionary stance was deemed necessary in order to support the level of economic activity through the transmission mechanism. There continued to be uncertainty in relation to consumption, income and employment growth which were not as strong as expected. As well, the demand for housing credit remained sluggish. Global trade disputes between China and the USA and Australia were also having an impact on export industries. In their media release in October 2019 the RBA Board stated it was "prepared to ease monetary policy further if needed".

The underlying weaknesses in the Australian economy made it vulnerable to the severe economic impacts which were forecast after the confirmation of the rapid global spread of the coronavirus (COVID-19) pandemic. The Australian government took its first actions to restrict in-bound travel to Australia in early February 2020 and the World Health Organisation (WHO) declared COVID-19 a pandemic in March 2020. The coronavirus outbreak had near immediate impacts on the overseas education and travel sectors of the Australian economy.

The decision by the RBA Board in March 2020 to lower the cash rate by 25 basis points to 0.50 per cent was made in light of the global COVID-19 outbreak. This expansionary stance of monetary policy was important in supporting the Australian government's economic objectives of sustainable economic growth and full employment. Achieving these two objectives would assist in lifting inflation within the targeted range of 2 per cent to 3 per cent.

Following the RBA Board's decision in early March, the coronavirus was impacting at a rate which was extremely damaging to the global economy and the domestic economy. The Australian government introduced a large package of fiscal and financial support. The support packages were critical to the economy, businesses and individuals. The main support packages were announced from 12th March to 30th March 2020, with ongoing smaller stimulus packages continuing to be announced by the Australian, state and territory governments.

With forecasts of a looming recession for many countries, including Australia, the RBA Board held an emergency meeting on 19th March 2020. The decisions made by the Board at the meeting were to complement the fiscal response of the Australian government. The Board announced a further reduction in the cash rate to 0.25 per cent. As well, other unconventional monetary policy tools such as a large government bond purchase programme were used to lift the level of economic activity. In November 2020, a further support package was announced by the Board with a reduction in the cash rate to 0.1 per cent. This expansionary stance of monetary policy remained in place until May 2022.

The economic impact of the easing of the cash rate to a historical low level coupled with expansionary fiscal policy supported the economy through the global and domestic downturn. By May 2021 the economic recovery in Australia was stronger than expected and unemployment was declining, standing at 5.5 per cent. Inflation was still subdued and below the RBA's target band. Given the low borrowing rates, the housing market across Australia was very strong leading to a rise in asset prices. Over 2021, Sydney's housing market had a year-on-year growth of 33.1 per cent in house prices. In the early stages of the pandemic, the low interest rate environment and the state of the global economy impacted on the exchange rate. The Australian dollar depreciated to a low of US$0.55 in March 2020. Over the following 12 months despite the low cash rate the Australian dollar appreciated due to high commodity prices for Australian iron ore, coal and liquified natural gas. The terms of trade improved during this time. The Australian dollar peaked against the US dollar in February 2021 at US$0.79 cents.

The low interest rate environment adopted by the RBA Board was still the focus of monetary policy in February 2022 as the RBA Board's objectives of full employment and inflation operating within the target band remained in place. However, in March 2022 a combination of factors, including the war in the Ukraine, the spike in energy prices and global supply chain constraints were impacting on inflation. In May 2022, the RBA Board decided, "given the inflation data and outlook" to change the stance of monetary policy from an expansionary stance to a contractionary stance by lifting the cash rate by 0.25 per cent to 0.35 per cent. The RBA Board determined, "it was no longer appropriate for interest rates in Australia to remain at the COVID-emergency levels."

The increase in the cash rate in May 2022 was followed by an increase in the cash rate by 0.50 per cent to 0.85 per cent in June 2022 and then by 0.50% to 1.35% in July 2022. The large increases in the cash rate were based on, "the additional information suggesting a further upward revision to an already high inflation forecast." These have been the largest rate rises in Australia in 22 years and the first 'back-to-back' rate rises since May 2010. Forecasts suggest that the cash rate might be around 2.5 per cent by mid to late 2023.

Key to adopting a contractionary stance of monetary policy by the RBA Board was that inflation had increased to the highest rate in a number of years. Headline inflation was 2.1 per cent over the March quarter 2022 and 5.1 per cent over the year and underlying inflation was 3.7 per cent.

It is expected that inflation will increase further in the coming year before returning to the targeted band of 2 per cent to 3 per cent. The effects of contractionary monetary policy are likely to have wide ranging implications, however, the extent of these effects is difficult to predict at this stage. Higher interest rates will impact on mortgage repayments with Australian household debt levels being among the highest in the world. The impact on consumption at this stage is uncertain, as is the impact on investment. With many businesses still recovering from the pandemic and recording lower profits, having to deal with higher interest rates may present a challenge in containing their costs of production.

The Australian dollar in April 2022 was trading at US$0.75, but by mid-June 2022 it had depreciated to US$0.69. There are a number of factors at play in relation to the recent depreciation including rising interest rates in the United States relative to Australia's interest rates, the pandemic in China and the flow on effect to its economic growth and the demand for Australian commodities. The war in the Ukraine and the rise in commodity prices, however, is providing a buffer. The lower exchange rate will make imports more expensive which will add to inflation and possibly reduce the demand for Australian assets.

Changing the stance of monetary policy by changing the cash rate target conducted by the RBA has been a very important macroeconomic tool in its attempt to stabilise the Australian economy. Monetary policy has tended to be more effective in dampening aggregate demand during periods of high economic growth and higher inflation, than it has been in promoting aggregate demand and employment during downturns in the economy. The transmission mechanism of monetary policy through the different channels which make up the level of economic activity in Australia is very complex and the outcome of changes in the stance of monetary policy has a high degree of uncertainty.

Monetary policy and fiscal policy are the main macroeconomic management tools used by the RBA and the Australian government to achieve economic objectives and to manage the Australian economy. As price stability is one of the key economic objectives, the RBA is committed to returning the inflation rate back to the 2 per cent to 3 per cent target zone in the medium-term. The path forward to achieve this goal is uncharted and will be a major challenge for policy makers in the coming months.

Note:
Students may incorporate a relevant diagram(s) into their responses. A relevant diagram would be one, which explains how the interest rate corridor operates in the Australian cash market. Diagrams need to be labelled and explained correctly.

Markers Feedback

Question 25

Explain how changes in the stance of monetary policy and interest rates can impact economic activity and the exchange rate

Marker stats:

- **42 students**
- **Range is 20-4=16**
- **Average = 14.5 HSC average should sit at 11/20 (excellent)**

Intro:

Monetary policy is a countercyclical macroeconomic policy that proved relatively successful in supporting fiscal policy during the pandemic. As a central policy monetary has become more relevant during times of economic prosperity. Monetary policy refers to the RBA actions designed to alter the money in supply/liquidity and hence the cash rate on ESF held by banks and NBFI's, thus manipulating interest rates. The stance has been implemented through both conventional and unconventional methods. Monetary policy stance significantly impacts the channels of the transmission mechanism and hence promotes stable economic activity and exchange rate stability. Monetary policy has been plagued with limitations such as time lags and global response.

Body

1. Trends, stance, and implementation (use stats on interest rates, use both conventional methods- corridor and DMO and unconventional- forward guidance and quantitative easing / tightening) model of corridor. This is your theory paragraph that many of you love, only use it if it mentions changes in stance.

2. Monetary policy impact on economic growth through the transmission mechanism/ this is the six channels that impact on how monetary policy impacts economic activity- no need to mention all six, but include growth price stability and exchange rate stabilisation. This paragraph only economic growth (use the v shaped recovery and statistics, expansionary stance) 3.3% GDP, from recession falling lows of -7%, benchmark stats 3.5-4.5% - limitation of time lags, model is the business cycle

3. Monetary policy impact on price stability through transmission mechanism (main objective) specified by RBA in 1993 creating a 2-3% benchmark. Current stats, mention the difference between headline 6.1% and trimmed mean 4.9% , meaning inflation is driven by the cost push of production costs, gas and petrol (during war).

4. Unemployment has fallen below the NAIRU thus accelerating inflation- unemployment is 3.5%, NAIRU is 4.5%, inflation is 6.1%. This is only useful if it is demonstrating the fact that unemployment has reduced and hence accelerating inflation, MP I 2022 does not control unemployment. –this paragraph is not as necessary as it is only important

5. Monetary policy impact on exchange rates through the transmission mechanism. Focus on the fact that increased interest entices foreign investment, hence, increases the

demand for Australian dollars from the investors, thus appreciating the AUD. Consequently, the low rates of interest will invertedly reduce foreign investments investors do not receive a high return on investment, thus reducing the profits and dividends outflow/debits out of Australia and thus reduce the deficit in the NPY and hence increase external stability
Limitations global response. (Model of exchange rate)

Conclusion should be two sentences – forward thinking – future challenges

Strengths

- Theory of the corridor, but really that is not the question, mention it, but not essence of question.
- Strength is link to economic growth/ basic price stability/ exchange rate (although ER was not comprehensive)
- Some good use of stats (you need stats in EVERY paragraph otherwise poor evidence, and unsubstantiated arguments)
- You need to use models; this engages with economic theory (many students did this)
- Use of source – this cannot be inferred but must be specific

Areas that need addressing

- Many students thought this was an implementation question, it wasn't.
- Knowledge of type of inflation cost push driver, many ignored the fact headline is 6.1% to and trimmed mean (underlying) is 4.9%, suggesting inflation is driven by cost push because of petrol and oil prices= war, see USA and UK inflation rates.
- Not being able to explore specific unconventional methods, specifically forward guidance, and the correlation with price stability
- Remember the limitations, specifically global response, and time lags
- Little engagement with verb- cause and effect/ this could prove costly in the marking centre
- Stop calling it 'the monetary policy' – instead use monetary policy
- Use plan many of these essays jumped around

Question 26 (20 Marks)

Assess the factors that impact the composition and trends of Australia's Current Account.

Criteria	Mark
• Provides an extensive assessment the factors that impact the composition and trends of Australia's current account • Shows sound judgements based on outcomes (statistics and or trends) • Demonstrates an excellent understanding of economic terms and concepts throughout the response • Synthesises own knowledge and understanding to develop a sustained, logical and cohesive response (appropriate writing style, paragraphing, sentence structure and idea development).	17 - 20
• Provides assessment of the factors that impact the composition and trends of Australia's current account • Shows some judgement based on outcomes (statistics and or trends) • Demonstrates a sound understanding of economic terms and concepts throughout the response • Synthesises own knowledge and understanding to develop a logical and cohesive response (appropriate writing style, sound paragraphing, sentence structure and idea development)	13 - 16
• Provides a limited assessment of the factors that impact the composition and trends of Australia's current account **OR** explains the factors that impact the composition and trends of Australia's current account • Uses some examples and statistics of composition or trends of the current account • Demonstrates some understanding of economic terms and concepts • Uses own knowledge and understanding to develop a coherent response	9 - 12
• Provides descriptions of the factors that impact the composition and/or trends of Australia's current account • May include some examples or evidence of composition or trends of the current account • Uses some economic terms and/or concepts in the response • Presents a generalised response	5 - 8
• Makes reference to the current account • May make reference to examples or statistics of the current account • Uses basic economic terms in the response • Presents a limited response (basic response structure)	1 - 4

Answers could include:

Factors that impact the composition and trends of Australia's the Current Account

International competitiveness (IC) • **Cyclical factors:** AUD (depreciation of AUD has improved IC) and increased the size of the BOGS surplus= CAS. • **Structural factors:** widening the traditionally narrow export base, this has increased the size of the surplus in BOGS= CAS • increase in bilateral and multi-lateral agreement adding to the international competitiveness	**TOT** • **Cyclical factors:** IBC, growing resurgence of commodities in particular the souring iron ore prices. Increasing the surplus in BOGS. • Soaring TOT has resulted in appreciation of the AUD in the short term, this could have negative impact on exports.
Foreign investment • **Cyclical:** low interest rates and discouraging inward foreign investment • **Structural:** superannuation laws and growing Australians investing overseas Shrinking outflow of dividends and profits thus shrinking the deficit in NPY account= CAS	**Overseas borrowing** • **Cyclical:** low interest rates, less Australians borrowing overseas • **Structural:** financial deregulation encouraging increase foreign borrowing Shrinking NPY deficit as less outward interest repayments and more inward interest repayments= CAS

Composition of Trade

- Composition refers to the makeup of **trade flows** (primary, secondary and tertiary exports and imports) recorded on BOGS and **investment flows** recorded on NPY (portfolio-52% and direct-27%).
- Tertiary industry is widening and primary is growing on the back of iron ore resurgence. China using Australia's iron ore in massive infrastructure project.
- Financial flows, Australia in a net asset position, growing outward investment contributing to 52% of investments.
- Both the widening of the export base improving the surplus in the trade account thus increasing the CAS and increase in outward foreign investment, particularly growing portfolio investments from Australians owning assets overseas, thus increasing the dividends and profits inbound, thus resulting in a shrinking NPY deficit leading to a CAS.

Marker's Feedback:

Marker stats:

- **21 students. Range is 3 – 18=15**
- **Average = 12.9, HSC average should sit at 11/20 (good job)**

Intro:
The current account is an account within the Balance of Payments. It is a non-reversible transaction made up of trade made up of trade and income debits and credits between Australia and the rest of the world. Traditionally the CA has been in deficit offset by a corresponding surplus in KAFA under the floating exchange balancing the BOP. The current account is influenced by international competitiveness and terms of trade, altering BOGS; foreign investment and overseas borrowing altering NPY through its relationship with the financial account. These components are influenced by structural and cyclical factors, which are essentially impacting the trend, size and composition of CA, since 2019 has been in surplus in the Australian economy.
Body:

1. Trends - Traditionally, Australia has been in deficit in this account however, due to cyclical factors such as exchange rates and interest rates the current account has maintained a surplus with a large trade surplus and a shrinking NPY account. Use stats.
2. International competitiveness, stats, link cyclical factors such as exchange rate and j curve/ Marshall Lerner condition and draw J curve model, link trade and structural factors such as trade agreement/ India new one- Economic Cooperation and Trade Agreement (ECTA), and ChAFTA…..link trend in BOGS
3. TOT stats, link cyclical factors such as exchange rate and j curve/ Marshall Lerner condition and international business cycle – draw model, link structural factors like reduced protection…..link trend in BOGS
4. Foreign investment stats, link cyclical factors such as interest rates and structural factors such as the savings and investment gap…..link trend in NPY
5. Overseas borrowing stats, link cyclical factors such as interest rates and structural factors such financial deregulation…..link trend in NPY
   Conclusion: brief forward looking – potential opportunities or threats

Strengths

- Define the CA and link to BOP
- BOGS handled well, direction/composition and value
- Some good use of stats (you need stats in EVERY paragraph otherwise poor evidence, and unsubstantiated arguments)
- You need to use models; this engages with economic theory (many students did this)

Areas that need addressing

- Lack of understanding of NPY, the fact we have a deficit but shrinking
- Disregard to the cyclical factors dominating the current position
- Some students did not engage in current information- ie India and UK bilateral Agreements
- Not enough detail linking Australia current position on gas and impact of war and the positive effects on Australian exports. Remember Russia use to supply 40% of world gas and Ukraine use to supply 30% of worlds wheat Australia stepped in – resource boom

Question 27 (20 Marks)

Assess how the drives of globalisation have impacted the global economy

Criteria	Mark
• Provides an extensive assessment of how the drivers of globalisation have impacted the global economy • Shows sound judgements based on outcomes (statistics and or trends) • Demonstrates an excellent understanding of economic terms and concepts throughout the response • Synthesises own knowledge and understanding to develop a sustained, logical and cohesive response (appropriate writing style, paragraphing, sentence structure and idea development).	17 - 20
• Provides assessment of how the drivers of globalisation have impacted the global economy • Shows some judgement based on outcomes (statistics and or trends) • Demonstrates a sound understanding of economic terms and concepts throughout the response • Synthesises own knowledge and understanding to develop a logical and cohesive response (appropriate writing style, sound paragraphing, sentence structure and idea development)	13 - 16
• Provides a limited assessment of how the drivers of globalisation have impacted the global economy **OR** explains how the drivers of globalisation have impacted the global economy • Uses some examples and statistics of composition or trends of the current account • Demonstrates some understanding of economic terms and concepts • Uses own knowledge and understanding to develop a coherent response	9 - 12
• Provides descriptions of the drivers of globalisation and a description of impacts • May include some examples or evidence of composition or trends of the current account • Uses some economic terms and/or concepts in the response • Presents a generalised response	5 - 8
• Makes reference to globalisation • May make reference to examples or statistics of the current account • Uses basic economic terms in the response • Presents a limited response (basic response structure)	1 - 4

Answers could include:

- Definition of Globlisation
- Trends in the global economy
- *Drivers of Globalisation*

- WTO

- IMF
- Other international organisations
- Global Forums
- Trade Agreements
- Deregulation of markets
- Protection policies (eg: reduced tariffs/quotas, export subsidies)
- Speculators and currency traders
- FDIs
- TNCs
- FOREX market
- Technology
- Transport and Communication
- Migration policies

Impacts on Globalisation:

- International trade in goods and services
- International financial flows
- International investment flows and transnational corporations
- Technology, transport and communication
- The movement of workers between countries
- International and Regional Business Cycle

Question 27

Assess how the drivers of globalisation have impacted the global economy

Marker stats:

- **21 students**
- **Range is 1 – 17 = 16**
- **Average = 9.6 (poor), HSC average should sit at 11/20**

Intro:

Globalisation refers to the process of economic and social integration. There are a myriad of drivers propelling economies towards the process of globalisation. Trade flows, financial flows and TNC's all play a significant role in promoting globalisation within economies. These drivers ideologies align with the global organisations such as the WTO and the IMF who stand with the UN in promoting long term positive impacts such as economic growth and development, with short term costs such as increased government inequality and corruption.

- Define globalisation
- Mention drivers pushing globalisation (trade flows, financial flows, TNC and investment, technology, labour mobility)
- Effect of the drivers economic growth, economic development, increase in trade, increase in inequality

Body:

1. Trade flows, link WTO stance, relationship with trade and economic growth, direction, composition value. Stats Australia and case study. This driver drives economic growth
2. Financial flows, direction/comp/value , types of Foreign Portfolio Investment and Foreign Direct Investment, interest rates and size of NPY use Australia and case study with stats. This driver drives economic growth and development.
3. TNC's link to technology and labour- use Australia and case study with stats. This driver drives economic growth and development and inequality.

Conclusion: Brief forward thinking – opportunities and threats

Strengths

- Remembered the syllabus- but you forgot to define globalisaiton
- Some good use of stats (you need stats in EVERY paragraph otherwise poor evidence, and unsubstantiated arguments)
- Big push for technology

Areas that need addressing

- This is a case study option and you could also include Australia
- Some students did not engage in current information- ie India and UK bilateral Agreements
- Not enough detail linking Australia current position on gas and impact of war and the positive effects on Australian exports. Remember Russia use to supply 40% of world gas and Ukraine use to supply 30% of worlds wheat Australia stepped in – resource boom
- Not enough of financial flows
- Remember composition/value and direction

Overall Feedback
- There is a very clear distinction between those who students who spent a significant amount of time studying and those who left their studies a little late. - Students understand most concepts but MUST now invest in their writing skills by submitting more practice questions and essay plans - These has been the hardest scripts to read we have ever seen. This will cost students an average of 5-10 marks in the exam if it is not addressed. Markers will not be patient or give scripts a lot of time to try to figure out what you are writing – remember you are not their student. - I strongly suggest ALL students develop a more extensive terminology bank. This will help you pick up several more marks - KNOW YOUR SYLLABUS - Congratulations on completing your internal assessments. This is now when the magic happens. Let the value add begin. - You definitely have the potential to do very well in the HSC