STUDENT NUMBER _____

Economics
2013 HSC Trial Examination

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** where indicated

- **Do not remove this paper from the examination room**

Section I – 20 marks
- Attempt Questions 1-20
  Use the answer sheet provided

Section II – 40 marks
- Attempt Questions 21-24
  Complete on the examination paper

Section III – 20 marks
- Attempt one question from questions 25 OR 26

Section IV – 20 marks
- Attempt one question from questions 27 OR 28

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Section I
Multiple Choice
20 marks

Attempt Questions 1-20.
Use the multiple choice answer sheet provided.
Allow 20 minutes for this section.

1. Which of the following is a government policy stance that would lead to an increase in structural unemployment?

    A   An increase in interest rates

    B   An increase in tariffs on imported goods

    C   A reduction in marginal income tax rates

    D   A reduction in subsidies for manufacturing industries

2. The table shows economic data for Sesquiland

	Real Gross Domestic Product ($ bill)	Consumer Price Index
Year 1	320	120
Year 2	336	132

    Which of the following describes the economic conditions in this country?

    A   The economy is in recession

    B   The rate of economic growth is higher than the rate of inflation

    C   The rate of economic growth is lower than the rate of inflation

    D   The rate of economic growth is the same as the rate of inflation

3   Which of the following is a characteristic of a deregulated labour market?

    A   The use of industry-wide award agreements

    B   The establishment of a tribunal to settle all disputes in workplaces

    C   The removal of penalty rates for over-time work

    D   An increase in the minimum wage

4   Which of the following economies will experience the largest increase in national income from the increase in investment?

	Marginal Propensity to Consume	Increase in Investment ($mill)
A	0.5	500
B	0.75	300
C	0.8	400
D	0.9	150

5   Which of the following is most likely to have caused a decrease in the Gini Coefficient in a developing country

A   An increase in foreign aid from developed nations

B   An increase in the migration of skilled labour to developed nations

C   A reduction in GDP per capita

D   A reduction in inflation

6   Why would a country maintain a fixed exchange rate below the market equilibrium determined by supply and demand on currency markets?

A   To improve the competitiveness of export industries

B   To reduce the cost of imported goods into the economy

C   To increase the cost for foreign companies to invest in the country

D   To reduce the value of their foreign debt in foreign currency terms

7   Which of the following is likely to worsen the current account deficit in the short-run?

A   Improving international competitiveness

B   A depreciation in the value of the $A

C   A reduction in the value of imports

D   A fall in domestic wage rates

8   If the price rises and the total outlay of consumers on the product rises, then the price-elasticity of demand for the product is:

A   Elastic

B   Inelastic

C   Unit elastic

D   Unknown

9   The "global movement of capital" refers to the movement of:

A   Capital cities

B   Investment

C   Machinery

D   Savings

10   The table below contains information on a hypothetical economy.

Year	Employed persons	Unemployed persons	Working age population
1	510,000	90,000	1,200,000
2	600,000	150,000	1,350,000

Which of the following statements is correct?

A   The labour force participation rate has declined from Year 1 to Year 2

B   The labour force participation rate has increased from Year 1 to Year 2

C   There has been no change to the labour force participation rate

D   You cannot work out the labour force participation rate in either year

11   If Australian companies have invested heavily overseas, which of the below best describes the effect on its external stability?

A   Australian companies will owe more money overseas therefore the external stability of the country will worsen

B   The level of free trade has increased so external stability will improve

C   It will increase net foreign equity and therefore improve external stability

D   The impact cannot be determined without knowing the exchange rate

12   Which of the following best describes a positive externality?

A   The private cost is less than the social cost

B   The benefits of production are enjoyed by the individual only

C   The good is under produced by firms, inviting a government response

D   Governments will provide the good at a cheaper cost than the private firm

13   The following table shows the distribution of household income data for two economies.

Country	Lowest 20% (%)	Second quintile (%)	Third quintile (%)	Fourth quintile (%)	Highest 20% (%)	Gini coeffient
Country A	4	13	21	29	33	0.531
Country B	7	15	19	23	36	0.654

Which statement is most correct about the distribution of income for the two countries?

A   Country A has a more equitable distribution of income than Country B

B   The two countries have very similar distribution of income profiles

C   The lower quintiles are paying higher tax in Country A than Country B

D   Whilst Country B has a richer top 20% it is more equitable overall

14   What is most likely to cause an increase in aggregate supply?

A   Rising aggregate demand

B   The Federal government making university education free

C   An increase in the level of hidden unemployment

D   A reduction in the official cash rate

15   This question refers to the information in the table below.

	Import price index	Export price index	Terms of trade
Year 1	100	100	100
Year 2	116	107	

Calculate the terms of trade in Year 2 and determine if it has improved or deteriorated.

A   The terms of trade in Year 2 is 108.4 and it has improved

B   The terms of trade in Year 2 is 108.4 and it has deteriorated

C   The terms of trade in Year 2 is 92.2 and it has improved

D   The terms of trade in Year 2 is 92.2 and it has deteriorated

16   Which of the below best describes ecologically sustainable development?

    A   The trade off between immediate economic growth and future environmental quality

    B   The current level of economic growth and development must not slow down future years' economic growth

    C   Using environmental knowledge to decrease our long-term output

    D   Encouraging industries to become more efficient in the global market

17   Which of the following forms of protection may impact upon the conduct of monetary policy in the Australian economy?

    A   Tariffs as a result of their impact on government revenue

    B   Subsidies due to the increased levels of government spending

    C   Tariffs as a result of their inflationary impacts

    D   Subsidies due to their impact on the costs of production

18   Which of the following best describes the impact of globalisation on the world economy?

    A   International divergence and greater capital flows between countries

    B   Increases in Gross World Product and international economic integration

    C   Greater domination of world markets by TNC's and a reduction in global income

    D   Greater global trade and an increase in global income equality

19   Which of the following is an effect of a subsidy?

    A   Increased supply by domestic producers and distorted allocation of resources in the economy

    B   Decreased prices and promotion of international competitiveness for Australian goods

    C   Increased productivity of labour and promotion of structural change

    D   Higher prices domestically and a redistribution of income in the economy

20. The table shows selected economic data for the hypothetical economy of Moulton.

Year	Exchange rate of the $Moulton (in terms of $US)	Trade Weighted Index (TWI)
Year 1	0.65	121
Year 2	0.78	105

Which of the following statements is most correct?

A   The US is the largest trading partner of Moulton

B   There has been a relative decline in demand for the $Moulton from Year 1 to Year 2

C   There is no free trade agreement between Moulton and the US

D   Year 1 was a better year to travel from Moulton to the US as a tourist

End of Section I

Section II
Student Number:……………………
Short answer response
40 marks
Attempt all questions in the spaces provided

Question 21 (10 marks).

In the table below is information for the economy of Manamana.

	$ billion
Net services	44.0
Goods credits	79.1
Goods debits	54.5
Primary income credits	75.7
Primary income debits	133.2
Net secondary income	6.5

a) Calculate the balance on the current account in Manamana.   **2**

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b) Explain how an increase in borrowing funds from overseas would impact on the balance of payments   **3**

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c) Discuss how changes in the current account balance of Australia can affect the value of the $A   5

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Question 22 (10 marks)   Student Number:.........................

a) Differentiate between economic growth and economic development   **2**

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b) Describe what the Human Development Index measures and the indicators it uses.   **2**

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Part c) should be answered about an economy other than Australia.

Country: ....

c) Evaluate the success of your country's policies to achieve economic growth and
development   **6**

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Question 23 (10 marks)   Student Number:..........................

a) Outline two methods of financing a budget deficit   2

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Part B refers to the graph below.
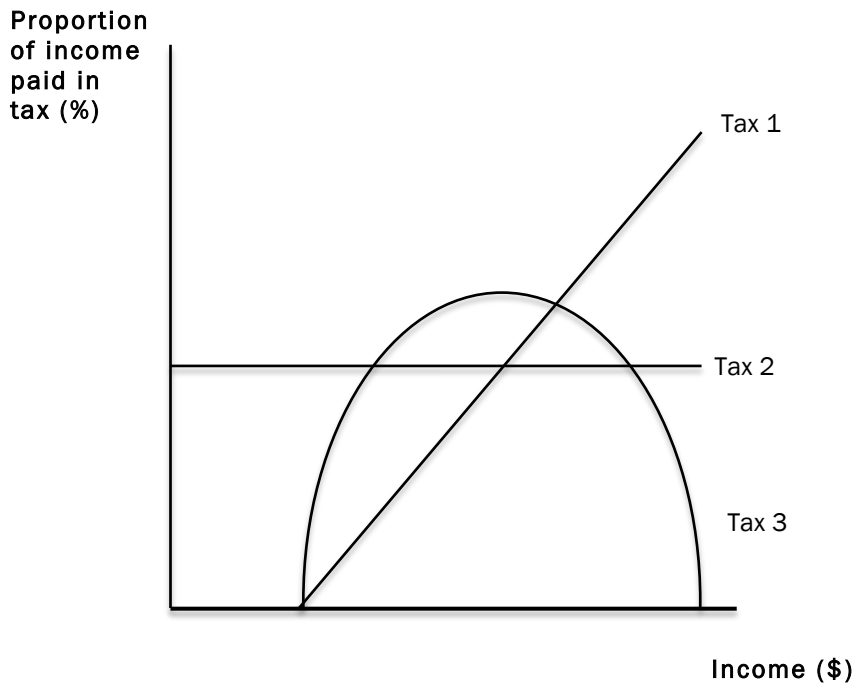
b) Explain which of the taxes on the graph above represents a progressive income tax   2

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c) Differentiate between the structural and cyclical components of the budget.   **2**

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d) With reference to the Australian Budget of 2013-14, explain how changes from the
previous year will affect resource use and income distribution.   **4**

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Question 24 (10 marks)   Student Number:………………………

The following table shows information on the labour market in a hypothetical economy.

Working age population	Labour force	Number of employed	Number of unemployed	Number of underemployed
50,000,000	36,000,000	25,000,000	5,000,000	6,000,000

a)   Calculate the unemployment rate (show all working)   **2**

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b)   Describe how the non-accelerating inflation rate of unemployment (NAIRU) is calculated and explain why it is important   **3**

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c)   Evaluate the effectiveness of TWO policies that can be used to reduce structural unemployment

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End of Section II

Section III
Extended Response
20 marks
Attempt either Question 25 **OR** Question 26
Answer the question in a writing booklet. Extra writing booklets are available.

In your answer you will be assessed on how well you:
• Use your knowledge and the economic information provided
• Apply economic terms, concepts, relationships and theory
• Present a sustained, logical and well-structured answer to the question

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Question 25 (20 marks)

Analyse the effectiveness of monetary policy in achieving economic growth and inflation in the Australian economy. In your answer you should refer to the information provided.

"In the textbooks, if you lower interest rates and the currency there will be a surge in business investment and employment will rise. That can't happen in Australia because the politicians have made investment too dangerous and the long period of high currency has embedded imports into just about every part of the society. That is not about to change."
Source: Robert Gottleibsen, Business Spectator, "Why Stevens is playing with fire", 7th August 2013

Australia's Real GDP Growth
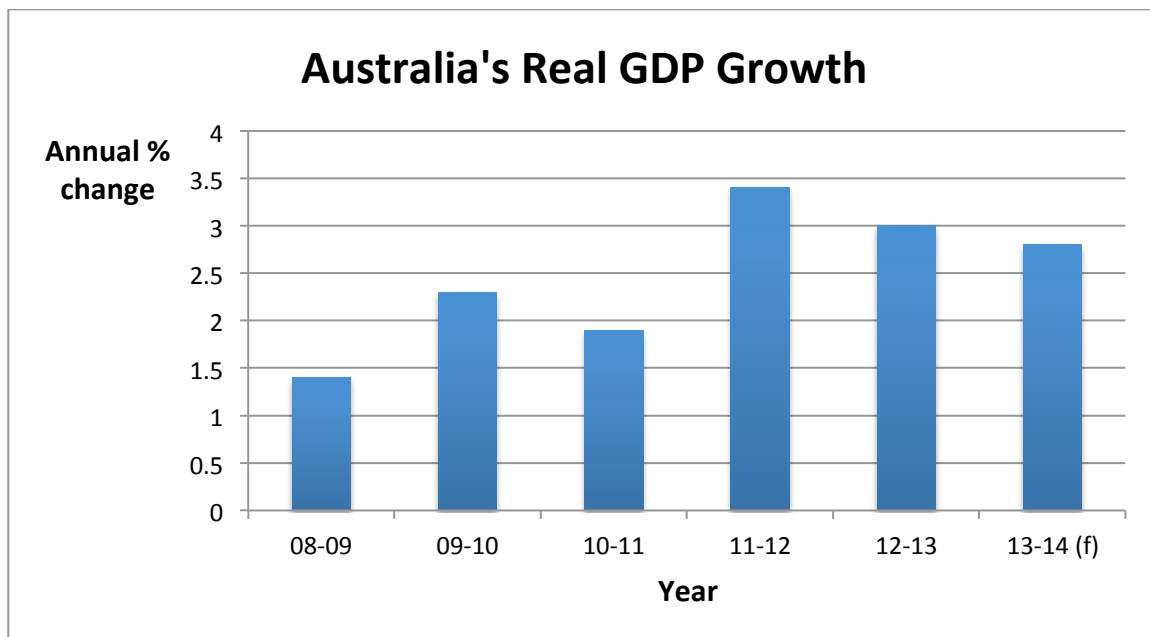
OR

In your answer you will be assessed on how well you:
- Use your knowledge and the economic information provided
- Apply economic terms, concepts, relationships and theory
- Present a sustained, logical and well-structured answer to the question

Question 26 (20 marks)

Analyse the effectiveness of labour market policies in achieving economic objectives in the Australian economy. In your answer you should refer to the information provided.

"On 13 February 2011, COAG adopted a streamlined agenda to advance five key themes common to all Australian jurisdictions:
1. a long-term strategy for economic and social participation
2. a national economy driven by our competitive advantages
3. a more sustainable and liveable Australia
4. better health services and a more sustainable health system for all Australians; and
5. Closing the Gap on Indigenous disadvantage."

Source: http://www.coagreformcouncil.gov.au/agenda

Chart 1. Average weekly ordinary time earnings, Full-time Adult Males, Sector
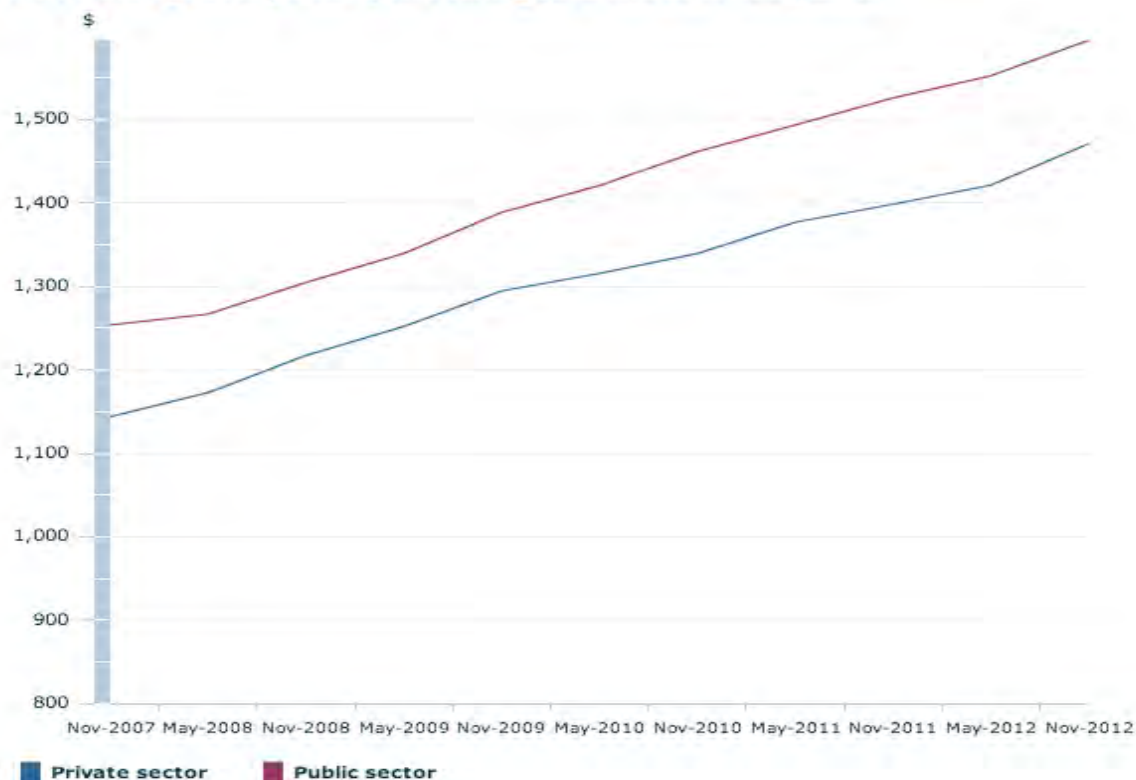
Source(s): Average Weekly Earnings, Australia

End of section III

Section IV
Extended Response
20 marks
Attempt either Question 27 **OR** Question 28
Answer the question in a **separate** writing booklet. Extra writing booklets are available.

In your answer you will be assessed on how well you:
*   Use economic data
*   Apply economic terms, concepts, relationships and theory
*   Present a sustained, logical and well-structured answer to the question

Question 27 (20 marks)

Evaluate the impacts of an unequal distribution of global income and wealth caused by globalisation.

OR

Question 28 (20 marks)

Evaluate the economic arguments why countries use protectionist policies and the impacts they have on the global economy.

End of paper

Circle the most correct answer to each question below

Example: Which of the following is the most correct spelling of the term *Economics*?

A Economsic
B Economicsbro
C Ecomonics
D Economics

	A	B	C	(D)

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

Circle the most correct answer to each question below

Example: Which of the following is the most correct spelling of the term *Economics*?

A Economsic
B Economicsbro
C Ecomonics
D Economics

	A	B	C	D
	A	B	C	(D)

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

Marking guidelines & feedback

Question 21

a) Calculate the balance on the current account in Manamana. **2**

2	Correctly calculates the balance on the current account of $17.6b
1	Gives the correct answer but does not show working out

b) Explain how an increase in borrowing funds from overseas would impact on the balance of payments **3**

3	Explains the effects of increased borrowing and uses appropriate terminology from BOP such as current account, net primary income, capital account
2	Explains the effects of increased borrowing but does not use all appropriate terminology
1	Outlines how the balance of payments would be affected but not why

An increase in borrowing from overseas will lead to credits on the capital account. This will, in turn, add to the debits within the current account, specifically the net primary income account. The debits will take the form of interest repayments in this particular situation. This will worsen any current account deficit or reduce a current account surplus.

c) Discuss how changes in the current account balance of Australia can affect the value of the $A **5**

5	Discusses one factor leading to an appreciation of the $A, one factor leading to a depreciation of the $A and gives an appropriate example
4	Discusses one factor leading to an appreciation of the $A and one factor leading to a depreciation of the $A
3	Discusses one factor leading to an appreciation/depreciation of the $A and outlines another OR gives an appropriate example
2	Discusses one factor leading to an appreciation/ depreciation of the $A OR outlines two factors OR outlines one factor and gives an appropriate example
1	Outlines one factor

Speculation plays a large role in the fluctuations in the $A. Around 95% of XR transactions are related to speculation.

The balance of the CAD is often a reflection of the state of the economy. Therefore, when there is a worsening of the CAD (higher as a % of GDP) you would expect that this would be because of a high level of economic activity (ie. BOGS worsens, higher repayments from the NPI). This may, in the short term, lead to an appreciation of the $A as foreign investors take advantage of the investment opportunities. However, in the long run, it would result in a depreciation of the $A as a persistent CAD will have foreign investors see Australia as a less stable place to invest and therefore demand for the $A falls.

Alternatively, we have seen recently a situation where the BOGS has improved due to higher export prices and revenue. This demand for our exports led to an increase in the demand for the $A and therefore an appreciation of the $A.

Australia also attracts a large amount of foreign investment because of its savings-investment gap. This is reflected in a current account deficit (CAD) as the dividend and interest repayments are recorded as debits from the NPI account. Therefore, when there are increased levels of foreign debt and foreign equity (FDI) this can increase the demand for the $A, causing an appreciation.

Likewise, an increase in Australians investing or lending overseas will lead to a CAS and therefore an increase in supply of the $A.

Question 22

a) Differentiate between economic growth and economic development   **2**

2	Differentiates correctly
1	Defines one of the two terms correctly, or shows an incomplete understanding of the difference between eco growth and development

Eco growth: a sustained increase in the productive capacity of a country over time, measured by the change in real GDP.
Eco development: a measure of the welfare of a country that looks at indicators such as health, education, quality of life and material living standards.

b) Describe what the Human Development Index measures and the indicators it uses.   **2**

2	Describes what the HDI measures and the indicators used
1	Describes what the HDI measures or the indicators used

The HDI is a measure of economic development devised by the UN. It uses the following indicators:
- Life expectancy
- Education levels
- GNI per capita

c) Evaluate the success of your country's policies to achieve economic growth and development   **6**

2 marks per policy described; 2 marks for an evaluation of the success of these policies (using statistics to assist).

Question 23

a) Outline two methods of financing a budget deficit   **2**

2	Outlines one method
1	Outlines two methods

Selling bonds to members of the public, borrowing from the RBA

b) Explain which of the taxes on the graph above represents a progressive income tax   **2**

2	Picks the correct tax
1	Picks the correct tax and explains why

A progressive tax means that the tax rates increase as income increases.

c) Differentiate between the structural and cyclical components of the budget.   **2**

2	Explains one correctly
1	Explains both correctly

Cyclical components are the discretionary decisions made according to what stage of the business cycle the economy is at. Eg, increase govt spending.

Structural components are built in to the budget eg welfare payments

d) With reference to the Australian Budget of 2013-14, explain how changes from the previous year will affect resource use and income distribution.   **4**

4	Explains two changes in the budget and relates to resource and Y distribution
3	Explains one change and refers to another
2	Explains one change or refers to two
1	Refers to one change

Answers could include:
- Education spending – Gonski
- National Disability Insurance Scheme

Question 24

a) Calculate the unemployment rate (show all working)

b) Describe how the non-accelerating inflation rate of unemployment (NAIRU) is calculated and explain why it is important

3	
2	
1	

c) Evaluate the effectiveness of TWO policies that can be used to reduce structural unemployment

Section III

Question 25

Analyse the effectiveness of monetary policy in achieving economic growth and inflation in the Australian economy.

Mark Range	Criteria
17-20	• Develops a sustained, logical and well-structured answer that demonstrates superior economic understanding • Provides a comprehensive analysis of the impacts of the current monetary stance on econ growth & inflation in Australia • Integrates appropriate economic terms, concepts, and theory • Synthesises economic data to develop an effective response
13-16	• Develops a logical and well-structured answer that demonstrates sound economic understanding • Explains a range of impacts of the current monetary stance on econ growth & inflation in Australia • Incorporates some appropriate economic terms, concepts, and theory • Incorporates economic data to develop an effective response
9-12	• Develops a structured answer that demonstrates a general economic knowledge • Describes, in general terms, the impact of the current monetary stance on econ growth & inflation in Australia • Uses some appropriate economic terms, concepts, and theory • Includes some economic data to develop an effective response
5-8	• Develops an answer that demonstrates some economic understanding • Refers to some possible impacts of the current monetary stance on econ growth & inflation in Australia • Uses limited appropriate economic terms, concepts, and theory • May include some economic data in the response
1-4	• Develops an answer that might refer to monetary policy and economic growth • Shows little understanding of monetary policy and economic indicators • Makes little use of appropriate economic terms, concepts, and theory • Makes little use of economic data in the response

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Mark:……………………………   Signed…………………………………

Question 26

Analyse the effectiveness of labour market policies in achieving economic objectives in the Australian economy.

Mark Range	Criteria
17-20	• Develops a sustained, logical and well-structured answer that demonstrates superior economic understanding • Provides a comprehensive analysis of the impacts of the current labour market policies on economic objectives in Australia • Integrates appropriate economic terms, concepts, and theory • Synthesises economic data to develop an effective response
13-16	• Develops a logical and well-structured answer that demonstrates sound economic understanding • Explains a range of impacts of the current labour market policies on economic objectives in Australia • Incorporates some appropriate economic terms, concepts, and theory • Incorporates economic data to develop an effective response
9-12	• Develops a structured answer that demonstrates a general economic knowledge • Describes, in general terms, the impact of the current labour market policy on economic objectives in Australia • Uses some appropriate economic terms, concepts, and theory • Includes some economic data to develop an effective response
5-8	• Develops an answer that demonstrates some economic understanding • Refers to some possible impacts of the current labour market policy on economic objectives in Australia • Uses limited appropriate economic terms, concepts, and theory • May include some economic data in the response
1-4	• Develops an answer that might refer to labour market policy and economic objectives • Shows little understanding of micro policy and economic indicators • Makes little use of appropriate economic terms, concepts, and theory • Makes little use of economic data in the response

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Mark:……………………………   Signed…………………………………

Analyse the effectiveness of labour market policies in achieving economic objectives in the Australian economy.

Unless you had a broad and detailed understanding of labour market policies then it was difficult to score above 14/20.

Understanding of economic objectives was strong. They are:
- Economic growth
- Maintaining internal balance
  - price stability
  - full employment
- Maintaining external stability
- Achieving a more equitable distribution of income
- Environmental concerns

Current labour market policies include:
- Fair Work Act 2009
  - minimum employment standards
  - minimum wage
  - awards/enterprise agreements/individual contracts
- Dispute resolution
- Active labour market intervention
  - job creation schemes
  - education and training initiatives
  -

It is important to note that these policies represent the current government and that there are differences in labour market ideology between the main political parties in Australia. A new government will probably introduce new labour market policies.

Regardless, all labour market policies are designed to produce labour that is adaptive and responsive to changing economic conditions. Skills are acquired through education and training and this should continue over the career of a worker. The ability to change jobs/careers depends on the efficiency of the wage determination system.

You then had to link/connect labour market policies to the economic objectives.

Economic growth – the more people employed the more production that is occurring and GDP increasing. So the lower the u/e rate the better. Growth in Australia was 3% in 11/12, 2.5% in 12/13 and is forecast 2.25% for 13/14. So it is decreasing. At the same time, u/e is starting to creep upwards and there is much hidden and underemployment as well. Obviously, much of the stimulus required to create jobs comes from the macro policies but labour policies play their part. Is Aust labour too expensive with our minimum wages, penalty rates and compulsory super (now 12%)?
Internal balance – can be linked to labour market policies. Aust is not at full employment. The current rate of u/e (May 13) is 5.6% and Treasury estimates that it will increase over the next 12 months. It is widely accepted that full employment is somewhere around 5%. Structural change is occurring throughout the economy leading to jobs going offshore and businesses closing because of import competition brought about by the strong $AUS. Labour market policies play an important role here and successful policies will enable structurally unemployed to find jobs quickly. Price stability is directly influenced by wage increases. If wage increases outpace productivity gains then inflation will occur. Wages growth grew by 3.5% over last year but has slowed significantly in the public sector with fiscal constraint and also in the private sector with fewer job vacancies. Labour market policies, particularly awards and enterprise agreements, are important in maintaining wages growth and linking them to productivity increases.

Maintaining external stability – the CAD is part of ext stability. If Aust's businesses are going to remain internationally competitive then it's vital that increases in business costs (wages) and inflation are kept to a minimum. Labour market policies play an important role here, particularly employment contracts.

Achieving a more equitable distribution of income – this is more likely to be achieved with taxation and welfare policies but labour market policies play an important role. Minimum wages ensure that everyone receives "fair pay for a fair days work". However, those work groups with stronger negotiating skills (such as unionised workforces) might be able to achieve higher wage increases than those without these skills and this will widen income inequality. Aust's gini coefficient is currently 0.3 and has been around this figure for many years. It compares favourably to other developed countries.

Environmental concerns – are not really related to labour market policies and are more the responsibility of other govt policies. However, it is important to note that continued education of employees in the areas of ecologically sustainable development can be achieved in the workplace with businesses pursuing production methods designed to achieve environmental goals.

Those that could relate labour market policies to economic objectives and show an in-depth understanding of the connection scored best.

Section IV

Question 27

Evaluate the impacts of an unequal distribution of global income and wealth caused by globalisation.

Mark Range	Criteria
17-20	• Develops a sustained, logical and well-structured answer that demonstrates superior economic understanding • Provides a comprehensive evaluation of the impacts of an unequal distribution of global income and wealth caused by globalisation • Integrates appropriate economic terms, concepts, and theory • Synthesises economic data to develop an effective response
13-16	• Develops a logical and well-structured answer that demonstrates sound economic understanding • Explains a range of impacts of an unequal distribution of global income and wealth caused by globalisation • Incorporates some appropriate economic terms, concepts, and theory • Incorporates economic data to develop an effective response
9-12	• Develops a structured answer that demonstrates a general economic knowledge • Describes, in general terms, the impact of the unequal distribution of global income and wealth caused by globalisation • Uses some appropriate economic terms, concepts, and theory • Includes some economic data to develop an effective response
5-8	• Develops an answer that demonstrates some economic understanding • Refers to some possible impacts of the unequal distribution of global income and wealth caused by globalisation • Uses limited appropriate economic terms, concepts, and theory • May include some economic data in the response
1-4	• Develops an answer that might refer to labour market policy and economic objectives • Shows little understanding of globalisation and the global distribution of income and wealth • Makes little use of appropriate economic terms, concepts, and theory • Makes little use of economic data in the response

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Mark:……………………………   Signed…………………………………

Question 27 Marker feedback

Overall, while this was not the preferred question of choice for section IV, it was also not answered as well. This was purely down to the fact that students did not incorporate enough relevant theory, and often spoke generally about globalisation and its effects.

Statistics were used by some and were generally relevant. Good examples were of increases in trade volumes, as a dollar amount or as a % of GDP. Many used either Australia or their case study country to good effect here.

Plan of attack:

Define globalisation. It refers to the integration between different countries and economies and the impact of international influences on all aspects of life and economic activity.

Secondly, give some characteristics of globalisation. A general outline of some indicators of globalisation should have been undertaken. They include trade in goods and services, financial flows, investment (FDI) and TNCs, technology transport and communication, and the international division of labour and migration.

Causes of an unequal distribution of income. Financial flows, forex transactions, trade, FDIs, TNCs. As measured by the Gini Coefficient and Lorenz Curve. Low per capita incomes, level of savings and capital development are all contributing factors to an unequal distribution of income.

Free trade: benefits and disadvantages. Discuss the concepts of comparative, absolute and competitive advantage.

The role of foreign aid. Globalisation has increased the level of foreign aid. However, this has also led to a dependence on aid for some countries.

The role of international organisations in reducing inequality. WTO, IMF and WB and their roles.

Evaluation

For a proper evaluation, students needed to look at the positives and negatives of globalisation with regards to the distribution of income and wealth. There also needed to be some distinction between short-term and long-term benefits/costs.

Question 28

Evaluate the economic arguments why countries use protectionist policies and the impacts they have on the global economy.

Mark Range	Criteria
17-20	• Develops a sustained, logical and well-structured answer that demonstrates superior economic understanding • Provides a comprehensive evaluation of the reasons for protectionist policies and their impacts on the global economy • Integrates appropriate economic terms, concepts, and theory • Synthesises economic data to develop an effective response
13-16	• Develops a logical and well-structured answer that demonstrates sound economic understanding • Explains a range of impacts of the reasons for protectionist policies and their impacts on the global economy • Incorporates some appropriate economic terms, concepts, and theory • Incorporates economic data to develop an effective response
9-12	• Develops a structured answer that demonstrates a general economic knowledge • Describes, in general terms, the impact of protectionist policies and their impacts on the global economy • Uses some appropriate economic terms, concepts, and theory • Includes some economic data to develop an effective response
5-8	• Develops an answer that demonstrates some economic understanding • Refers to some possible impacts of protectionist policies on the global economy • Uses limited appropriate economic terms, concepts, and theory • May include some economic data in the response
1-4	• Develops an answer that might refer to labour market policy and economic objectives • Shows little understanding of protectionist policies and their impacts on the global economy • Makes little use of appropriate economic terms, concepts, and theory • Makes little use of economic data in the response

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Mark:……………………………   Signed…………………………………

Question 28 Marker feedback

Protectionist policies are always put in place to benefit the domestic economy. It comes in the form of an artificial barrier to free trade and will often bring short term gains but long term pain. Free trade, on the other hand, is the opposite. It can force structural change in the short term but in the long run it allows countries to increase their productive capacity and achieve allocative efficiency.

Strong responses spent an appropriate amount of time on evaluating different protectionist policies and were able to include statistics to assist with their judgement.

Most students recalled the arguments for protection and the main methods of protection. The discriminator came when trying to compare and contrast the argument for protection against the perceived benefits of free trade and globalisation. Better responses came to a judgement on real-world examples of the argument protection v free trade.

Plan of attack:

Types of protection:

Tariffs	Quotas	Subsidies
Local content rules	Export incentives	Trading blocs

Reasons for protection:

Infant industries	Prevention of dumping	Protection of domestic employment
Defence and self-sufficiency	Environmental reasons	Retaliation

Effects of protection (global):

Reducing trade between nations	Reduce living standards	Reduce global economic growth
Makes comparative advantage solutions more difficult	Developing nations suffer the greatest, impacting on the global distribution of income	

Graphs that were used effectively:

- Long run average cost curve (economies of scale)
- Tariffs/quota/subsidies diagrams (make sure you label all parts please)
- AD/AS

A sound evaluation needed to:

- Prioritise the arguments for protection
- Give the advantages (domestic) and disadvantages (global) of protectionist policies
- Judge based on the short and long run