Economics 2019 v1.1

IA1 high-level annotated sample response

October 2018

Examination — combination response (25%)

This sample has been compiled by the QCAA to assist and support teachers to match evidence in student responses to the characteristics described in the instrument-specific marking guide (ISMG).

Assessment objectives

This assessment instrument is used to determine student achievement in the following objectives:

1. comprehend economic concepts, principles and models of exchange rates, international trade patterns and trade theories

3. analyse an economic issue that involves exchange rates, trade patterns and/or trade theories

4. evaluate an economic outcome relevant to exchange rates, trade patterns and/or trade theories.

Note: Objectives 2 and 5 are not assessed in this instrument.

Instrument-specific marking guide (ISMG)

Criterion: Part A — Comprehending

Assessment objective

1. comprehend economic concepts, principles and models of exchange rates, international trade patterns and trade theories

The student work has the following characteristics:	Marks
• accurate and detailed identification of the essential features of exchange rates, international trade patterns and trade theories • perceptive application of economic concepts, principles and models to exchange rates, international trade patterns and trade theories • precise use of economic terminology.	9–10
• effective identification of the essential features of exchange rates, international trade patterns and trade theories • effective application of economic concepts, principles and models to exchange rates, trade patterns and trade theories • effective use of economic terminology.	7–8
• adequate identification of the features of exchange rates, international trade patterns and trade theories • adequate application of economic concepts, principles and models to exchange rates, international trade patterns and trade theories • adequate use of economic terminology.	5–6
• partial identification of the features of exchange rates, international trade patterns and international trade theories • partial application of economic concepts, principles and/or models to exchange rates, international trade patterns and trade theories • narrow use of economic terminology.	3–4
• identification of aspects of exchange rates, international trade patterns and/or trade theories • identification of aspects of economic concepts, principles or models • inconsistent or unclear use of terminology.	1–2
• does not satisfy any of the descriptors above.	0

Criterion: Part B — Analysing

Assessment objective

3. analyse an economic issue that involves exchange rates, trade patterns and/or trade theories

The student work has the following characteristics:	Marks
• discerning interpretation of patterns and trends in exchange rates and/or trade data and economic information • discerning explanation of economic relationships involving exchange rates and/or Australia's place in the global economy • perceptive use of data and economic information to support the analysis.	7–8
• effective interpretation of patterns and trends in exchange rates and/or trade data and economic information • effective explanation of relationships involving exchange rates and/or Australia's place in the global economy • effective use of data and economic information to support the analysis.	5–6
• adequate interpretation of patterns and trends in exchange rates and/or trade data and economic information • adequate explanation of international trade relationships • adequate use of data and/or economic information within the analysis.	3–4
• superficial descriptions of patterns and/or trends in exchange rates and/or trade data or economic information • superficial identification of elements of international trade relationships • narrow or inconsistent use of data and/or economic information.	1–2
• does not satisfy any of the descriptors above.	0

Criterion: Part B — Evaluating

Assessment objective

4. evaluate an economic outcome relevant to exchange rates, trade patterns and/or trade theories

The student work has the following characteristics:	Marks
• discerning synthesis of economic ideas and/or perspectives to support the conclusion or decision • perceptive conclusion drawn or decision made about exchange rates, trade patterns and/or trade theories, based on the use of relevant economic criteria • critical economic reasoning and justification.	6–7
• effective synthesis of economic ideas and/or perspectives to support the conclusion or decision • effective conclusion drawn or decision made about exchange rates, trade patterns and/or trade theories, based on the use of relevant economic criteria • feasible economic reasoning and justification.	4–5
• description of ideas and/or perspectives that link to the conclusion or decision • reasonable conclusion drawn or decision made, based on economic criteria/criterion • identification of some economic reasoning.	2–3
• opinions and statements about economic ideas or unclear conclusion.	1
• does not satisfy any of the descriptors above.	0

Task

See the sample assessment instrument for IA1: Examination — combination response (25%) (available on the QCAA Portal).

Sample response

Criterion	Marks allocated	Result
Part A — Comprehending Assessment objective 1	10	10
Part B — Analysing Assessment objective 3	8	8
Part B — Evaluating Assessment objective 4	7	7
Total	**25**	**25**

The annotations show the match to the instrument-specific marking guide (ISMG) performance-level descriptors.

Comprehending [9–10]	**Part A: Multiple choice**

Question	A	
1	B √	**identification of the essential features of international trade patterns**
2	C √	**application of economic concepts, principles and models to international trade patterns and trade theories**
3	B √	**application of economic concepts, principles and models to trade theories**
4	D √	**application of economic concepts, principles and models to exchange rates, international trade patterns and trade theories**
5	A √	**identification of the essential features of exchange rates**

perceptive application of economic concepts to international trade patterns and trade theories

compares abundant land and capital resources to needs; links them to the resources being traded

Part A: Short response

Question 1 (50 words)

Australia has a natural endowment, or abundance of land resources such as minerals and agriculture, compared to the needs of its population, and trades these with Japan. Japan has a natural endowment of capital resources and highly skilled labour that specialises in the production of electronics and motor vehicles, so they export them to Australia.
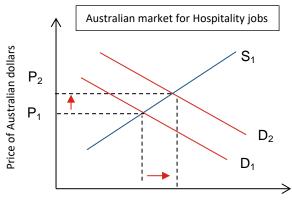
Question 2 (50 words)

Australian market for Hospitality jobs

Price of Australian dollars

P_2

P_1

S_1

D_2

D_1

Quantity of Australian dollars

The diagram shows the effect of greater tourism exports: $37million
additional spending in Australia. Demand for Australian dollars ($AUS) rises
as tourists consume more Australian goods and services, resulting in a shift
in the demand curve from D1 to D2. All things equal, this would cause an
increase in the exchange rate to P2.

Question 3 (100 words)

Dumping is where a producer sells steel in a country at an unfair price, less
than what is charged in other markets. It is an economic problem causing
damage by diverting resources and income away from the local steel
producer and towards the cheaper import manufacturer who is rewarded by
covering at least some of their cost of production. The World Trade
Organisation advocates for free global trade – without tariffs, quotas or
subsidies. An exception is allowed for dumped goods, allowing countries to
place a specific anti-dumping duty on imports to remove the price advantage
of the dumped steel.

Question 4 (100 words)

Port infrastructure is a key economic resource because the most economical
method of global trade is by sea. Gladstone is Queensland's largest multi-
commodity port, altering patterns of trade by expanding port facilities so
greater volumes of coal can be exported.

The port has improved competitiveness of local mines by reducing transport
costs, causing Gladstone to become a logistics hub for the significant
resources in nearby Surat Basin. The region provides greater employment
opportunities to workers in mineral extraction, railway and port businesses.
As income and consumption in Gladstone increases, in a flow-on effect,
commercial, industrial and engineering businesses are attracted to the
region.

Comprehending [9–10]	**Question 5 (100 words)**
perceptive application of economic concepts to international trade patterns and trade theories	Chengdu is the 3rd largest Chinese car production market. It has competitive advantage and economies of scale with respect to related and supported industries (Porter's Diamond theory of National Advantage) that are vertically integrated, either forward or backward. This is because the Chengu productive region includes car intermediate goods and components e.g. electronics and cars seats, enabling cars to be produced with lower component costs, a shared skilled workforce and information flow provides productivity and innovation benefits. This gives Chengdu a cost advantage over some manufacturing countries such as Japan or Germany where vertically integrated businesses are not so geographically close.
identifies a specific region (Chengdu); perceptively applies and explains the required element of Porter's Diamond Theory	
	Question 6 (80 words)
accurate and detailed identification of the essential features of international trade patterns	a) Resources exports: (42-22) / 22 x 100 = 90% increase from 2008 to 2018.

No increase in manufacturing exports: 2008 and 2018 exports were the same value: $10 billion. |
accurate calculations, including correct reading of data from the graph (2008–2018)	b) The negligible change in manufacturing exports has caused this sector to become a smaller proportion of GDP, and consequently, low skilled manufacturing jobs to move offshore, creating domestic problems. Australian manufacturing must become more high-value added and focused on advanced manufacturing supply chains. One government policy to support this structural change is the $2.4 billion investment in Australian STEM capabilities, announced in 2018. Investment in research and development should provide higher paying jobs and more globally competitive manufacturing businesses.
clear details of how a negligible change in manufacturing exports had major effects	
identifies essential features of current government policy and links them to the specific export problem	
Analysing [7–8]	**Part B: Extended response (400–500 words)**
discerning interpretation of patterns and trends in exchange rates	The movements in the $Aus exchange rate such as the downward trend from $1.05 US to 75 cents US from 2012/13 to 2016/17 (Source 1) affects relative prices of imports and exports in all industries. This positively affects exporting groups including farmers, manufacturers, miners and service providers e.g. foreign students and tourists (Source 5). Twenty-five years of consecutive economic growth suggests that the exchange rate acts as a shock absorber as the economy adjusts to dramatic changes e.g. the 33% fall in the $US exchange in three years to June 2015, and where it has broadly stayed since then (Source 1). The trade weighted index measures the dollar's movements of Australia's major trading partners. While it tracks alongside the exchange rate over the last 5 years, it shows a decline of only 20%, so the real impact of the exchange rate trend is less than it appears (Source 1).
interprets significant trends of exchange rate and pattern of the trade weighted index, with discerning details	
discerning explanation of economic relationships	
clearly explains relationship of exchange rate and trade weighted index	

The movement in the exchange rate has significant costs. While exporters benefit from lower exchange rates, the extended period of higher exchange rates to June 2014 has significant impacts on the manufacturing goods in the export and domestic markets. In addition to costs from the forces of fierce globalisation competition (Source 5) impacting profits and resource allocations, the greatest cost of the exchange rate movements are the structural change in the manufacturing industry. This was explicitly seen in the car industry, which is now the second largest value import (a leakage from Australian's economy), and at significant short-term cost to economic growth (Source 3). Further, global supply chains shifting economic growth to countries with a competitive advantage in low skill labour resources, have contributed to higher underemployment rates of 8.6% currently at its greatest, difference to the unemployment rate of 5.9% in 2004. However, this should not impact long-term economic growth (Source 2).

The potential of longer term economic change is noted in the lower proportion of unprocessed primary goods to total merchandise exports (falling by 8 percentage points over five years to 2015/16, Source 4), and greater processed primary over the same period (Source 6). Consequently, Australian exporters are achieving benefits from increasing their valued-addedness in Australia, resulting in greater economic growth and employment opportunities. Another significant benefit is created when Australia prioritises onshore processing of minerals and energy products, instead of acting as the world's "quarry", through a multiplied effect on economic growth.

Another potential for growth created by the changing global change patterns is to 'force' Australia to use its skilled labour to produce more elaborately transformed manufactured goods (ETMs) such as more complex equipment and machinery manufacturing – including using skilled labour released from the car industry in recent years. Source 4 indicates ETMs have increased marginally from 2010/11 to 2015/16 by 0.3%. However, it is the potential shown in the import data that demonstrates the greater opportunity, to replace ETMs imported to Australia, which grew at 7.6% over the same period (Source 4).

Therefore, given dynamic global trade patterns, Australian industry policy should focus on the competitive advantages of skilled labour, and enable Australia to maximise the benefits and reduce the costs of globalisation in order to deliver long term economic growth (Source 6).