2025 ASSESSMENT REPORT
ECN315116 ECONOMICS

Section A

General Comments

High-performing students in Section A offered clear, concise definitions of key concepts and demonstrated their understanding by using these concepts in context. Examples are important for strong marks for Criterion 1 and students are also expected to make connections between related concepts, particularly when a question asks for similarities and differences.

Criterion 1

Students are reminded to bear the criterion elements in mind when composing responses. In particular, clear explanations with a range of examples are required. For questions that relate to economic models (PPF, market graphs, circular flow, AS/AD, etc.) students should explain how these models operate and evaluate this. The relationship between various economic concepts is also important; for example, the link between the concept of market failure and the role of government in mixed market economies.

Criterion 5

Coherent conveyance of meaning with correct terminology are key features of Criterion 5. In Section A, this is helped by having clear, succinct definitions backed up by explanations. Language conventions such as sentences of appropriate length and the use of paragraphs to separate key ideas aids communication. Students should avoid inventing abbreviations and using symbols such as arrows to indicate increase or decrease unless annotating graphs. Dot points are acceptable but should not replace sentences; appropriate use of dot points for lists can improve clarity and emphasis but not when these occupy multiple lines. Students are also encouraged to include graphs in Section A when appropriate, and to annotate these correctly and refer to them in their written answer.

Part 1

Question 1

This question asked candidates to explain the difference between a leakage and an injection in the circular flow model. This part was generally well answered, with many candidates scoring high marks. Candidates who correctly illustrated or explained the five-sector circular flow model and stated the equilibrium condition where total injections (investment, government expenditure, exports) equal total leakages (savings, taxation, imports) were appropriately rewarded.

The second part of this question required candidates to explain the impact that an increase in leakages could have on equilibrium, with an example. Strong responses explained how an increase in individual income tax, Australian imports from overseas or savings (for example due to higher interest rates) leads to a lower level of national income via reduced consumption and

output. Responses that accurately connected this to the AD–AS model, such as by showing how a decrease in net exports shifts aggregate demand and lowers equilibrium output, were also rewarded but this was not required for full marks.

Question 2

This question required candidates to distinguish between public goods and common resources. Most responses defined public goods clearly and provided appropriate examples (such as street lighting, public parks and similar services), but some candidates failed to define common resources accurately or confused them with private goods, private businesses or general essential needs shared by society.

Responses that clearly identified and contrasted the key characteristics of both concepts, particularly non-excludability and (for common resources) rivalry, were rewarded, although these specific terms were not required. A range of valid responses was accepted for the second part of the question, including discussion of the free-rider problem, the tragedy of the commons, inefficient allocation of resources, under-production of public goods and relevant externalities, supported with examples and explanations.

Question 3

This was a popular question, and a range of responses were accepted. Strong responses used correctly labelled diagrams to explain the law of demand and consumer sovereignty, and to illustrate contraction and/or expansion in quantity demanded following a change in price.

Candidates were expected to describe three main determinants that affect the demand for a good or service. Acceptable determinants included:

- income levels and the marginal propensity to consume
- economic conditions or outlook affecting future income
- expectations of future prices
- expectations of future availability
- prices of related goods: substitutes
- prices of related goods: complements
- tastes and preferences
- marketing, advertising or trends
- age structure and demographics of the population.

Elasticity of demand was also used in a proportion of responses. Where candidates clearly explained, with examples, how the nature of a good as a necessity or a luxury affects the responsiveness of quantity demanded to price changes, this was accepted as a reasonable extension, although not a core determinant in itself.

Part 2

Question 4

Most students were able to correctly define microeconomics and macroeconomics. Higher-performing responses clearly contrasted their different scopes (individual markets vs. national economy). The second part of the question proved more challenging. Some responses listed definitions of total spending, total income and total output, but did not fully explain how these

interact in measuring economic activity. Stronger answers recognised that changes to spending influence output and income, linking this to economic expansion and contraction. Students that focussed on relationships between concepts rather than separate definitions were rewarded.

Question 5

Students generally understood the idea of equity in income and wealth distribution. Where marks were lost, it was usually due to vague wording (e.g., “everyone gets equal money”) rather than accurate focus on fairness and access to opportunities. For the redistribution examples, stronger responses selected taxation and expenditure examples and clearly explained how they narrow inequality. Provision of services such as public health, transport and education were also accepted as policies that reduce inequality. Some students listed policies without explaining the redistributive mechanism behind them. Clarity of cause-and-effect remains important.

Question 6

Definitions were mostly clear. The most successful responses included specific, relevant examples (e.g., cyclical unemployment during recession, structural unemployment from technological change). Some students confused the two forms or failed to provide an appropriate example. Most correctly identified that a cut to the cash rate aims to reduce cyclical unemployment by stimulating demand. Students are encouraged to strengthen examples with real-world connections.

Part 3

Question 7

Students generally identified global links such as trade and exchange rates. Responses which lacked detail or only listed links without explanation were awarded partial marks. A range of benefits derived from trade were accepted, though some examples needed more specific application to Australia (e.g., exporting minerals to China creates jobs and income). Stronger responses linked trade directly to growth, employment, lower prices for consumers, efficiency and resource access.

Question 8

Definitions were usually accurate and most students could distinguish between appreciation and depreciation clearly. Where lower marks occurred, it was due to incomplete details (e.g. the price of one currency in terms of another, or mention of currency pairs). Factors influencing the exchange rate were often identified correctly, but some responses required more explanation of how these factors shift demand for the Australian dollar. Students should deepen reasoning, not just list influences.

Question 9

Students tended to understand the difference between foreign debt and foreign investment, although a minority reversed the definitions. The second section was more challenging: few explicitly connected foreign liabilities to increased servicing costs (interest/dividends) and how this impacts the current account deficit. Students who demonstrated this link earned higher marks. Focus should be on the mechanism, not just the direction of change.

Section B

General Comments

In Section B students should take care to read the questions carefully (many student responses showed evidence of rushing), answer all parts of the question and annotate graphs fully. Written responses should be short and support any graphical annotations.

Criterion 2

Section B is the only part of the exam that assesses Criterion 2. Broadly speaking, this criterion looks at economic data and information in the form of either graphs (Supply and demand, PPF), models (again, supply and demand, PPF but also the circular flow model), formulas or tables. Students that annotate graphs correctly and fully are rewarded, particularly when these graphs and written answers support each other. Calculation questions tend to score well when working is shown and the student demonstrates an understanding of the meaning behind the numbers rather than simply giving a numerical response.

Criterion 5

The annotation of graphs contributes to Criterion 5, particularly when graphs are fully labelled and modifications are clearly marked (e.g., an increase in demand is shown with D1/D2 and arrows indicating price and quantity changes). Written answers do not need to be long and definitions are generally not required except where this might help explain changes seen in graphs or numerical data. Better responses have a close correspondence between graphs/formulas and written answers.

Part 1

Question 10

a. Generally well done; however, many responses did not achieve full marks due to errors in graphing and/or poor explanations of movements along the demand curve. Many responses did not clearly note that this demand curve was not linear. There were issues with selecting an appropriate scale for the quantity axis. Stronger explanations of how a change in price leads to a movement along the curve appealed to the law of demand and used data from the table/demand curve as an example of how a decrease in price leads to an expansion of demand (increase in quantity demanded) or vice versa.

b. Very well done. A rightward shift of the supply curve and two possible factors that might cause this increase in supply. Popular responses included: an advancement in technology making harvesting cherries more efficient, favourable weather resulting in larger cherry yield, decrease in the cost of production e.g. lower minimum wage.

c. Most students used the Total Revenue method to determine whether the total revenue at the new price point increased/decreased/didn't change. If total revenue moves in the same direction as the change in price, the product is said to be inelastic in demand at that price point. In part iii) the total revenue doesn't change, this indicates the product is 'unit elastic' at that price point. A few students determined the price elasticity of demand (PED) using a different method, this was awarded appropriate marks if these methods were used correctly.

Question 11

a. Many students' PPFs were straight lines between the maximum food production (800) and the maximum machinery production (1400). Candidates are reminded to observe data in tables carefully as there is an increase in gradient between points B and A.

b. This part was well done by most students. The strongest responses showed the shift from D to E on the PPF and stated clearly the increase in 100 food production comes at the cost of 200 machinery production (showing appropriate calculations).

c. Many students marked a point of inefficient allocation of resources on the PPF in part a, this was acceptable. The majority of responses correctly marked a point within (inside) the PPF. Two examples of inefficient allocation of resources accepted were: unused labour and unused land.

Question 12

a. Many students included full annotation and labelling including price per week ($), quantity of rentals, supply curve, demand curve, equilibrium point at $480 (price axis) and 9500 rentals (quantity axis). Stronger responses also included a title.

b. Well done. Many students correctly drew a shift of the supply curve to the right and noted a decrease in price and an increase in quantity. Some students misinterpreted the question and constructed supply-demand diagram for tourist accommodation. This was awarded partial marks.

c. Not many responses were awarded full marks for part c. Many responses showed a shift of demand to the right, as population increases, but few accurately annotated the shortage (where at the original price the new demand is larger than the original supply) nor showed how supply expands along the supply curve (and demand contracts along the new demand curve) to clear this shortage resulting in a higher price and higher quantity of rentals. While not expected, for some students, it was helpful to provide a short, written explanation to support their graphical annotation.

Part 2

Question 13

a. This question was well done by the majority of responses, showing an increase in aggregate supply and corresponding increase in Real GDP and decrease in General Price Level. Stronger responses gave an explanation regarding a reduction in government regulation resulting in lower barriers to entry and/or increased efficiency in production of energy, resulting in an increase in supply.

b. Well done. Most responses showed an increase in aggregate demand with the resulting increase in Real GDP and General Price Level. Stronger responses explained one of the mechanisms that leads to an increase in spending from a lowering of interest rates (increase

in disposable income, and therefore consumption, due to mortgage repayments decreasing or decreased cost of borrowing money resulting in higher investment).

c. Well done. Most responses showed a decrease in aggregate demand due to lower consumption and the resulting decrease in GDP and General Price Level. Some stronger responses discussed the negligible effect on GDP given the lower marginal propensity to consume (MPC) of higher income earners, but this was not expected for full marks. Some responses showed an increase in aggregate supply due to an increase in taxes which were awarded partial marks. Students are advised to consider the first/most immediate impact of a change on aggregate demand/supply.

Question 14

a. Many students correctly identified the year 2021 as having the highest Real GDP Growth level of 4.2% and gave a reason such as increased consumption coming out of COVID restrictions. Some responses stated that 2024-2025 had the largest period of growth because the change is 1.1% to 1.6%. This was awarded partial marks.
b. This question required considerable unpacking of the data table. Many responses stated that 'unemployment went down as GDP growth went down' without connecting this to what would be (theoretically) expected. Stronger responses noted that the high unemployment and high growth figures in 2021 were unusual (and probably due to COVID restrictions and increased government spending). Stronger responses noted that a falling growth rate between 2022 and 2025 resulted in an increase in unemployment which more strongly aligns with expectations.
c. Generally done well. Most responses showed an increase in aggregate demand and gave a reasonable explanation of why this is the case (low interest rates, falling unemployment, etc.).

Question 15

a. This part was done well. Most responses identified appropriate groups such as food and non-alcoholic beverages and health (higher weighting) with housing and communication being two expenditure groups that had a reduced weighting.

b. This was a difficult question, and a variety of responses were awarded marks. Given the continual rise in housing prices recently a reduced weighting of the housing group may result in the inflation rate being lower than it might otherwise have been.

c. Done well. Many correct calculations showing growth rates of 2.5% and 11.1% respectively. Candidates are reminded to include relevant equations to support their calculations.

Part 3

Question 16

a. This question asked students to identify the trends in net foreign debt and in investment, with good answers identifying an increase in both and stronger answers giving an indication about which was growing faster either in A$ terms or percentage terms.

b. Many answers gave a superficial relationship between Australia's net foreign debt and the current account balance, with stronger responses mentioning the net primary income account as a connection between the two.

c. A range of plausible reasons was accepted for why Australia's current account balance has moved from surplus to deficit. These included increased outflows/debits on the net primary income account, increased profitability of Australian companies also increasing net primary income deficit, increased sending of money overseas by workers/residents in Australia, and trade balances moving towards deficit due to falling exports or increased imports.

Question 17

This question had a discrepancy between the data in the paragraph (China could produce 5 million tonnes) and the data in the table (10 million tonnes). Most students chose one figure or the other, and markers accepted responses using either figure. This discrepancy did not affect student results.

a. This was a relatively straightforward question, but students still needed to take care with their plotting of the PPF, with some responses showing production above the levels shown in the table. There were two alternative responses accepted for the PPF, with some students showing a combined PPF if the countries did engage in trade, with others showing the individual PPFs for each country. Both were accepted.

b. Students that compared China and Australia's opportunity costs for each product were given full marks. Many students made a comparison between, for example, Australia's opportunity cost for iron ore and Australia's opportunity cost of iron and steel products. While this yielded the correct answer, it did not show sufficient working for full marks.

c. This part was well done by most students, the range of acceptable reasons included lower prices for consumers, resource allocation, increased economies of scale and further efficiencies from specialisation.

Question 18

This question was challenging for some students, with many not understanding that if the world price is higher than the domestic equilibrium price then the world price applies under the condition of free trade.

a. Stronger responses annotated the graph to show the difference between the local supply and demand at the world price as the quantity exported, while other responses discussed how the higher world price would expand supply.

b. Students that showed a left shift in the supply curve were generally on the right track, but better answers also explained the implications of this in terms of reduced production, showing this point as the intersection of the new supply curve and the world price rather than the new domestic equilibrium. Several students incorrectly attempted to show a reduced subsidy as a fall in the world price.

c. Most students explained how a depreciation of the Australian dollar would increase global demand for Australian beef, and this was rewarded. Students were not expected to understand the implications of the price of beef (being a global commodity) being priced in US$ terms, which would increase the A$ value of exports but not actually change demand. The very few responses which explained this were rewarded.

Section C

General Comments

Criterion 3

Students should attempt to discuss both the causes of economic problems/issues as well as the problems caused by these issues (e.g. unemployment, tariffs, etc.) when framing their responses in order to address the elements of this criterion.

Criterion 4

Responses to parts d), e) and f) should reflect on economic policy options, but can include, as per the specific questions, discussion about the strengths and limitations of these policies (including problems caused by policy responses) as well as aspects mentioned in the question such as practical limitations, environmental and social justice implications.

Criterion 5

Students should employ similar communication strategies to Section A answers but with much less emphasis on definitions and explanations. Sentence and paragraph structure should be considered when composing responses as this helps the reader/marker to follow the students' arguments. Students should pay attention to instructions, tailoring responses to 'analyse' questions differently than questions that ask for an evaluation of a situation or policy. Graphs, if relevant, can be included and will often enrich a response and improve communication but these graphs should be referred to in the written response.

Part 1

Question 19

a. Around one-third of students chose Question 19 and answers to it were fairly uniform. Stronger answers clearly delimited the impacts on individuals, business and government and were able to evaluate both the positive and negative impacts of the divide in wealth and income distribution. Such answers discussed the negative impacts on individuals including reduced living standards, including more difficult access to affordable housing, healthcare, education, and essential goods and services. A positive impact on individuals includes the incentive for them to seek higher-paying work or improve employable skills. Impacts on business include major factors such as a reduction in consumer spending impacting on profitability as well as the potential need to upskill existing workers skills and training to improve business efficiency. A positive impact on business is the pool of available workers might improve as other businesses lay off their workers to meet lessening consumer demand for their goods and services. For Government, an increase in wealth and income division was argued in stronger answers as contributing to an increase in spending on welfare and services such as income support, public housing and public healthcare. Associated with this might include lower tax revenue, slower economic growth and increased social and political instability. Weaker answers were characterized by a lack of detail and discrimination in regard to the impacts – both positive and negative – on individuals, businesses and government. Further, a significant number of answers adopted a broad sociological perspective on the question, discussing the ills of inequality rather than addressing the specific positive and negative impacts of it.

b. In many cases, answers to part b were a continuation or a repetition of answers to part a. Stronger answers gave a comprehensive response including reference to the disproportionate access to services such as healthcare, education, housing, as well as access to vocational skills and training and thus employment opportunities, which individually and collectively reduces social mobility and widens the gap between rich and poor.

c. Stronger answers analysed the practical limitations; in particular, those felt by governments in terms of the fiscal costs of increasing demand for welfare and public services, as well as increased demands for public health, housing and education and training services. Stronger answers were able to link this back to a reduction in aggregate demand as Australia's long-term economic growth slows.

d. Weaker answers primarily focused on the social aspects of wealth and income inequality and discussed the general undesirability of such a situation as well as generally discussing the fact that social mobility was negatively impacted when there is a concentrated number of low-income individuals and families who have fewer opportunities or economic resources to improve their financial situation.

e. This question was generally answered well by most candidates. Stronger answers included a clear differentiation between economic and social costs on increased levels of unemployment. Economically, ceteris paribus, as unemployment increases consumer spending and business activity slows, which reduces AD and also lowers government tax revenue. Further, governments need to increase transfer payments to the newly unemployed. Socially, higher unemployment contributes to higher levels of financial stress, health and housing issues as well as increased demand for community services. Weaker answers focused on the social aspects of increased unemployment largely to the exclusion of economic ones.

f. Strong responses commonly focussed on redistribution as a short-term solution, with higher taxes on high income earners bolstering welfare and essential services including transport, health and education, while allowing for tax cuts for lower income households. The highest scoring candidates justified this policy, sometimes in terms of social justice impacts, but also in terms of increased consumption and broader economic benefits. Subsidies such as the electricity rebate were also discussed as a way of freeing up income for other uses.

g. Better long-term solutions focussed on improving the skills, knowledge and opportunities of people on lower incomes, including educational funding, infrastructure and subsidies for developing industries.

h. An overall comment about this question was that students should avoid confusing changes in tax and welfare policies with fiscal policy. While there is an obvious overlap, a simple redistribution is not an example of fiscal policy unless the net effect of the changes alters the balance between revenue and expenditure.

i. This question had some overlap with part a), so responses to the earlier part of the question were given some credit. Additional social justice implications included long-term unemployment and entrenched/intergenerational disadvantage, inequality associated with gender/age/location, etc. but relatively few students focussed on these possibilities and as per previous comments on this question, some responses were more sociological in nature and did not make a connection with the course content.

j. A range of responses was acceptable for this question, including expansionary macroeconomic policies, microeconomic reform/policies, as well as changes to government spending to prioritise skills and education. Strong responses identified whether their chosen policy would help cyclical or structural unemployment.

Question 20

a. This question was well answered. Most responses were able to accurately outline both the rise in inflation, arising from the very significant financial stimulus, and supply side inflationary disruptions resulting from the COVID-19 pandemic. Regarding the costs and benefits of inflation, many students accurately discussed the costs, but a notably smaller number were able to outline the benefits of inflation. Costs of inflation including the erosion of people's purchasing power; particularly for those on fixed or low incomes with a high MPC. Inflation creates uncertainty for businesses, and increased costs of borrowing as well as the potential for lower demand for the goods and services which businesses supply. Inflation also negatively impacts the value of savings, and as such impacts people such as retirees. The benefits of inflation were generally less well answered, stronger answers were able to outline that some degree of inflation is desirable as it stimulates (sustainable) economic growth over time; that the alternative – deflation – was detrimental to economic wellbeing, in particular, if deflation endured then individuals might delay their purchasing decisions. While not expected or required for full marks, some answers discussed the desirability of inflation of overcoming price and wage stickiness.

b. There were a variety of arguments made in support of this question, most were acceptable. Answers needed to contextualise the last series of cash rate changes made by the RBA, in particular the very significant challenges forced upon it by the COVID-19 pandemic. Stronger responses were able to discuss the period before the rate cuts in relation to very low interest rates put in place early in the pandemic, with rising rates put in place to manage inflation, which exceeded 8 percent in early 2023. The cash rate reached 4.35% to slow spending and reduce inflationary pressures. Stronger answers were able to analyse that recently, as inflation eased, the RBA has adopted a more expansionary stance, and for the better answers is taking monetary policy towards a neutral stance as the rate of inflation nudges towards the RBA's target range of 2-3%. Students were not penalised if they argued that the current stance was expansionary rather than neutral, depending upon the argument made by them in their answer.

c. This question was generally well answered. Strong responses were able to explicitly discuss the transmission mechanism by which changes in the official cash rate set by the RBA influence inflation by impacting borrowing, spending, and AD in the economy. When the RBA adopts a tightening/contractionary monetary policy stance – by increasing the cash rate, commercial and private loans and mortgages become more expensive, which reduces household and business spending. With less demand in the economy, price pressures fall, helping to lower inflation. By contrast, when the RBA adopts a loosening/expansionary cash rate, borrowing becomes cheaper and people spend more, increasing overall demand for goods and services. This higher demand can push prices up, leading to higher inflation. Stronger answers were able to additionally discuss the lag effect of monetary policy decisions on the actual operation of the Australian economy.

d. Better answers separated the impacts and implications on the three groups mentioned (individuals, business and the government). Students that identified positive and negative implications of lower interest rates were rewarded with stronger marks, with partial marks

given for those that only discussed the positive or negative aspects. A common issue with student responses on this question was assuming the interest rate cut would be inflationary, and spending most of the answer discussing the impacts of inflation. While including the potential inflationary impacts was perfectly valid, focussing exclusively, at the expense of other implications, was not sufficient for full marks. Impacts on individuals included lower repayments for those on mortgages, easier access to finance for consumption or borrowing but also lower incomes for those relying on interest payments on their savings. Increase employment opportunities were also a valid point.

e. Business impacts were mainly positive, with decrease loan repayments, easier to invest and expected increase in consumer demand, with negative impacts being potential inflationary impacts and difficulty finding staff.

f. For governments, increased revenue and decreased spending were seen as positives, with unemployment likely falling or at least not rising. Again, potential inflationary impacts requiring assistance from government were accepted as negative aspects of lower interest rates.

g. As per the previous part d) discussion, stronger answers discussed those who would benefit and those who would be disadvantaged, such as retirees with low levels of savings versus young families with mortgages. Some stronger responses noted that lower interest rate are unlikely to help those on welfare or very low incomes, only assisting those with a mortgage or enough income to take out a home loan. Rising home prices were also included and accepted as a potential negative impact. A wide range of environmental concerns were given credit, such as increased consumption and emissions from transport. Stronger responses discussing potential benefits to the environment such as increased investment in renewable energy such as solar panels or purchasing of EVs.

h. Students that discussed implementing policies such as increased spending on welfare or subsidies such as electricity rebates were awarded part marks unless they acknowledged that such a policy may be beneficial from a social justice perspective but counterproductive from an inflationary one. Better responses discussed contractionary fiscal policy to reduce inflation pressures via reduced aggregate demand, or microeconomic reforms to increase aggregate supply.

Part 2

Question 21

a. Many students performed well on this question, and stronger responses clearly outlined both advantages and disadvantages of tariffs for Australia, using sound economic reasoning and relevant examples. Better answers began with a clear definition of a tariff and moved beyond the obvious disadvantage of exports becoming more expensive in the US. They demonstrated depth by linking impacts to trade relationships and broader global economic consequences, such as trade blocs and uncertainty in international partnerships. Weaker responses tended to list points without explanation or failed to distinguish between short-term and long-term effects.

   Benefits of tariffs included Australian exporters finding alternative markets, a reduction in exports potentially lowering greenhouse gas emissions, and Australia being encouraged to sell more products domestically, strengthening national sovereignty.

b. Students who did well began by demonstrating an understanding of the Current Account Deficit (CAD), including its components: Balance on Goods and Services (BOGS), Net Primary Income (NPI), and Net Secondary Income (NSI). Many students did not recognise that the CAD is part of the Balance of Payments and includes more than the BOGS. Most responses simply stated that a trade deficit would occur. Stronger answers considered the impacts on sectors such as pharmaceuticals and manufacturing separately and noted that Australia may need to seek alternative trading partners. Better responses recognised that reduced export demand could lead to AUD depreciation, lowering import demand and partly offsetting the CAD impact. A few correctly discussed that import costs could rise due to a weaker AUD or global tariff measures and trade tensions making components more expensive. These answers demonstrated a more critical analysis of both sides.

c. Better answers started by showing an understanding that the Balance of Payments includes both the current account and the capital and financial account, and that the overall balance equals zero. An increase in Australia's current account deficit would likely require greater foreign borrowing to finance the gap, increasing foreign liabilities and worsening foreign debt. Higher foreign debt raises servicing costs, including interest payments to overseas lenders, further compounding the issue.

d. Students interpreted this as both a call for increased protectionism, referencing the need for self-sufficiency named up in the stimulus, or as a reason to strengthen existing free trade policies, e.g. implementing new FTAs. However, no students challenged the premise of the question which would have been very acceptable! Introducing tariffs and subsidies were popular choices from a protectionist viewpoint – better answers explained how these would work. Other answers included microeconomic reforms to make Australian exports more competitive, while some students also suggested expansionary macroeconomic solutions, arguing that a stronger domestic economy would help Australia weather external shocks or a future loss of export revenue. To receive full marks, students needed to evaluate their proposed policies by offering some discussion of the policy's limitations (e.g. domestic consumers pay more under tariffs; Australia does not have the resources to become truly self-sufficient, particularly with manufactured goods; new FTAs take time).

e. Social justice concerns included loss of manufacturing jobs leading to long-term structural unemployment, particularly impacting older workers and those in regional areas. Conversely, some students named up how Australians have been 'protected' from most of the impacts of US tariffs as our country had already made this shift away from manufactured exports. Many also identified that specialisation has allowed free trade to flourish in Australia, thus lowering prices through imports which has lifted standards of living. For environmental concerns, strong answers identified that manufacturing is a significant contributor to emissions and pollution (a positive for the Australian environment), but that Australia has replaced this sector with primary industries that are also damaging to the environment and which in some cases will eventually lead to the exhaustion of non-renewable resources. Manufacturing's decline in Australia has also led to a reliance on imports, with the associated CO^2 emissions from transport.

f. Many students included relevant and well-labelled diagrams illustrating an appreciation of the dollar. High marks were awarded to students who clearly explained how their policy action would impact the AUD.

Possible answers included:

- Raising the cash rate, making Australia more attractive for investors who are seeking a higher return on investment and savings, and thus increasing demand for AUD.
- Microeconomic reform to make exports more competitive, also increasing demand for AUD.
- Protectionist measures to reduce imports and thus decrease supply of AUD in the forex market.
- Quite a few students enjoyed talking about dirtying the float – better answers acknowledged that this action is rarely undertaken by the RBA.

Question 22

Many of these questions were very similar and students were not penalised for repetition across their answers.

There was a lot of highly colourful political commentary that crept into student answers – while entertaining, this wasn't appropriate for an academic response. Students are advised to make a connection between the questions and the course content and criteria standards.

a. This question was generally well answered. Better responses demonstrated a clear understanding of the term *globalisation* and the factors that enable it. They used appropriate terminology such as trade liberalisation, technological advances and improved transport and communication. A wide range of ideas was accepted for the benefits of globalisation. These included specialisation and comparative advantage, providing access to goods and services not produced domestically. Many students also noted the sharing of technological developments and access to new markets with greater potential for profit. Some responses highlighted cultural exchange and the mobility of skilled workers as additional benefits. A range of possible costs of globalisation to Australia included environmental degradation and pollution, loss of domestic employment in sectors where cheaper labour exists abroad, and challenges in maintaining high product standards and health and safety regulations. A rise in income inequality was also identified as a significant social cost.

b. Most students demonstrated a sound understanding of what a depreciation of the AUD means. A range of impacts was accepted, and stronger responses linked these impacts to resource allocation within the economy, such as labour, mining and manufacturing. Possible impacts included Australian goods and services becoming more internationally competitive, leading businesses to redirect resources towards export markets. Imports became more expensive, making Australian goods and services more attractive to domestic consumers. Some students noted that sectors such as inbound tourism would benefit as they become more affordable for overseas visitors, prompting businesses to allocate more resources to these profitable areas. Others recognised that increased demand for Australian raw materials abroad could have environmental implications.

c. Most students recognised that a looming recession and expectations of an interest rate cut were key reasons for the AUD depreciation, as indicated in the stimulus. Many responses also mentioned uncertainty from tariff wars as a contributing factor, which was accepted. Stronger answers explained that a potential Chinese economic slowdown would reduce demand for Australian resource exports. This fall in demand could lower export revenue, increase uncertainty, and slow economic growth, all of which put downward pressure on the AUD.

d.

- Individuals:
  - decreased employment for those in exporting industries
  - possibly cheaper prices if exporting industries increase domestic sales
  - depreciating AUD (due to decreased exports) which makes imports more expensive.
- Business:
  - decreased revenue for exporting businesses
  - exporting businesses required to seek out new markets and possibly needing government assistance to diversify
  - all businesses operating in an uncertain global environment (including those relying on imported inputs), including overall hit to global trade which may further reduce export revenue.

e. Students needed to discuss both environmental concerns and practical limitations. Implications for both Australia and the US could be considered under the wording of this question. Some students struggled to provide examples of practical limitations – better responses interpreted this to mean the limitations of tariffs as a form of trade protection. Answers included US consumers facing higher prices; the US needing to start producing/manufacturing lost imports in which they don't hold a comparative advantage, leading to inefficiencies; and the ability of Australia to negotiate new trade deals, thus reducing the impact of the tariffs (although this can take time). Environmental implications included the United States needing to start/increase production in goods where they don't have a comparative advantage, again having the potential to lead to inefficient and wasteful processes; reduced emissions from decreased global transport and an increase in domestic sales; and a potential shift towards green energy investment if Australia moves away from its existing export base. However, there was also discussion around Australian exports going to waste without recognition that these goods could instead be sold domestically or to new markets.

   Quite a few students provided a diagram showing the impact of tariffs on prices, this was not really necessary for this question and came at the expense of deeper engagement with other limitations and environmental concerns.

f. This was very well answered by students. Many acknowledged the risk of Australia imposing retaliatory tariffs on the US (e.g. our dependency on US imports, escalation of a trade war). Others discussed the need to strengthen and/or diversify our export base through subsidies and microeconomic reforms. Expanding our direction of trade by negotiating free trade agreements with other countries and blocs was also discussed as a way of reducing our reliance on key trading partners.