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| **Q5 – PART A :**  **Contextualizing and applying course theory to a real world economic event – in this case Brexit.** | Excellent response | ✓ | Satisfactory response | ✓ | Unsatisfactory response |
| **Your answer should reflect some of the** **following topics**:-   * **Topic 1**: Does Britain run a Current account deficit or surplus. Is this driven by the trade balance. Is Britain a net lender or a net borrower to the rest of the world * **Topic 2**: Consider the Metzler diagram – what might happen to Investment and saving schedules – what does this say about whether Britain has a comparative advantage in current consumption or future consumption * **Topic 3**: Exchange rate determination: Has the value of the UK currency (GBP) fallen since Brexit – what theory of exchange rate determination might best explain exchange rate fluctuations and why? Consider UIP? What has happened to the price level in recent months? What has happened to nominal interest rates? * Is the Dornbusch model explanatory in any way? What are expectations of future changes in Asia? Have changes in trade expectations influenced the Expected exchange rate. * **Topic 4**: Consider changes in the value of the domestic currency, what might we expect to happen to the trade balance? Consider the elasticities / absorption approaches – have they any relevance? * **Topic 5**; Consider changes in the nominal exchange rate – what impact does this have on the RER and the Consumption and production of tradeables and non tradeables. * **Topic 6**: Britain has high capital mobility and its central bank has lowered interest rates to try to stimulate the economy – What would a simple ISLMBP model suggest might be the effect on the GDP. What if interest rates rise? * **Topics 7 & 8**: Are the 1st or 2nd generation models of currency crisis applicable to the Brexit model * Is the EU an optimal currency area | Appropriate, relevant, unique  Key points covered  Excellent application of theory to real world events  Illustrates understanding of theoretical concepts  Use of diagrams  Correct use of assumptions  Use of current data to illustrate change in key macroeconomic variables  Paraphrases and synthesises information in own words;  **Information is correctly referenced back to course material** |  | Understands the task and the information but points made are not fully developed  Limited use of graphs / data  Ability to express ideas in own words |  | Any evidence of plagiarism – any two responses the same  Not demonstrated an understanding of the topic  Information often inaccurate or irrelevant  Relies heavily on words and passages copied from texts with little understanding of meaning.  Disjointed |
| **Structure**   * Introduction – background - What has happened * Implications for the domestic UK economy * Implications for the economy or region of choice * What kinds of policy might you recommend to deal with the implications you identified and why * conclusion   Should be concise, due to exam time constraints – (what can you reasonably write within 25 mins – note you may choose to cover two or three topics or you may be more general across all topics) | **Should be concise, due to exam time constraints – (what can you reasonably write within 25 mins – note you may choose to cover two or three topics or you may be more general across all topics. Write** | | | | |
| **Or. Q5 PART B - Reduction in free trade, implications for an economy or region of US fiscal and monetary policy** | Excellent response | ✓ | Satisfactory response | ✓ | Unsatisfactory response |
| Understanding and addressing the task: Contextualizing and applying course theory to a real world economic event –  Reflecting on some of **the following topics or any others that might be relevant**:-   * Topic 1: Current account balances how would they be affected? * Topic 2: Consider the Metzler diagram – how might changes in the real interest rate relative to foreign interest rates, impact on trade. If trade can’t be facilitated so easily how will this impact on mutual gains for economies trading consumption across time. * Topic 3: The impact of changes in trade expectations on the exchange rate * PPP. Deviations from the law of one price - Transactions costs, such as transport costs and tariffs (and other trade barriers) reduce profits from arbitrage. * Topic 4: Impact of exchange rate changes on the trade balance – elasticities and absorption approaches. * Topic 5: Price of Tradeables relative to non Tradeables. How would relative prices change? What about production patterns of tradeable / non-tradeable goods. Refer to article on “the determinants of non-tradable inflation” RBA * Topic 6: Monetary policy and exchange rate regimes. Beggar thy neighbor policies? Are they relevant – which countries might be most affected in the current economic environment – give an example * Topic 6: Fiscal policy to achieve internal balance and exchange rate regimes. How might expansionary fiscal policies of a large economy such as the US impact on the rest of the world. Give a scenario or example) * Topic 7: Choice of exchange rate regimes - sources of instability – internal or external? | Appropriate, relevant, unique  Key points covered  Excellent application of theory to real world events  Illustrates understanding of theoretical concepts  Use of diagrams  Correct use of assumptions  Use of data to illustrate change in key macroeconomic variables  Paraphrases and synthesizes information in own words;  Information is correctly referenced back to course material |  | Understands the task and the information but points made are not fully developed  Limited use of Some ability to express ideas in own words  graphs / data |  | Any evidence of plagiarism – any two responses the same  Not demonstrated an understanding of the topic  Information often inaccurate or irrelevant  Relies heavily on words and passages copied from texts with little understanding of meaning.  Disjointed |
| **Structure**  **Succinct and to the point.**  **Identify an issue – consider the issue in the context of a global economy – analyze likely current changes in variables in response to the issue and using what you have learned in the course consider likely future changes.** | **Should be concise, due to exam time constraints – (what can you reasonably write within 25 mins – note you may choose to cover two or three topics or you may be more general across all topics. Write** | | | | |