

Economics 2019 v1.1

IA3 high-level annotated sample response

September 2018

Examination — extended response to stimulus (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 macroeconomic objectives and theory
2. select data and economic information from sources relevant to macroeconomic objectives
3. analyse an economic issue that involves macroeconomic objectives
4. evaluate an economic outcome relevant to macroeconomic objectives
5. create a response that communicates economic meaning to suit the intended purpose in an analytical essay.

Instrument-specific marking guide

Criterion: Comprehending

Assessment objective

1. comprehend economic concepts, principles and models of macroeconomic objectives and theory

The student work has the following characteristics:	Marks
<ul style="list-style-type: none"> comprehensive identification of the essential features of macroeconomic objectives and theory perceptive application of economic concepts, principles and models precise use of economic terminology. 	4–5
<ul style="list-style-type: none"> effective identification of features of macroeconomic objectives and theory effective application of economic concepts, principles and/or models adequate use of economic terminology. 	2–3
<ul style="list-style-type: none"> identification of some economic concepts, principles or models. 	1
<ul style="list-style-type: none"> does not satisfy any of the descriptors above. 	0

Criterion: Selecting

Assessment objective

2. select data and economic information from sources relevant to macroeconomic objectives

The student work has the following characteristics:	Marks
<ul style="list-style-type: none"> discerning choice of current, accurate and reliable data and economic information from sources relevant to macroeconomic objectives perceptive use of data and economic information from seen and unseen sources consistent and accurate documentation of data and economic information in the form of citations. 	3–4
<ul style="list-style-type: none"> adequate choice of current, accurate and reliable data and economic information from sources relevant to macroeconomic objectives adequate use of data and economic information from seen and unseen sources some documentation of data and economic information in the form of citations. 	2
<ul style="list-style-type: none"> narrow use of data and economic information from seen or unseen sources. 	1
<ul style="list-style-type: none"> does not satisfy any of the descriptors above. 	0

Criterion: Analysing

Assessment objective

3. analyse an economic issue that involves macroeconomic objectives

The student work has the following characteristics:	Marks
<ul style="list-style-type: none">• <u>discerning interpretation of patterns and trends in data and economic information</u>• <u>discerning explanation of macroeconomic relationships</u>• <u>perceptive use of data and economic information to support the analysis.</u>	5–6
<ul style="list-style-type: none">• effective interpretation of patterns and trends in data and economic information• effective explanation of macroeconomic relationships• adequate use of data and economic information to support the analysis.	3–4
<ul style="list-style-type: none">• superficial description of patterns and/or trends in data and/or economic information• superficial identification of macroeconomic relationships• narrow or inconsistent use of data and/or economic information.	1–2
<ul style="list-style-type: none">• does not satisfy any of the descriptors above.	0

Criterion: Evaluating

Assessment objective

4. evaluate an economic outcome relevant to macroeconomic objectives

The student work has the following characteristics:	Marks
<ul style="list-style-type: none">• <u>discerning synthesis of economic ideas and perspectives to support the conclusion or decision</u>• <u>perceptive conclusion drawn or decision made about macroeconomic objectives, based on the use of relevant economic criteria</u>• critical economic reasoning and justification.	5–6
<ul style="list-style-type: none">• effective synthesis of economic ideas and/or perspectives to support the conclusion or decision• effective conclusion drawn or decision made about macroeconomic objectives, based on the use of relevant economic criteria• <u>feasible economic reasoning and justification.</u>	3–4
<ul style="list-style-type: none">• opinions and statements about either economic ideas or perspectives• superficial conclusion or decision about macroeconomic objectives• identification of some reasons for the conclusion or decision.	1–2
<ul style="list-style-type: none">• does not satisfy any of the descriptors above.	0

Criterion: Creating a response

Assessment objective

5. create a response that communicates economic meaning to suit the intended purpose in an analytical essay

The student work has the following characteristics:	Marks
<ul style="list-style-type: none">• concise expression and logical development of relevant ideas that enhance economic meaning, and effective use of graphs, diagrams and/or statistics• features of an analytical essay genre are consistently demonstrated• minimal errors in spelling, grammar and punctuation.	3-4
<ul style="list-style-type: none">• adequate expression and development of ideas that convey economic meaning and some use of graphs, diagrams and/or statistics• features of an analytical essay genre are demonstrated• some errors in spelling, grammar and punctuation.	2
<ul style="list-style-type: none">• some elements of essay formatting and inconsistent use of language conventions.	1
<ul style="list-style-type: none">• does not satisfy any of the descriptors above.	0

Task

Create an analytical essay, using both seen and unseen stimulus material, to analyse key economic patterns, trends and relationships over the last five years.

Evaluate the extent to which the Australian Government has achieved its economic growth objective over the last five years, using two criteria to draw your conclusion.

Sample response

Criterion	Marks allocated	Result
Comprehending Assessment objective 1	5	5
Selecting Assessment objective 2	4	4
Analysing Assessment objective 3	6	6
Evaluating Assessment objective 4	6	5
Creating a response Assessment objective 5	4	4
Total	25	24

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

<p>Comprehending [4–5]</p> <p>comprehensive identification of the essential features of macroeconomic objectives</p> <p>identifies economic growth, e.g. targets, economic cycle and an indicator for broader economic goals (and link to inflation target in paragraph below)</p> <p>Analysing [5–6]</p> <p>discerning interpretation of patterns and trends</p> <p>discusses GDP trends, with complexity of the anomalies</p> <p>Evaluating [3–4]</p> <p>feasible economic reasoning and justification</p> <p>general statement, with judgment of 'poor' not being clearly expressed</p> <p>Analysing [5–6]</p> <p>discerning interpretation of patterns and trends</p> <p>discerning explanation of macroeconomic relationships</p> <p>discusses patterns and interrelationships, e.g. 'direct' and 'correlate'</p> <p>Evaluating [3–4]</p> <p>feasible economic reasoning and justification</p> <p>judgment stated with brief reasoning</p>	<p>The main economic objective of the Australian Federal Government, that of economic growth, sits as a precursor to the long term and sustainable economic health and living standards of the nation. While internationally recognised for 26 years of non-recessional economic growth (Source 4), an analysis and evaluation of current trends in domestic economic data will be used to judge the effectiveness of the Australian Government to get effective economic growth for the five years to 2017, based on the slogan of the Turnbull government, 'jobs and growth'.</p> <p>Economic growth is an important macroeconomic goal because it improves a nation's living standards. Economic performance within a band of 3-4% growth in gross domestic production (GDP) is generally accepted as an effective and sustainable nominal target, taking into account typical fluctuations between peaks and troughs in economic activity known as the economic cycle. Economic growth within this zone typically strengthens the nation's productive capacity, generates jobs and standard of living improvements whilst improving the nation's external stability position to service its financial obligations to the rest of the world and limiting negative impacts from inflation, based on past evidence.</p> <p>Economic growth as observed at quarterly intervals has consistently maintained positive, but low, performances since 2012 (Source 2), with the exception of one quarter in 2015 where it rose above 4%. As measured by annual GDP growth, economic growth last attained its target in 2012, with four quarters above 1% (Source 4) and since then has typically cycled between annual rates of 2% and 3% (Source 2), a result more akin to Australia's inflation target of the same range. When one-off anomalies are included (military helicopters and new hepatitis C drugs), a downward trend in GDP growth since 2014 is noticeable (Source 2). At a most simple interpretation and by their own measure of GDP, the Australian Government's achievement of economic growth objectives has been poor.</p> <p>Correspondingly, inflation as measured by CPI has remained low at less than 2% (Source 5a) reflecting lower consumer demand and household consumption over the past three years in particular (Source 1b), especially when combined with falling wage growth, measured by the wage price index (Source 1a). This reinforces a finding that economic growth has not been maximised nor is optimal. Additionally, reduced economic growth aligns with lower consumer sentiment and business investment (Sources 1b and 1d). A clear and direct relationship is evident between these data sets, particularly in 2012 where patterns of increase and decrease evident in economic growth (Source 4) correlate with slightly lagging patterns in both consumer sentiment (Source 1b) and business</p>
--	---

Evaluating [3–4]

effective conclusion drawn based on relevant economic criteria

draws conclusions based on relevant economic criteria of underutilised resources

Comprehending [4–5]

perceptive application of economic models

model demonstrates underutilised resources to add insight to the discussion

Creating a response [2]

some use of diagrams

diagram demonstrates several points (A and B); a more complex diagram could have been chosen

Evaluating [5–6]

discerning synthesis of economic ideas and perspectives to support a conclusion

discerning synthesis of non-accelerating inflation rate of unemployment in the judgment

Analysing [5–6]

discerning interpretation of patterns and trends

discerning explanation of macroeconomic relationships

discusses trends and relationships in the interpretation of employment data

Evaluating [5–6]

perceptive conclusion based on the use of relevant economic criteria

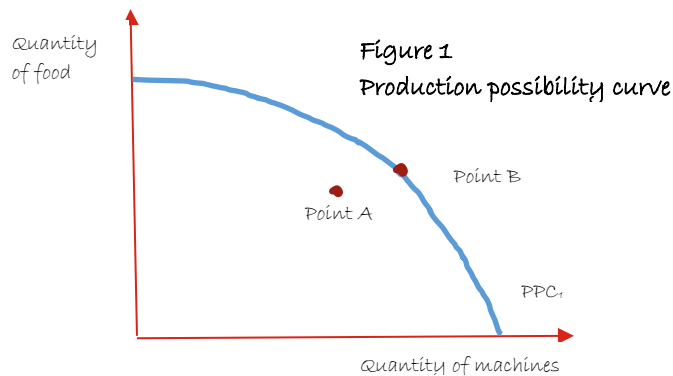
perceptively uses underutilised labour resources as criteria

Comprehending [4–5]

perceptive application of economic concepts

e.g. temporal elements of consumption and NNDI per capita

investment (Source 1d). This unfulfilled capacity in production is represented by Point A on the production possibility frontier below (Figure 1) and indicates the government has not achieved economic growth as strong as what was possible, over the last five years.



Interestingly there is evidence of positive economic performance that is not characteristically observed with low economic growth.

Typically, 'higher growth in employment' necessitates economic growth (Source 7) that is high but not high enough to surpass the non-accelerating inflation rate of unemployment, considered below 4.5% in Australia (this rate is shown on Figure 1 at Point B). With GDP growth and inflation levels low, it would be expected that a correlating fall in employment occurs. Paradoxically, Australia's unemployment has fallen to below 6% since 2014 (Source 5c). On deeper analysis, however, the increased employment figures may relate more strongly with higher underemployment, which has continually risen from 2012 to be now over 8% (Source 5c). Underemployment tends to increase during weak labour market periods and where economic growth is not sufficient to fully employ those willing to work more hours. This is supported by slower growth in working hours since the beginning of 2016 (Source 2). Accordingly, given available data, recent economic growth appears insufficient to support real growth in employment rates that match the capacity of the Australian labour force. This is Point A on Figure 1, representing a position of underutilised labour resources.

Economic growth can also be judged through the impact on living standards, using net national disposable income (NNDI) per capita, a measure of the ability to spend on goods and services now and in the future. Although the Sydney Morning Herald (SMH) suggests that 'household disposable income growth is the worst' in the last 25 years' (Source 6), this appears to be contradicted by Source 9a that shows NNDI per capita is rising. The recent trend in NNDI over 2015 through to March 2017 (Source 9a) is a minor success gauge of the

Analysing [5–6]

discerning interpretation of patterns and trends

interprets NNDI data, with several relationships explained, e.g. comparison of statements and data, and wages vs operating surpluses

Comprehending [4–5]

comprehensive identification of essential features

pertinent knowledge of wealth and income

Evaluating [5–6]

discerning synthesis of economic ideas and perspectives

connects to the economic relevance of income inequality and consequent challenges

Analysing [5–6]

perceptive use of data and data and economic information to support the analysis

visual sources and media commentary used as evidence of economic growth objectives not being achieved

Evaluating [5–6]

perceptive conclusion based on the use of relevant economic criteria

conclusion drawn throughout the entire analytical essay in a perceptive and convincing manner

government's attainment of an optimal level of economic growth. Closer inspection of data supports the SMH comments of households not being better off, as Source 9b shows that growth in wages, the compensation for labour, has fallen to less than 1% over the last three years. The improvement in living standards is more wealth based with earnings of business profits and dividends (business operating surpluses) growing from -1% to 6% growth since 2015 (Source 9b). Wealth and the ability to generate wealth, is heavily concentrated in higher income households, and so unless it is received in cash, it tends to add to future, not current, consumption. Therefore, it is difficult to deduce that Australian's living standards overall have improved when it is more likely income inequality has increased. This is supported by Sources 1b and 1c, which show falling discretionary household consumption in the most recent two years.

Finally, the *Daily Telegraph*, *Herald Sun* and *Courier Mail* headlines (Source 3) reflect a 2015 push by the incumbent Liberal to 'jumpstart' the economy (Source 3), by taking direct action through fiscal policy to improve economic growth, which is difficult when the federal budget is experiencing significant deficits for the last decade (Source 8). The data analysed has shown action taken by the government has not been successful in strengthening economic growth.

The experience from 2012 to 2017 for Australia indicates soft economic growth based on unfulfilled economic capacity and underutilised labour resources, with the consequence of unequal income distribution from the growth that occurred. Although positive economic aspects of increased net national disposable income and lower unemployment rates exist, the overwhelming impact of a potentially stalled economy reflects the limited extent to which the Australian Government has achieved its economic growth objective since 2012. This is because, while 'jobs and growth' have occurred, rising living standards have not been sufficient for all Australians to share in the economic growth level achieved.

Comprehending [4–5]

precise use of economic terminology throughout the response

Selecting [3–4]

discerning choice of current, accurate and reliable data and economic information sources relevant to macroeconomic objectives

perceptive use of data and economic information from seen and unseen sources

consistent and accurate documentation of data and economic information in the form of citations

Analysing [5–6]

perceptive use of data and economic information to support the analysis throughout the report

Creating a response [3–4]

concise expression and logical development of relevant ideas that enhance economic meaning are developed evenly throughout the response, and **effective use of graphs, diagrams and/or statistics** is demonstrated by the sophisticated use of statistics and some use of a simple diagram

features of an analytical essay genre are consistently demonstrated in the essay: the introduction outlines aims, establishes the importance of the issues, makes links to the context and foreshadows the criteria that will be used; the main body consists of main ideas developed in clear paragraphs in an analytical manner; the conclusion astutely summarises the main findings from the analysis and evaluation

minimal errors in spelling, grammar and punctuation throughout the report