

Economics 2019 v1.1

IA3 sample assessment instrument

September 2018

Examination — extended response to stimulus (25%)

This sample has been compiled by the QCAA to assist and support teachers in planning and developing assessment instruments for individual school settings.

Assessment objectives

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

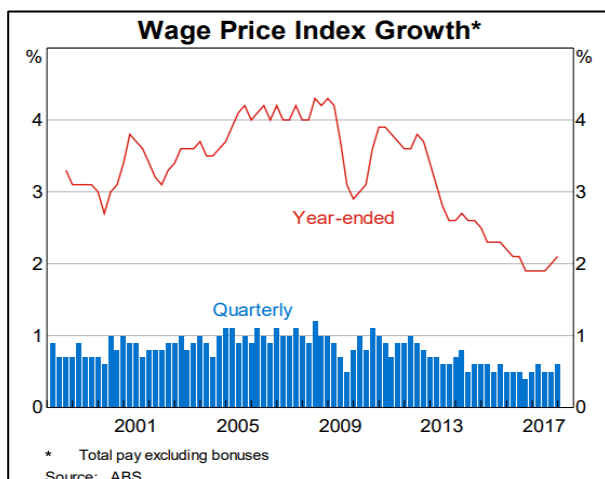
1. comprehend economic concepts, principles and models of macroeconomic objectives and theory
2. select data and economic information from sources relevant to macroeconomic objectives
3. analyse an economic issue that involves macroeconomic objectives
4. evaluate an economic outcome relevant to macroeconomic objectives
5. create a response that communicates economic meaning to suit the intended purpose in an analytical essay.

Subject	Economics	Instrument no.	IA3
Technique	Examination — extended response to stimulus		
Unit	4: Contemporary macroeconomics		
Topic	1: Macroeconomic objectives and theory		
Conditions			
Time	2 hours	Planning time	15 minutes
Word length	800–1000 words	Seen/unseen	Unseen
Other	<ul style="list-style-type: none"> • Six seen sources provided seven days prior to the examination. • A clean copy of seen and unseen stimulus material is to be provided at the start of the examination. Students must not bring a previously provided copy of seen stimulus materials into the examination. • Rulers free from markings other than measurement indicators are permitted. • Non-programmable calculator permitted. 		
Instructions			
<ul style="list-style-type: none"> • The provided planning paper will not be collected. • Answer in the supplied 'Response booklet', writing on one side of each page only. 			
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. Use two criteria to draw your conclusion.			
Stimulus			
Refer to the attached stimulus material.			
Criterion	Marks allocated	Result	
Comprehending Assessment objective 1	5		
Selecting Assessment objective 2	4		
Analysing Assessment objective 3	6		
Evaluating Assessment objective 4	6		
Creating a response Assessment objective 5	4		
Total	25		

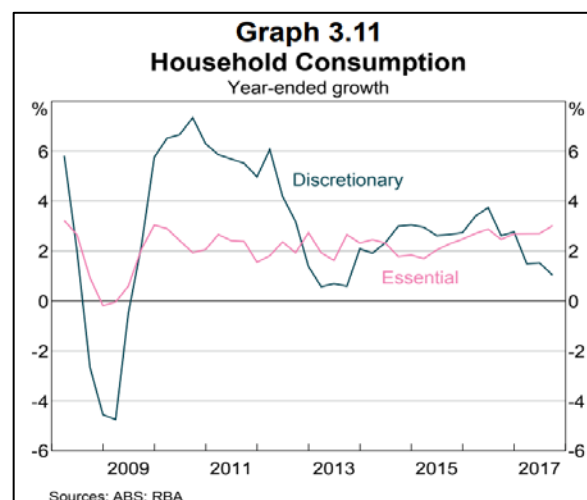
Stimulus

Source 1 (seen)

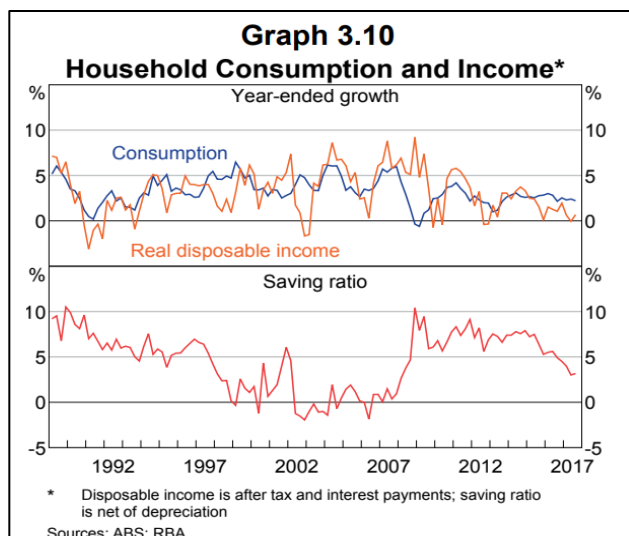
Three graphs from the Reserve Bank of Australia



Source 1A



Source 1B



Source 1C

References

Source 1A: Reserve Bank of Australia 2018, 'Chart Pack: Factors of Production and Labour Market', *Reserve Bank of Australia*, www.rba.gov.au/chart-pack/factors-prod-labour-mkt.html.

Source 1B: Reserve Bank of Australia 2018, 'Graph 3.11: Household consumption', *Statement on monetary policy*, p. 31, www.rba.gov.au/publications/smp/2018/feb/pdf/statement-on-monetary-policy-2018-02.pdf.

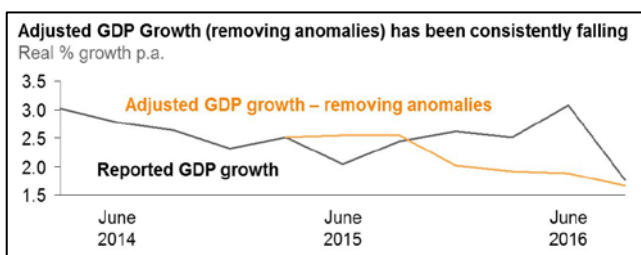
Source 1C: Reserve Bank of Australia 2018, 'Graph 3.10: Household consumption and income', *Statement on monetary policy*, p. 31, www.rba.gov.au/publications/smp/2018/feb/pdf/statement-on-monetary-policy-2018-02.pdf.

Source 2 (seen)

Excerpt from article 'Today's GDP result shows it's time for Australians to embrace stronger fiscal policies'

GDP data released today shows the Australian economy grew at a disappointing -0.5% over the last quarter or 1.8% over the year. This was the largest quarterly fall in growth since the GFC in 2008.

The pessimists are out in force today saying the economy is collapsing. The optimists say this is a one-off blip that we'll bounce back from next quarter. The truth is in the middle.



This data is a wake-up call that must shake the complacency of our policymakers and cause them to change the direction of economic policy.

Australia's GDP growth in the first half of this year was too good to be true. A solid 2.8% in December 2015 lifted to a strong 3.0% in March 2016 and hit a red-hot 3.3% in June 2016.

But the devil was in the detail. The June numbers were flattered by bumper public spending (the listing of a new drug for hepatitis C and the purchase of Chinook helicopters) and the accounting implications of state government privatisations. Swings in inventories and weather related trade impacts affected several previous quarters. Seasoned economists normally take these anomalies in their stride because GDP statistics are not an exact science and irregularities normally wash each other out.

But this time the anomalies conspired to trick Australians into thinking that GDP was booming in the first half of 2016. We unpicked each of these abnormal impacts on reported GDP growth over the past several quarters to create a view of economic growth adjusted for anomalies (orange line in the chart above).

The most comprehensive measure of labour market health – the total number of hours worked in the economy – slowed down markedly in early 2016 around the same time as our adjusted GDP growth softened. Inflation also weakened at the same time. The heart of the problem is that Australian policymakers have relied too heavily on monetary policy to stabilise the economy and, for the most part, basically ignored fiscal policy and put structural reform in the too hard basket.

For a start, monetary policy works (in part) by encouraging the private sector to take on more debt. Fiscal policy, on the other hand, works by taking on more public sector debt.

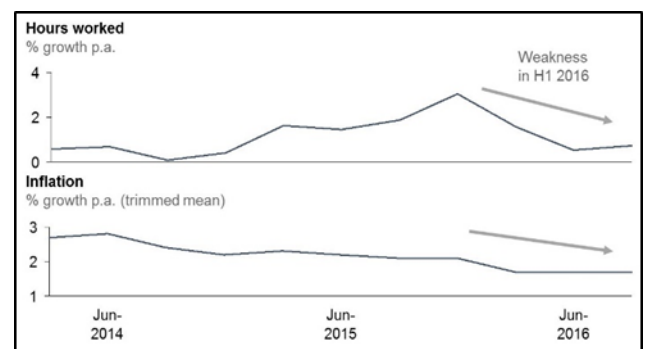
The second cost of monetary policy is its growing drag on productivity. ... low rates are having the opposite effect, inducing Australians to pour their funds into existing assets like housing and equities on the hope that lower rates will increase their value. By contrast, effective fiscal policy can increase productivity through investments in infrastructure ...

The third cost of monetary policy is its impact on inequality. ... low rates have slugged younger people with higher house prices and reduced the weekly budget of older people on fixed incomes. Fiscal policy, by contrast, can be targeted ...

We have to take a broader view of Australia's credit rating. The best way to safeguard Australia's rating would be a balanced policy approach.

Second, we have to recognise that there is a difference between government spending on recurrent expenses and investment in assets.

Finally, we need to think of fiscal policy as more than just a means of buying votes from interest groups, or stabilising demand.



Reference

Charlton, A 2016, 'Today's GDP result shows it's time for Australians to embrace stronger fiscal policies', *Business Insider Australia*, 7 December, www.businessinsider.com.au/todays-gdp-result-shows-its-time-for-australians-to-embrace-stronger-fiscal-policies-2016-12.

Source 3 (seen)

Newspaper cartoons responding to the 2015 Budget

Source 3A

'Work, spend and pray' (cartoon), *Herald Sun*, May 13 2015, p. 1.

Source 3B

'We owe, we owe, so it's ... off to work we go' (cartoon), *The Daily Telegraph*, May 13 2015, p. 1.

Source 3C

'Joe's jumpstart' (cartoon), *The Courier-Mail*, May 13 2015, p. 1.

Note: QCAA does not have permission to reproduce images of these front-page newspaper cartoons. Please refer to the Mumbrella webpage to view the images. This page is provided as a guide to layout only.

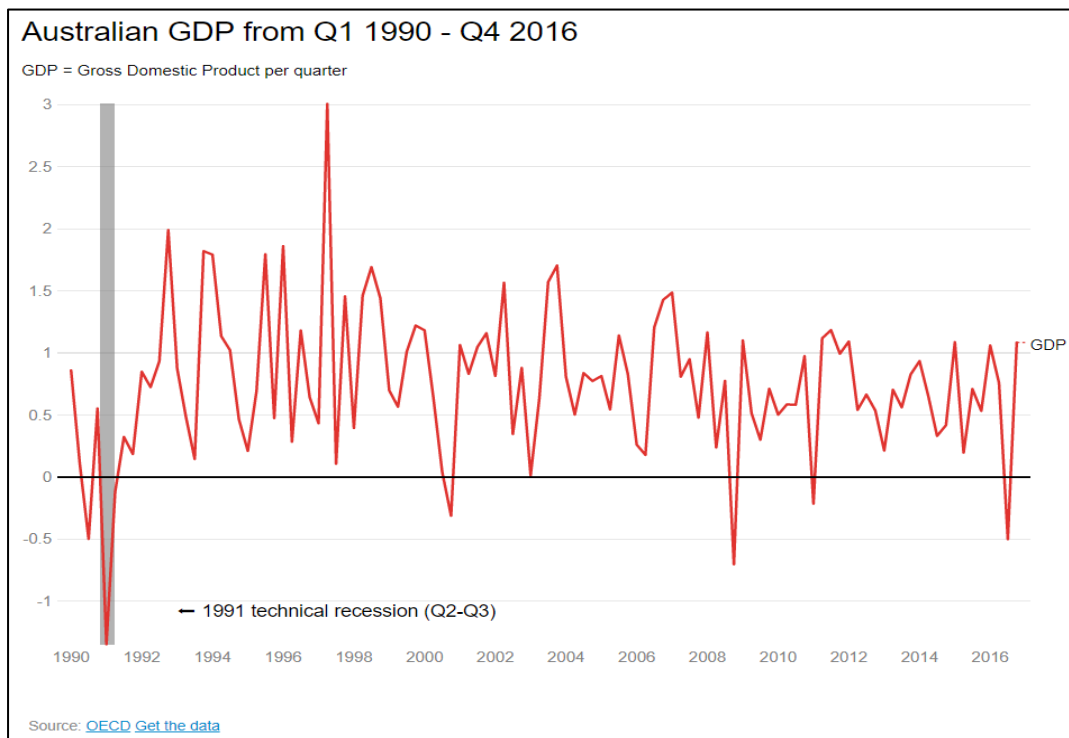
Reference

Mumbrella 2015, 'Budget 2015 in front pages, cartoons (and a government info video)', 13 May, www.mumbrella.com.au/budget-2015-in-cartoons-and-a-government-info-video-293388.

Source 4 (seen)

Excerpt from article ‘There’ll be no records set this week by Australian economic growth figures’

With the release of the March quarter national accounts, there have been reports the Australian economy could break the Netherlands’ “world record” for continuous growth. But there are three problems with this assertion.



It's now been 103 quarters (25 years and 9 months) since Australia last had consecutive quarters of negative growth in real gross domestic product (GDP), in the March and June quarters of 1991.

Contrary to much-repeated claims, the Netherlands didn't experience more than a quarter-century of economic growth without consecutive quarters of negative real GDP growth between the early 1980s and the global financial crisis.

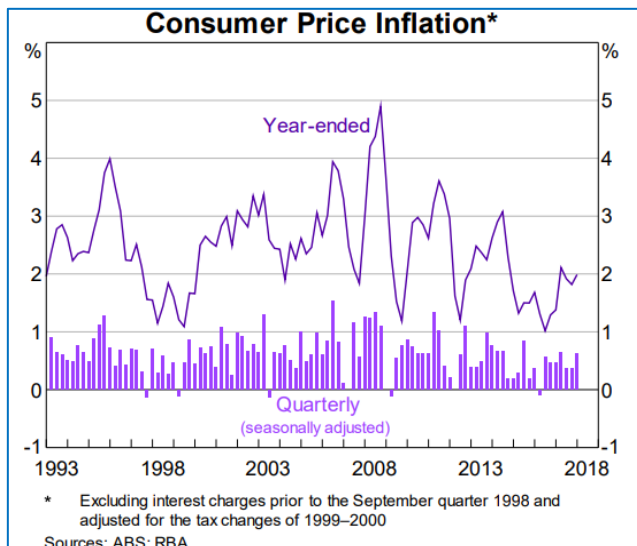
Reference

Eslake, S 2017, 'There'll be no records set this week by Australian economic growth figures', *The Conversation*, 6 June, www.theconversation.com/therell-be-no-records-set-this-week-by-australian-economic-growth-figures-78830.

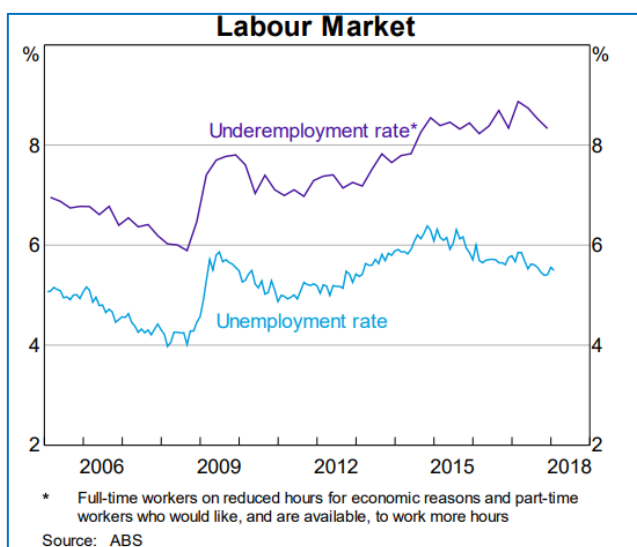
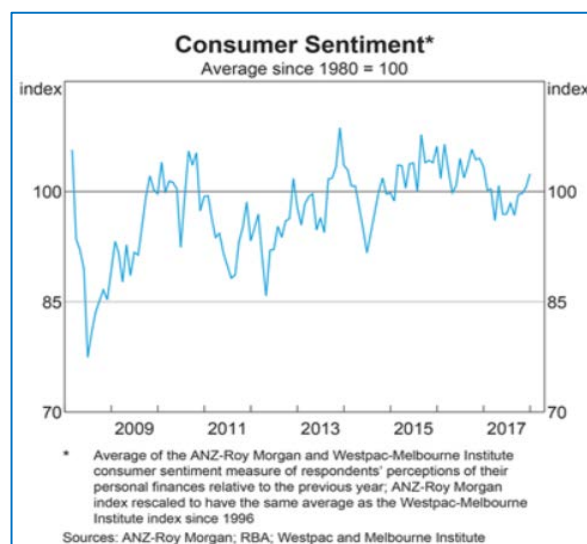
Source 5 (seen)

Four graphs from the Reserve Bank of Australia

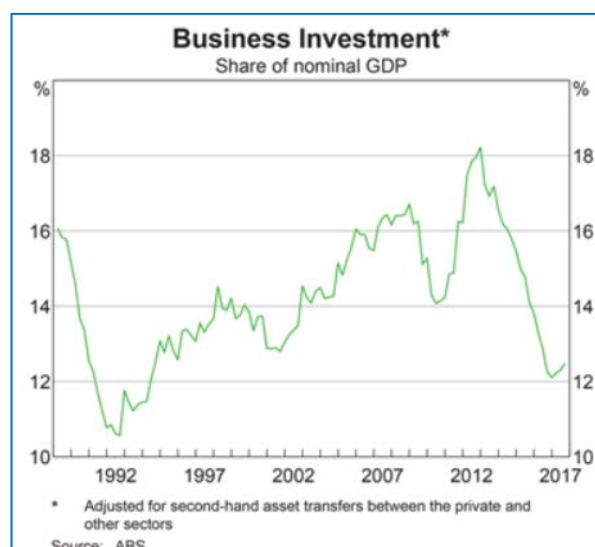
Source 5A



Source 5B



Source 5C



Source 5D

References

Source 5A: Reserve Bank of Australia 2018, 'Consumer price inflation', *The Australian economy and financial markets: Chart pack*, p. 5, <http://www.rba.gov.au/chart-pack/pdf/chart-pack.pdf>.

Source 5B: Reserve Bank of Australia 2018, 'Consumer sentiment', *The Australian economy and financial markets: Chart pack*, p. 6, <http://www.rba.gov.au/chart-pack/pdf/chart-pack.pdf>.

Source 5C: Reserve Bank of Australia 2018, *The Australian economy and financial markets: Chart pack*, p. 12, <http://www.rba.gov.au/chart-pack/pdf/chart-pack.pdf>.

Source 5D: Reserve Bank of Australia 2018, *The Australian economy and financial markets: Chart pack*, p. 8, <http://www.rba.gov.au/chart-pack/pdf/chart-pack.pdf>.

Source 6 (seen)

Excerpt from 'Australia's income growth recession'

But you could be forgiven for believing that we're starting to do well. After all, our leaders trumpeted growth at 3.1 per cent only a week or so ago. But Charlie, who hasn't made a wrong economic prediction in two decades, points out that 3 per cent of the 3.1 came from exporting more LNG and iron ore in greater volumes at lower prices ...

Well, the average person does not have as much money available to them as they had eight years ago. And our falling commodity prices have been the major cause. Politicians are keen to talk about the positives of the "trickle down effect" but what we have is a negative flow that is eroding real household wealth and therefore consumer spending growth.

Four things stand out. Firstly, employment growth has been weak since the GFC; secondly, wages growth has been slowing since 2012 and, thirdly, household disposable income growth is

the worst in at least a quarter of a century. And finally, this has flowed through to how people feel about events around them. Hence there has been no net increase in the proportion of adults who feel they have discretionary spending power since late 2007.

There was an uplift in people's willingness to spend in late 2014 but that now appears to have peaked.

Rapidly rising residential property prices have also helped in some areas of spending but that impetus too, may have peaked.

Reference

Mitchell, H 2016, 'Australia is in a real income growth recession', *The Sydney Morning Herald*, 16 June, www.smh.com.au/business/comment-and-analysis/australia-is-in-a-real-income-growth-recession-20160616-gpkozw.html

Source 7 (unseen)

Excerpt from 'Employment and jobs — some solutions'

Stimulating Employment

Unemployment in Australia will only be reduced when there is an increased rate of growth in the number of jobs. Higher growth in employment in turn requires a faster growth in economic activity. It follows that the main way the government can promote employment growth is by using macroeconomic policy to facilitate high rates of growth in GDP. This is the demand-side of policy.

Jeff Borland,
Professor of Economics at University of Melbourne

What does help? A decent rate of economic growth is the biggest single factor to resolve demand-induced unemployment.

David Peetz,
Professor of Employment Relations at Griffith University

Job creation options for socially useful projects, fewer public service cuts and ensure employers recruit and train locally before importing labour.

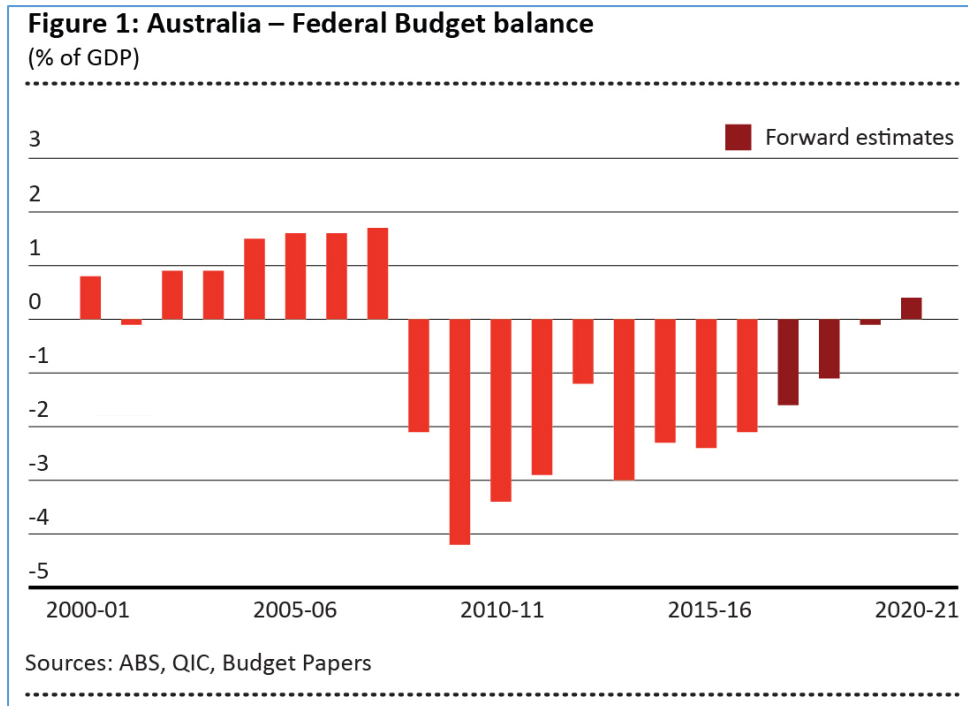
Eva Cox,
Professorial Fellow at University of Sydney

Reference

The Conversation 2016, 'Employment policy and job creation — some practical solutions', 4 August, www.theconversation.com/employment-policy-and-job-creation-some-practical-solutions-29893

Source 8 (unseen)

Graph from 'The 2017/18 Australian Budget: Changing the fiscal landscape – an infrastructure perspective'



Reference

Queensland Investment Corporation 2017, 'The 2017/18 Australian Budget: Changing the fiscal landscape – an infrastructure perspective', QIC, www.qic.com.au/knowledge-centre/17-18-budget-infrastructure-perspective-20170517

Source 9 (unseen)

Excerpt from article 'GDP: Australia is waiting for the trickle down to start'

A one-paragraph excerpt and three graphs:

- GDP per capita growth
- growth in compensation of employees
- job advertisements.

Note: QCAA does not have permission to reproduce this excerpt. Please refer to the online article, which is referenced below. This placeholder is provided as a guide to layout only.

Reference

Murphy, J 2017, 'GDP: Australia is waiting for the trickle down to start', *News.com.au*, 8 June, www.news.com.au/finance/economy/australian-economy/gdp-australia-is-waiting-for-the-trickle-down-to-start/news-story/5302f5e596b4b28e38781b7c0d8b5e21

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"> • limited 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">discerning interpretation of patterns and trends in data and economic informationdiscerning explanation of macroeconomic relationshipsperceptive use of data and economic information to support the analysis.	5–6
<ul style="list-style-type: none">effective interpretation of patterns and trends in data and economic informationeffective explanation of macroeconomic relationshipsadequate 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 informationsuperficial identification of macroeconomic relationshipsnarrow 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">discerning synthesis of economic ideas and perspectives to support the conclusion or decisionperceptive conclusion drawn or decision made about macroeconomic objectives, based on the use of relevant economic criteriacritical 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 decisioneffective conclusion drawn or decision made about macroeconomic objectives, based on the use of relevant economic criteriafeasible economic reasoning and justification.	3–4
<ul style="list-style-type: none">opinions and statements about either economic ideas or perspectivessuperficial conclusion or decision about macroeconomic objectivesidentification 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