Economics marking guide and response

External assessment 2022

Combination response (65 marks)

Assessment objectives

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

1. comprehend economic concepts, principles and models of economic management
3. analyse an economic issue that involves economic management
4. evaluate an economic outcome relevant to economic management.

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

Queensland Government | QCAA Queensland Curriculum & Assessment Authority

For all Queensland schools

Purpose

This document consists of a marking guide and a sample response.

The marking guide:

- provides a tool for calibrating external assessment markers to ensure reliability of results
- indicates the correlation, for each question, between mark allocation and qualities at each level of the mark range
- informs schools and students about how marks are matched to qualities in student responses.

The sample response:

- demonstrates the qualities of a high-level response
- has been annotated using the marking guide.

Mark allocation

Where a response does not meet any of the descriptors for a question or a criterion, a mark of '0' will be recorded.

Where no response to a question has been made, a mark of 'N' will be recorded.

Glossary of notations

Notation	Meaning
↑	Increase or higher
↓	Decrease or lower
CFY	Circular flow model of income
MP	Monetary policy
RBA	Reserve Bank of Australia

Marking guide

Section 1: Multiple choice

Question	Response
1	C
2	B
3	A
4	D
5	B
6	D
7	B
8	C
9	B
10	B

Section 2: Short response

Q	The response:	Notes
11	**For one model (4 marks)** • draws an accurate diagram **[1 mark]** • includes an accurate title, axis labels and relevant notations **[1 mark]** • describes a clear movement before and after change, using correct terms and refers to diagram **[1 mark]** • accurately explains the change resulting from the oil substitute discovery **[1 mark]** **For a second model (4 marks)** • draws an accurate diagram **[1 mark]** • includes an accurate title, axis labels and relevant notations **[1 mark]** • describes a clear movement before and after change, using correct terms and refers to diagram **[1 mark]** • accurately explains the change resulting from the oil substitute discovery **[1 mark]**	

Sample response 1

Diagram 1

Economy of Country A

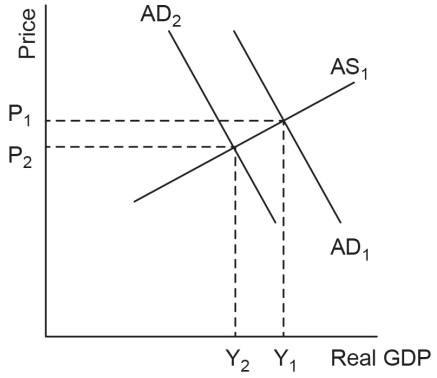
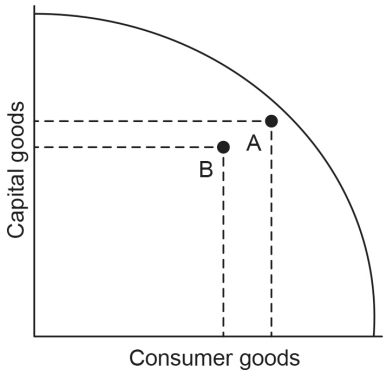


Diagram 2

Production possibility curve of Country A



The **aggregate demand / aggregate supply diagram** shows the decrease in aggregate demand since demand for oil has fallen because international markets substitute Country A's oil for the cheaper alternative. This causes a decrease in demand from AD_1 to AD_2, causing the price of oil and quantity sold to fall to a lower equilibrium (P_2Y_2). The likely consequence is a slowing of the economy's use of resources.

The **production possibility curve** shows the maximum production possible for Country A, given its existing resources. With less oil being demanded and produced, their oil resources are underutilised, shown by a movement from point A to B. This fall in the employment of resources would be reflected in decreased demand and lower GDP.

Sample response 2

Diagram 1

The economic cycle experience by Country A

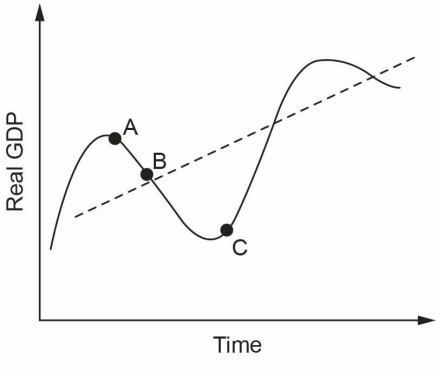
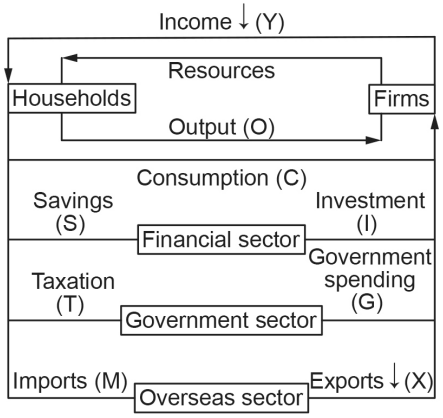


Diagram 2

Circular flow of income model of Country A



The **economic cycle diagram** shows a slowing of economic activity (point A to B, or B towards C), due to falling economic growth. The cause of the slowing economy is the falling oil export revenues received by Country A. This significant fall in injections is because Country A is dependent on oil exports.

The **circular flow of income** of Country A would be less, as there are less injections of export income due to their major oil client demanding less oil. This is shown as ↓ X on the diagram, which would lead to less production of oil by firms and less employment within the oil industry. The flow-on effect is lower incomes in the Household sector ↓ Y.

Q	The response:	Notes
12	**Fiscal stance (7 marks)**	
	• classifies the temporary budget repair levy as ↑ government revenue (contractionary) **and** classifies the ↑ single parent allowance as ↑ government spending (expansionary) **[1 mark]** • classifies the age pension ↑ as expansionary as participation rate is higher or contractionary as government expenditure falls **[1 mark]** • classifies the pausing of indexation of transfer payments as not ↑ in government spending (neutral impact) **[1 mark]** • classifies the ↓ of federal government expenditure on hospitals and education as contractionary **[1 mark]** • explicitly identifies a fiscal stance **[1 mark]** • provides accurate details to support the conclusion **[1 mark]** • assumes ceteris paribus **[1 mark]**	

Sample response

A temporary increase in taxation on higher income earners via the temporary budget repair levy is contractionary, as it raises government revenue. Other initiatives that reduce government expenditure include raising the pension age and reducing federal funding on hospitals and education. The pausing of indexation of various transfer payments and government programs have a neutral budget impact. There were smaller expansionary measures to assist low-income, single-parent households and to increase the older worker participation rate, however, when combining initiatives, it becomes apparent that the main budget priority is contractionary — to reduce spending to either reduce a budget deficit or stabilise a high rate of economic growth. This assumes the net change in other budget items are nil.

Q	The response:	Notes
13	**Trends (7 marks)**	
	• quantifies the trend in export data **[1 mark]** • draws meaning from the export data **[1 mark]** • quantifies the trend in import data **[1 mark]** • draws meaning from the import data **[1 mark]** • makes a connection between trade data and cash rates of major trading partner **[1 mark]** • quantifies the trend in MP **[1 mark]** • interprets the trend in MP as expansionary **[1 mark]**	
	Conclusion (5 marks)	
	• identifies the relative ineffectiveness of ↓ domestic interest rates further, based on economic growth **[1 mark]** • explains the decision made on domestic MP effectiveness, with no major flaws **[1 mark]** • identifies that the trading partner's interest rates will have a positive impact on Country B **[1 mark]** • explains the decision made on trading partner's MP effectiveness, with no major flaws **[1 mark]** • provides accurate reasoning regarding a potential ↑ in export demand, which would have a stimulatory impact on EG in Country B **[1 mark]**	

Sample response

Country B's exports, a circular flow injection, have fallen from 6% in 2015 to a low of 1%, indicating their major trading partner has been experiencing falling domestic demand — supported by the trading partner's interest rates falling from 2020 to 2021. Country B's imports, an indicator of domestic demand, have fallen consistently from 5% in 2014 to – 2% in 2021, signifying Country B has also lower domestic demand for imported capital resources and goods and services.

The monetary policy trend of Country B is expansionary, based on the primarily downward movements in interest rates from a peak of 5.25% in 2017 to a current low of 0.25% since mid-2020. As interest rates have been low for three years, it is unlikely that domestic interest rates would be effective in encouraging economic growth in Country B.

What is likely to assist with Country B's economic growth is expansionary monetary policy by the major trading partner, because it has room to lower interest rates from 2.5% to further stimulate their economy. As their economy recovers, the greater spending on exports from Country B will increase the injection of income into Country B, which should, given the circular flow model of income, cause Country B's economy to grow.

Section 3: Extended response — Question 14

Criterion: Analysing

The response:	The response:	M	The response:	M	The response:	M
Problem (2 marks)	**Durable goods (Sources 1 and 7)**		**Labour market (Source 2)**		**Business (Source 6)**	
• identifies the economic problem being an overheated economy **[1 mark]** • calculates a number to make meaning **[1 mark]**	• quantifies the trend in durable goods, using data from s1 and links to s7 • effectively provides a detailed explanation of a relationship • infers household demand is high	4	• quantifies the trend in the labour market, using data from s2 and with links to labour being at full capacity • effectively provides a detailed explanation of a relationship • infers inflation pressures exist	4	• quantifies the trend in business investment, using data from s6 • effectively provides a detailed explanation of a relationship • infers inflation pressures exist or capital is at capacity	4
	• quantifies the trend in durable goods, using data from s1 or s7 • provides an explanation of a relationship • infers household demand is high	3	• quantifies the trend in the labour market, using data from s2 • provides an explanation of a relationship • infers inflation pressures exist	3	• quantifies the trend in business investment using data from s6 • provides an explanation of a relationship • infers inflation pressures exist or capital is at capacity	3
	• identifies the trend in either durable goods or cars • describes a relationship relevant to a trend	2	• identifies the trend in the labour market • describes a relationship relevant to a trend	2	• identifies the trend in business investment • describes a relationship relevant to a trend	2
	• identifies the trend in either durable goods or cars	1	• identifies the trend in the labour market	1	• identifies the trend in business investment	1
	• does not satisfy any of the descriptors above.	0	• does not satisfy any of the descriptors above.	0	• does not satisfy any of the descriptors above.	0

Criterion: Evaluating

The response:	The response:	M	The response:	M	The response:	M
Decision (4 marks)	**Benefits**		**Costs**		**Caveat/limitation**	
• identifies a rationale for RBA intervention **[1 mark]** • provides a reason to support the rationale **[1 mark]** • decides benefits of tighter monetary policy outweigh the costs **[1 mark]** • identifies that costs are not evenly distributed within the economy **[1 mark]**	• identifies a benefit of ↑ interest rates • synthesises an economic idea with details • supports decision by explaining the benefit to households • explains benefits to retirees who rely on income from savings, using data	4	• identifies a cost of ↑ interest rates, using data • synthesises an economic idea with details • supports decision by explaining the cost to households • explains costs linked to either durable goods or non-residential construction, from perspective of households	4	• identifies additional cost to high debt households • supports the aim of higher debt levels by comparing with other countries and data	2
	• identifies a benefit of ↑ interest rates • identifies an economic idea • supports decision by explaining the benefit to households • explains benefits to retirees who rely on income from savings	3	• identifies a cost of ↑ interest rates • identifies an economic idea • supports decision by explaining the cost to households • explains costs linked to either durable goods or non-residential construction	3	• identifies additional cost to high debt households	1
	• identifies a benefit of a change in interest rates • supports the decision by linking to an economic idea or to retirees	2	• identifies a cost of a change in interest rates • supports the decision by linking to an economic idea, durable goods or non-residential construction	2	• does not satisfy any of the descriptors above.	0
	• identifies a benefit of a change in interest rates	1	• identifies a cost of a change in interest rates	1		
	• does not satisfy any of the descriptors above.	0	• does not satisfy any of the descriptors above.	0		