Economics marking guide and response

External assessment 2023

Combination response (61 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.

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
UE	Unemployment
=>	Lead/s to
CFY	Circular flow of income model
HH	Household
Bus	Business
Govt	Government

Marking guide

Multiple choice

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

Short response

Question 11 (4 marks)

Sample response	The response:
Interest rate rises directly impact cash payments and receipts in the economy. Mortgage holders have less disposable income to spend because their loan payments increase. Consequently, businesses experience higher stock, so they reduce production, which reduces income to households. The result is that aggregate demand will be slower than before the change.	• identifies the transmission mechanism flow **[1 mark]**
	• explains the flow-on effects from one perspective **[1 mark]**
	• explains the flow-on effects from another perspective **[1 mark]**
	• connects the changes to the effect on a macroeconomic objective **[1 mark]**

Question 12 (4 marks)

Sample response	The response:
The graph shows a decrease in short-run aggregate supply as a shift from $SRAS_1$ to $SRAS_2$ and to less than full employment (Y_2). This would be experienced when a natural disaster reduces the supply of a major crop, e.g. a cyclone in north Queensland damaging a season of bananas. The result would be less bananas supplied in the short-term, causing GDP to fall to Y_2 and short-term inflation of food prices from P_1 to P_2.	• accurately describes the graph as a short-run aggregate supply shift or decrease **[1 mark]**
	• explains a likely supply-side cause that leads to inflation **[1 mark]**
	• states the short-term effect on prices from P_1 to P_2 and Y_2 **[1 mark]**
	• identifies a relevant causal event **[1 mark]**

Question 13 (8 marks)

Sample response	The response:
The economic cycle diagram shows an economy that is expanding and is currently above previous peaks, indicating full economic capacity and inflation pressures. Here, income tax receipts in Australia would be working as automatic stabilisers to slow economic growth. As household incomes rise during economic growth, an increasing proportion will be taken as tax, causing a reduction in consumer spending and slowing aggregate demand in the economy. Discretionary fiscal policy of reducing income tax would stimulate the economy at a time that it needs to be contracting, and conflict with the automatic stabiliser operating at point A. Reducing income tax means households have greater disposable income, so the resulting higher demand will increase existing inflation pressures at point A, proving this is not the correct policy response.	**Automatic stabiliser (4 marks)** • describes the economy as overheating and inflationary pressures existing **[1 mark]** • describes that automatic stabilisers are working at the peak of the cycle to slow economic activity **[1 mark]** • identifies that more income tax is paid as incomes are higher at the peak of the cycle **[1 mark]** • explains stabilising reasoning using CFY model **[1 mark]** **Discretionary spending (4 marks)** • identifies that ↓ income tax is the incorrect fiscal response **[1 mark]** • describes that ↓ income tax would stimulate the economy at a time it should be contracting **[1 mark]** • identifies that ↓ income tax would conflict with the automatic stabiliser **[1 mark]** • uses rising inflation to support the appropriate fiscal response **[1 mark]**

Question 14 (13 marks)

The response:	The response:
Economic issue (3 marks)	**Analysis (4 marks)**
• identifies the economic issue **[1 mark]** • uses data to quantify the scale of the superannuation problem over time (s2) **[1 mark]** • uses data to quantify the problem of older Australians and females with inadequate superannuation **[1 mark]**	• identifies pattern about superannuation, using data **[1 mark]** • draws meaning from insufficient retirement funds **[1 mark]** • uses data from casual and part-time or full-time work in 2020 and 1990 **[1 mark]** • identifies that female retirement saving issue has improved over time, using data **[1 mark]**
For option 1 (3 marks)	**For option 2 (3 marks)**
• describes a cost of option 1 **[1 mark]** • describes a benefit of option 1 **[1 mark]** • makes a decision based on equity compared to option 2 using economic reasoning **[1 mark]**	• describes a cost of option 2 **[1 mark]** • describes a benefit of option 2 **[1 mark]** • makes a decision based on equity compared to option 1 using economic reasoning **[1 mark]**

Sample response
The economic problem is centred on the approximately 75% of women in the baby boomer age group who have no superannuation for retirement (s2). While Australians born before 1965 have less superannuation, this impacts particularly women, with only 25% of older women with superannuation compared to 70% of men. In Australia, a comparison of work arrangements in 2020 and 1990 shows women tend to work fewer hours than men. This means women have less ability to save for retirement than men, as superannuation is paid as a proportion of income. For example, more women work casual (25%) or part-time hours (30%) than men who work casual (20%) or part-time hours (10%) (s3). However, this situation has improved over time, as only 25% of female millennials do not have superannuation. Option 1 involves a 5-year income tax discount (s3) that helps women to contribute to their own financial security, and the cost of sacrificing current spending and living standards for economic prosperity in the long run (s3). With the benefit of compounding and at their own personal cost, economic prosperity is improved for this disadvantaged group. Option 2 increases all low-income superannuation balances, which includes older men and women who have not benefited as much from compulsory superannuation (s2). The cost is that every taxpayer is affected because they all bear the cost. This scenario involves a transfer of funds from everyone to help those in need improve their economic prosperity, which seems a more equitable approach.

Extended response — Question 15 (22 marks)

The response:	The response:	M	The response:	M
Key points (4 marks)	**HH**		**Bus**	

• describes the complexity of payroll tax **[1 mark]**
• uses data to support complexity **[1 mark]**
• explains that payroll tax is inefficient **[1 mark]**
• uses a calculation to enhance meaning **[1 mark]**
	• explains benefit of
	  – lower prices (s5)
	  – higher wages using data (s4)
	  – greater employment using data (s4)
	• judges that each benefit would => higher standard of living
	• explains lack of costs
		5	• explains benefit of
			  – lower tax expense
			  – lower compliance burden using evidence (s2)
			  – increased international competitiveness, using evidence (s6)
			• judges that each benefit would => higher profits
			• explains lack of costs
				5

	• explains two benefits, with one item of data • judges that the benefits would => higher standard of living • identifies lack of costs	4	• explains two benefits using evidence • judges that the benefits would => higher profits • identifies lack of costs	4
	• explains two benefits, with one item of data • judges that the benefits would => higher standard of living	3	• explains two benefits using evidence • judges that the benefits would => higher profits	3
	• identifies one benefit • judges that the benefit would => higher standard of living	2	• identifies one benefit • judges that the benefit would => higher profits	2
	• identifies one benefit **OR** • judges that HH may experience higher living standards	1	• identifies one benefit **OR** • judges that Bus would experience higher profits	1
	• does not satisfy any of the descriptors above.	0	• does not satisfy any of the descriptors above.	0

The response:	M	The response:	M
Government benefit		**Government cost**	

• explains benefit of improved
  – allocative efficiency across states (s8)
  – international competitiveness using evidence (s6)
• judges that each benefit would => economic growth
	4	• explains cost of removing payroll tax revenue, using two items of evidence (s1 and s3)
		• explains trade-offs required when the tax is removed, due to the
		  – budget deficit (s7)
		  – interest costs (s7)
		• judges that the costs => budget deficit problems
			4

• explains a government benefit • judges that the benefit would => economic growth	3	• explains cost of removing payroll tax revenue, using evidence • explains trade-offs required when the tax is removed • judges that the costs => budget deficit problems	3
• identifies a government benefit • judges that the benefit would => economic growth	2	• explains a cost or trade-off resulting from removing the tax • judges that cost => budget deficit problems	2
• identifies a government benefit **OR** • judges that economic activity may ↑	1	• explains a cost to the government **OR** • judges the government may have a budget deficit problem	1
• does not satisfy any of the descriptors above.	0	• does not satisfy any of the descriptors above.	0