Economics marking guide and response

External assessment 2024

Combination response (60 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
%	Percentage
$AUD	Australian dollar
D	Demand
S	Supply
Aust	Australia
Qld	Queensland
GDP	Gross domestic product
Govt	Government
HH	Household
MP	Monetary policy
pp	Percentage points
Renew	Renewable

Marking guide

Multiple choice

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

Short response

Question 11 (4 marks)

Sample response	The response:
A fiscal opportunity cost involves the choice between a budget decision chosen and the next best spending alternative, e.g. to increase defence spending instead of additional spending on education. Significant and long-term expenditure restricts the government's capability to stabilise the economic cycle over time, because it locks in higher recurring spending. In this situation, the government would be less able to respond to peak or trough economic conditions.	**Opportunity cost**
	• describes opportunity cost as the next best spending alternative **[1 mark]**
	• provides a relevant example **[1 mark]**
	Spending
	• explains how military spending restricts the government's ability to stabilise the economic cycle **[1 mark]**
	• uses an accurate detail **[1 mark]**

Question 12 (10 marks)

Q	Sample response	The response:	
12a)	The situation shows that the government budget has a widening deficit, currently 5% of GDP in 2026. This has been increasing over the last five years for two reasons. Firstly, government revenue has fallen from 24.5% of GDP in 2022 to 21.5% in 2026, indicating household and business taxable incomes are not rising, due to the economy slowing or not growing as fast as the population. Second, government expenditures have increased solidly from a low of 23% of GDP in 2021 to a high of 26.5% in 2026. This may be due to Australia's ageing population, which leads to higher government health and pension spending.	**Issue**	
		• identifies the issue as a budget deficit of 5% of GDP in 2026	**[1 mark]**
		• identifies the ↑ deficit over the past 5 years	**[1 mark]**
		Revenue	
		• quantifies the ↓ revenue over time, using data and dates	**[1 mark]**
		• explains a valid cause of ↓ revenue	**[1 mark]**
		Expenditure	
		• quantifies the ↑ expenditure over time, using data and dates	**[1 mark]**
		• explains a valid cause of ↑ expenditure	**[1 mark]**
12b)	Past surpluses could be used to fund the deficit; however, the data shows that there have not been sufficient surpluses to fund the current deficits. The government could also explore ways to increase the taxation base to reverse the fall in budget revenue. The limitation here is the short political cycle of three years, which makes changing tax rates challenging.	**Solution 1**	
		• identifies a valid funding solution	**[1 mark]**
		• explains a limitation of the funding solution given	**[1 mark]**
		Solution 2	
		• identifies a different valid funding solution	**[1 mark]**
		• explains a limitation of the funding solution given	**[1 mark]**

Question 13 (11 marks)

Sample response	The response:	
The economy appears to be in an expansionary phase of the economic cycle. This is evidenced by the low labour underutilisation rate of 4% and falling, indicating a high demand for labour and the potential for inflation. It is further supported by the rising rate of health costs (12%) and housing prices (10%), which both indicate inflationary pressures, as their costs are difficult to avoid or minimise.	**Expansionary (4 marks)**	
	• identifies inflation pressures exist	**[1 mark]**
	• interprets labour forces as expansionary, using data	**[1 mark]**
	• interprets ↑ health costs as inflationary, using data	**[1 mark]**
	• interprets ↑ housing costs as inflationary, using data	**[1 mark]**
However, there are three forces that are offsetting the rising domestic demand pressures. Petrol and gas prices are not inflationary, as they have only risen 1% annually, which may reflect falling international prices for oil or the dollar's appreciation. With the appreciation of the economy's dollar to parity with its major trading partner, export demand should be falling. This is because export prices would be rising, making them less competitive in international markets. Further, demand for imports would be rising, as their prices fall due to the dollar's appreciation, meaning greater withdrawals from the economy and contractionary forces.	**Contractionary (4 marks)**	
	• identifies offsetting contractionary forces exist	**[1 mark]**
	• interprets petrol prices are not inflationary, using data	**[1 mark]**
	• interprets $AUD effect on exports as contractionary	**[1 mark]**
	• interprets $AUD effect on imports as contractionary	**[1 mark]**
Consequently, assuming the data is representative of the whole economy, the central bank could hold off on further cash rate rises while it monitors opposing forces within the economy.	**Decision (3 marks)**	
	• makes a decision about MP movements	**[1 mark]**
	• provides reasoning for the decision made	**[1 mark]**
	• describes a caveat	**[1 mark]**

Question 14 (4 marks)

Sample response	The response:	
$$\frac{150-450}{450} \times 100 = -67\%$$ • overseas holiday arrivals have fallen the most, by 67% • holidays represent more discretionary spending	• notes the formula for change	**[1 mark]**
	• calculates a number correctly	**[1 mark]**
	• identifies holiday arrivals and % change	**[1 mark]**
	• identifies a reason using economic terms	**[1 mark]**

Extended response — Question 15 (21 marks)

Criterion: Analysing

The response:	The response:	M	The response:	M
Problem (3 marks)	**Weather events**		**Electricity generation**	
• explains the economic issue as extreme weather events **[1 mark]** • identifies the dilemma for Australia of reliance on non-renewable energy production **[1 mark]** • calculates a number to make meaning **[1 mark]**	• quantifies flood and storm event trends using data and dates (s1) • adds meaning to the damage caused by weather events, with detail (s4)	3	• quantifies the – % of two carbon emission sources (s5) – trend of electricity generation from non-renew and renew sources (s6) • adds meaning to the data (s5 or s6)	3
	• quantifies flood or storm event trends • adds meaning to the damage caused by weather events	2	• using data, identifies the carbon emission sources • adds meaning to the data **OR** • using data, identifies the trend of electricity generation • adds meaning to the data	2
	• identifies flood or storm event trends **OR** • identifies damage caused by weather events	1	• identifies carbon emission sources **OR** • identifies the trend of electricity generation	1
	• does not satisfy any descriptors above.	0	• does not satisfy any descriptors above.	0

Criterion: Evaluating

The response:	M	The response:	M	The response:	M
D-side approach		**S-side approach**		**Evaluation**	
• explains solar subsidies as stimulating demand for solar (s3) • adds detail to the solar subsidy explanation • synthesises a relevant idea or perspective, with detail	4	• explains CopperString as increasing the supply of electricity (s2) • adds detail to the CopperString explanation • synthesises a relevant idea or perspective, with detail	4	• makes a valid decision about the effectiveness of the D- and S-side approaches, using future employment (s7, s8) • provides economic reasoning about the D- and S-side approaches • makes a valid decision about whether the D- or S-side approach is more effective	4
• explains solar subsidies • synthesises a relevant idea or perspective • adds details to either the explanation or synthesis	3	• explains CopperString • synthesises a relevant idea or perspective • adds details to either the explanation or synthesis	3	• makes a decision about the effectiveness of the either the D-side OR S side approach, using future employment • includes economic reasoning to support one approach	3
• describes solar subsidies • refers to an economic idea or perspective	2	• describes CopperString • refers to an economic idea or perspective	2	• makes a decision about the D-side or S-Side approach • links a decision to employment	2
• identifies solar subsidies as an approach	1	• identifies CopperString as an approach	1	• identifies a decision about employment	1
• does not satisfy any descriptors above.	0	• does not satisfy any descriptors above.	0	• does not satisfy any descriptors above.	0