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Economics

2015 Chief Assessor’s Report

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## Overview

Chief Assessors’ reports give an overview of how students performed in their school and external assessments in relation to the learning requirements, assessment design criteria, and performance standards set out in the relevant subject outline. They provide information and advice regarding the assessment types, the application of the performance standards in school and external assessments, the quality of student performance, and any relevant statistical information.

## School Assessment

Assessment Type 1: Skills and Applications

Tests (combining multiple-choice, short-answer, and extended-response questions) and other extended-response supervised tasks were the common assessment form used in this type. These tests varied in length between 60 to 90 minutes.

There is a need to balance the number of supervised and unsupervised tasks across this assessment type. Formats may also include assignments, short-answer questions, and responses to current stimulus material such as news articles.

Tasks in this assessment type should incorporate opportunities for students to build skills in extended evaluative writing. Some teachers combined several shorter tests to make up one assessment piece, and this worked well for students.

A well-designed task will give students the opportunity to achieve across a range of grade bands, including the A grade band of achievement.

To ensure that students have the opportunity to demonstrate a breadth of abilities across the performance standards, teachers should consider factors such as the structure of the task, the length of the task, and the variety of question types. Better tasks are designed with the performance standards in mind, with many tasks clearly nominating the performance standards assessed in each question. Task cover sheets identifying which questions were assessing particular performance standards had a dual benefit: they ensured a balance of assessment elements across the task, and also clearly indicated teacher expectations.

Any teacher annotations supporting assessment decisions help the moderation team in their work of confirming assessment.

Some students showed excellent understanding and detailed communication of current economic events. However, sometimes students were only given limited opportunity to complete any analysis or evaluation of the event, due to the way that the task was constructed.

Teachers are encouraged to guide students so that they reference current issues and/or events in their work.

Teachers can help students to communicate ‘complex concepts’ by including questions that encourage cross-topic connections; for example, including tasks such as the analysis and evaluation of a case study.

Students were best able to demonstrate achievement at the A grade band in several instances: when completing extended writing questions, or completing application and stimulus response questions, both of which required ‘comprehensive knowledge and in-depth understanding’ and analysis and evaluation at the level of the A grade band. The best evaluations gave examples to support the evaluation. Students can be guided to evaluate by using words such as ‘assess’, ‘appraise’, ‘judge’, ‘rate’, or ‘rank’ in the task design.

Analysis requires a detailed examination of the elements of a topic or situation.

The subject outline identifies the following key aspects of content as areas for evaluation and analysis opportunities: evaluate market structures in terms of meeting the needs of consumers and producers; evaluate measures to redress market failure; evaluate the effects of the attainment of the macroeconomic objectives; analyse the policy instruments available; and predict the outcome of demand and supply management policies.

Teachers are encouraged to use a balance of question types in tests, and to use past exam papers as a source for those questions. Extended-response questions need to provide adequate space so that students can write in-depth answers.

Questions do not need to be complex to provide scope for evaluation; for example, ‘Evaluate the statement: “When the price of sugar increases, the sugar producer always benefits”’. Such a question is a simple yet effective example that provides scope for analysis at all levels of the performance standard.

Many of the first tasks in this assessment type focused on knowledge and understanding and communication performance standards only. This allowed students with no previous background in the subject to achieve success in the early stages of the course, without having to demonstrate analysis and evaluation skills that develop over time. Subsequent tasks that focused on one or two of the evaluation and analysis performance standards per task allowed teachers to design questions that specifically addressed the identified performance standard, and helped students to focus on the particular aspect of analysis and evaluation required.

The analysis and evaluation performance standards are quite complex and include multiple elements. Task design should be carefully scaffolded to ensure that students address the required elements. For example, rather than asking students to ‘discuss the impacts of exchange rate movements’, students may be more effectively guided to address AE3 by asking: ‘Evaluate the impact of exchange rate movements on the national economy’. A different question may then be used to address another aspect; for example: ‘Analyse how the decision to enter into trade agreements impacts on the global economy’.

Assessment Type 2: Folio

The best-designed tasks in this assessment type provided opportunities for students to address the analysis and evaluation performance standards to a high level. Most tasks set a word limit, which ensured that the focus was on analysis rather than content. Students were able to successfully demonstrate A+ performance on tasks that were between 1200–1500 words in length.

The range of topics was appropriate, covering most sections of the subject outline. Particular areas of focus included market forms; macroeconomic objectives and policies; and globalisation. Some very extensive ‘Poverty and Inequality’ tasks were submitted.

Students appeared to benefit when more than two tasks were included in this assessment type.

Students frequently misinterpret ‘assess and evaluate’ questions. Responses should be more extensive than simply addressing advantages or disadvantages, or listing costs and benefits.

Students often mistook ‘causes’ to mean ‘effects’ and then stated what a new situation caused, rather than giving the reason for the change itself.

The design of the task for ‘Poverty and Inequality’ needs to ensure that students have the opportunity to move beyond knowledge and understanding towards an outcome that shows analysis and evaluation of material researched. Teachers are encouraged to design tasks that allow students to integrate models as part of their explanation.

Media folios are quite frequently used in this assessment type. Teachers are reminded that while students do not need to include a great number of articles, analysis of only one article is not adequate at Stage 2.

In-text referencing and footnoting is considered as a part of the communication performance standard, and is consistently evident in the work of students achieving at the A grade band.

Care must be taken not to set questions where students are using substantial amounts of information that have been previously analysed.

## External Assessment

Assessment Type 4: Examination

Part A

Question 1

(a) The majority of students were able to indicate that ‘land’ was the category of resource to which natural resources belong.

(b) (i) Students needed to define the term ‘economic growth’ as an increase in the production of goods and services.

(ii) Better responses both identified and explained one method of measuring economic growth — the expenditure approach was the most common method discussed.

(c) Only a minority of students successfully chose the second option as the right answer. The most common incorrect response was number 3, which shifted the whole production possibility curve.

(d) Better responses included a fully labelled and accurate AD/AS diagram. An increase in infrastructure would increase efficiency and shift both the short-run and long-run aggregate supply curves to the right. A few candidates also identified an increase in aggregate demand.

(e) Most students were able to explain in some detail two or three benefits and costs of economic growth.

Question 2

(a) (i) and (ii) The majority of students correctly moved the supply curve to the left and the demand curve to the right.

(b) The majority of students correctly explained that the final impact of the changes in demand and supply would be an increase in price. However, only a minority of students explained that quantity could increase, decrease, or stay the same depending on the relative size of the two shifts.

(c) (i) Most students correctly defined the term ‘subsidy’ as a payment to the producer by the government.

(ii) The majority of students correctly moved the supply curve to the right and indicated the effect of the movement of the supply curve on price and quantity.

(iii) Best responses explained that a subsidy reduced the cost of production and hence shifted the supply curve to the right.

(d) (i) Most students correctly stated that the supply curve for cocoa beans was likely to be inelastic.

(ii) Better responses referred to the long growing period of agricultural products and the inability to respond quickly to a price change.

(e) The majority of students correctly labelled the market structure of cocoa bean farmers as perfect competition. However, fewer students correctly labelled the chocolate producers’ market — which the extract stated was dominated by four large firms — as an oligopoly. Most students were able to identify some impacts on consumers and producers of the market structures they identified, but only a small number evaluated the statement.

Question 3

(a) (i) The majority of students listed either the unemployment rate or the CPI as lagging indicators.

(ii) Very few students could explain that a lagging indicator had peaks and troughs that occurred after the peaks and troughs in the business cycle. The most common incorrect explanation was that a lagging indicator was one that was released after a time lag.

(iii) Most students explained that lagging indicators could be used to confirm the course of the business cycle, assist economic modelling, and assist with the choice and implementation of policy.

(b) The correct response was retail sales, which is a coincident indicator.

(c) Most students recognised that the economy was in a downturn or recession and could incorporate a range of statistics from the table to support their answer.

(d) (i) Most students correctly identified cyclical or general unemployment.

(ii) Those students who chose cyclical unemployment could describe the nature of cyclical unemployment when justifying their answer.

(e) Very few students were able to correctly define a floating exchange rate, which is an exchange rate determined by market forces of demand and supply.

(f) (i) Most students correctly identified the term ‘depreciation’.

(ii) Many students were able to show a movement of either the demand or supply curve that would bring about a fall in the exchange rate. Better responses discussed the reasons for the movement of either curve in terms of changes in the flow of currency into or out of the country.

(g) Most students were able to describe the impact of a depreciation on a country’s exports and imports. Better responses discussed other sectors of the economy that would be affected and commonly referred to employment and the Current Account Deficit and value of overseas debt. Best responses correctly used the information in the table to assist with their answer — for example, the low inflation rate would mean that any inflationary impact of the depreciation would be minimal. Students needed to evaluate the statement to be awarded full marks.

Part B

Each of the essays required students to ‘evaluate the statement with reference to examples’.

The best responses were predictably those that made an attempt to *evaluate* the statements, used examples to support their case, and focused on the key words or claims made in the quotations.

The three questions offered genuine alternatives to candidates, as shown by the fairly even spread in the number of responses for each question.

Question 4 (430 responses)

The intention of the quotation was to act as a trigger for students to identify multiple causes of unemployment and inflation, and to consider the extent to which these causes would require different policy solutions. The question thus went to the heart of the macroeconomics section of the subject and gave considerable scope for candidates to consider a range of appropriate policy responses when the objectives of full employment and/or price stability are not achieved.

The better responses used the aggregate ─ demand/aggregate ─ supply model to discuss expansionary demand management (fiscal and monetary) policies to reduce unemployment and contractionary demand management policies to reduce inflation. The long-run aggregate supply line was a noticeable omission from many diagrams, reducing the effectiveness of attempts to identify the full employment level of national income or the existence of an inflationary gap. Weaker responses simply described the different types of inflation and unemployment and did not identify that the different causes required different policy responses. Most students referred to the conflict between the major objectives when using either contractionary or expansionary policies.

Many responses defined the types of unemployment that may exist, but better responses were able to connect with the requirement of the question to suggest different policy solutions. It was particularly appropriate to distinguish between the policies that might be used to address cyclical unemployment and structural unemployment, although most responses focused exclusively on the former. Weaker responses defined relatively minor causes of unemployment (frictional, seasonal, and hard-core) and made no attempt to discuss policies aimed at reducing these types of unemployment.

The best responses included accurate and clearly labelled diagrams.

Question 5 (518 responses)

The question required candidates to assess the relative merits of monetary policy (versus other policies) in response to the particular conditions outlined in the quotation.

The best responses consistently focused on the question, building an argument towards a logical conclusion. Weaker responses tried to explain monetary policy but did not sufficiently align this to the question.

Limitations in the effectiveness of monetary policy were often cited; for example, effect lags, ‘blunt instrument’, etc. Only the best responses focused on the question’s key point: that the agents in the economy (households and firms) do not necessarily respond to the incentives of cheaper loans if confidence levels are low. These responses also supported their argument with examples, which were a requirement of the question.

Expansionary fiscal policy was often considered as an alternative to expansionary monetary policy. Again, the best responses were able to focus on the relative effectiveness of fiscal policy. Best responses included well-labelled diagrams that were integrated into the text when it is appropriate. The most appropriate diagrams (and associated discussions) seized on the fact that the economy was experiencing ‘stable prices’ and thus the inflationary risk of expansionary policies was relatively low.

Supply-side policies were considered by many students. The better responses focused on how these may be used in conjunction with other policies, given the particular state of the economy. Conclusions often advocated the need for an appropriate policy mix.

Question 6 (424 responses)

The biggest issue in this question was that some responses ignored ‘capital mobility’, which restricted achievement. Some students confused ‘capital mobility’ with ‘capital’, i.e. machinery.

The better responses addressed both positive and negative effects of the growth in capital mobility and free trade agreements, with the support of examples, leading to a qualified conclusion about the issue. Weaker responses failed to address the area of capital mobility.

The better responses were also able to distinguish between ‘capital mobility’ and ‘free trade agreements’, allowing them to effectively identify the effects of each. The poorer responses tended to conflate the two terms (capital mobility and free trade agreements), thus not allowing as much discrimination between the effects of each. Very few students were able to distinguish between types of capital mobility, missing an opportunity to add breadth and subtlety to their answers. Students who included specific details of real trade agreements (bilateral and multilateral) were usually able to argue their case more effectively than those who used generalities.

## Operational Advice

School assessment tasks are set and marked by teachers. Teachers’ assessment decisions are reviewed by moderators. Teacher grades/marks should be evident on all student school assessment work.

Teachers are reminded to include a LAP (learning and assessment plan) addendum if any changes have been made to the plan. If any student work is missing, it is important that a variations to moderation materials form is submitted with some details as to the reasons for missing work.

## General Comments

Teachers are encouraged to apply to participate in the Economics assessment panel. The benefits of involvement include clarification of the application of performance standards, networking with colleagues, and exposure to a breadth of assessment strategies.

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Chief Assessor