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Economics

2016 Chief Assessor’s Report

# Economics

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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 most common forms of assessment used in this type. Use of current stimulus material is encouraged. Tests were varied in length but most were between 60 to 90 minutes. There should be a balance of supervised and unsupervised tasks across this assessment type.

Tasks in this assessment type should incorporate opportunities for students to build skills in extended evaluative writing. If there is no essay among the tasks, it is recommended that teachers include questions that provide scope for extended responses. Ideally the rigor should build across the test, with a good task providing enough opportunity for students to achieve in the ‘C’ grade band, while also including questions that allow demonstration of the ‘A’ grade band of achievement.

Teachers are encouraged to use a balance of question types in tests and questions similar to those used in, or taken from, past exam papers. Typically tests include multiple-choice, short-answer responses to stimuli (including articles, graphs and/or cartoons, and extended response). True/false questions are not appropriate and questions that only require rote recall answers restrict students’ ability to demonstrate evidence of knowledge and understanding at a high level.

Teachers are advised to consider the best language to guide students to write in an analytical and evaluative manner. Students can be guided to evaluate by using stem words such as ‘assess’, ‘appraise’, ‘judge’, ‘rate’, or ‘rank’. An analysis requires a detailed examination of the elements of a topic or situation.

**The more successful responses**

* integrated examples to support an evaluation
* were the result of tasks that provided some guidance and sub-questions that led students to consider specific aspects of content or areas to address.

The following are examples of questions that address the analysis and evaluation assessment design criteria and provide scope for varied responses:

* ‘The last 25 years has seen countries like China and Eastern Europe going through a period of transition towards a more market-oriented model because this is a system that can better address scarcity when tackling major economic questions.’ Critically evaluate this statement.
* ‘When (product name) prices rise, the profits of Company ABC will be affected badly.’ Evaluate this statement with reference to the concept of price elasticity of demand.
* Analyse the likely impact of one alternative form of price intervention (aside from the one mentioned in the article) that the government may implement. Consider impacts on consumers and/or producers.
* Based on the Reserve Bank of Australia’s decision to cut the cash rate, analyse the potential impact nationally and globally.
* ‘[Name of country], a country engaged in economic transition, experiences more costs than benefits.’ Analyse and evaluate this statement from an economic perspective.
* ‘Economists argue that there is no conflict between economic growth and external balance objectives.’ Evaluate this statement.

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 macroeconomic objectives; analyse the policy instruments available; and predict the outcome of demand and supply management policies.

It is important that the teacher designs tasks that clearly identify which assessment design criteria are being assessed. This helps students to structure their evidence of learning accordingly.

Examples of questions that were effective in testing knowledge and understanding include:

* ‘An unemployment rate over 6% leads to the non-achievement of other government macroeconomic objectives.’ Discuss this statement.
* Define the terms ‘current account deficit’ and ‘economic growth’.
* What is the main role of the World Trade Organization?
* List two macroeconomic objectives that are unlikely to be achieved in an economy in recession.
* Explain two problems of economic management that a government might face when managing an economy.

Communication requires the use of models to explain complex concepts. Examples of questions that allow students to use models as a part of their explanation include:

* Illustrate, on the diagrams below, the likely impact of the new trade agreement on economic growth and employment in both the short and long run for participating economies.
* Using the aggregate demand – aggregate supply model, explain the impact of a fall in the exchange rate on the levels of price, production and employment. You should refer to your diagram in your written response.
* On the diagram below show the full effects of a decision to provide more roads in the coming years. Ensure the opportunity cost is clearly indicated.
* Why does opportunity cost occur?

A number of schools designed media research tasks that allowed students to use models as a part of their analysis of economic impacts.

Typically tests are of 60–90 minutes in length. It is recommended that some tasks be completed under timed, supervised conditions. These can be modelled on past exams in terms of both question type and general structure.

**General information**

Teacher annotations that supported assessment decisions were valuable.

Assessment Type 2: Folio

Overall, tasks in this type allowed more opportunities to address the analysis and evaluation assessment design criteria. Appropriate in-text referencing was used by most students.

Work samples suggest that students frequently misinterpret ‘assess’ and ‘evaluate’ questions. Responses should not merely be the advantages or disadvantages, or simply a list of costs and benefits. Specific guidance should be given to guide such responses.

For example:

* with reference to examples, distinguish between world, regional, and bilateral trade agreements
* assess one argument for foreign investment and one argument against, and evaluate which argument is the strongest
* with reference to the issue identified in the extract, analyse and evaluate whether foreign direct investment is a positive change by emphasising the impacts it has at a local, national, and global level
* clearly explain three anticompetitive behaviours. Analyse how effectively the supermarket market meets the needs of consumers and producers. Evaluate the effectiveness of measures taken by the Australian Competition and Consumer Commission to limit the market power of Coles and Woolworths.

Students often interpreted ‘causes’ as ‘effects’ and stated what a new situation caused, rather than the reason for the change itself.

The subject outline stipulates that one folio assessment must focus on Key Area 5: Poverty and Inequality. It is not appropriate to use a group task for this assessment.

The framing of the question or research topic for the poverty and inequality task needs to ensure that students have the opportunity to move beyond knowledge and understanding towards an outcome that shows analysis and evaluation of the material researched. Teachers are encouraged to design tasks that allow students to integrate models as part of their explanation. Teachers should also set parameters for this task requiring students to correctly reference information and limit the total word count. In-text referencing and footnoting are considered part of the communication performance standard, and are consistently evident in the work of students achieving at the ‘A’ grade band level.

Interesting and challenging tasks in this type included media research, essays, response to simulations, case studies, and source material responses. Schools typically set 3 or 4 tasks for this type and, while word counts vary, student evidence showed that it is clearly possible to demonstrate performance levels to the highest standard without writing more than 1200–1500 words.

## External Assessment

Assessment Type 4: Examination

Question 1

(a) i) Responses accepted were ‘perfect competition’ or ‘monopolistic competition’.

ii) Students needed to describe features of the market structure that they identified in (i); for example, for perfect competition features could include a large number of buyers and sellers, a homogeneous product, and no barriers to entry and price-takers.

(b) **The more successful responses**

* + explained that as avocados were no longer seen as a luxury, the price elasticity of demand for avocados would have become less elastic or more inelastic.

**The less successful responses**

* + simply discussed the nature of elasticity without relating this to the information provided in this question.

(c) Most students correctly illustrated an increase in supply.

(d) **The more successful responses**

* + identified that the price elasticity of supply of avocados would be more elastic than the price elasticity of supply of other fruit.

**The less successful responses**

* + incorrectly referred to the price elasticity of demand or showed confusion between the terms elastic and inelastic.

(e) As the cost of preparing meals made with avocados has increased, the supply curve needed to be moved to the left.

The most common incorrect response was to move the demand curve.

(f) **The more successful responses**

* + named asymmetrical information or externalities as examples of market failure. These responses included accurate definitions and examples.

(g) **The more successful responses**

* + explained that producers were price-takers as the market was made up of many sellers. Therefore, one individual producer could not influence the market price.

Question 2

(a) **The more successful responses**

i) & ii) correctly identified changes that Country A would have experienced during transition. Increased unemployment, changes to decisions about what, how, for whom, increased inflation and increased private ownership were common changes referred to.

(b) Option two was the correct answer. Option three was the most common incorrect answer.

(c) i) The majority of students correctly identified lower inflation/less negative externalities as a possible advantage.

ii) The majority of students correctly identified increased unemployment as a possible disadvantage.

(d) Most students recognised that a fall in investment would lead to a fall in GDP. Better responses clearly explained how and why this would occur.

(e) Students commonly referred to subsidies, tariffs, quotas, or local content rules as ways to protect services.

(f) i) & ii) The majority of students were able to outline two benefits of opening up service industries to free trade with many highlighting comparative advantage, increased efficiency, and lower costs for consumers and business.

(g) Weaker responses indicated confusion between the terms foreign investment and free trade.

**The more successful responses**

* + identified that increased access to funds for investment, technology transfers, and increased employment were possible benefits from removing the ban on foreign investment. Commonly identified costs included loss of ownership and control, profit repatriation, and future debt-servicing costs.

Question 3

(a) i) **The more successful responses**

* + were able to link slower global growth to a downturn and more cyclical unemployment in Country C.

ii) **The more successful responses**

* + clearly explained that if industry closures were concentrated in specific industries, or new technology led to a change in skills required, structural unemployment would increase.

**The less successful responses**

* + were superficial and lacked accurate definitions.

(b) **The more successful responses**

* + described or defined an indicator and clearly explained its importance for economic management by reference to its role as a lead, lagging, or coincident indicator.

(c) Most students were able to explain hidden unemployment and/or underemployment in their answer.

(d) **The more successful responses**

* included an accurate and fully labelled aggregate demand – aggregate supply model and demonstrated a deflationary gap.

**The less successful responses**

* did not include the LAS curve and/or were incorrectly labelled.

(e) i) Most students correctly stated that consumers would pay a lower price for goods and services.

ii) Better responses explained that as Country C is a commodity importer, falling commodity prices would reduce costs for a producer thus leading to higher profits.

(f) **The more successful responses**

* clearly explained that both too low inflation/deflation and high inflation could be damaging to an economy as they could both lead to unemployment and uncertainty. Students needed to support their case with clear examples of the possible effects of inflation that was both high or too low.

**The less successful responses**

* failed to provide examples of problems of low inflation. These responses lacked clarity and accuracy.

(g) **The more successful responses**

* discussed a range of policies and specifically referred to the economic conditions in Country C as shown in the table provided. Monetary policy was clearly not working and confidence was low so there needed to be a focus on fiscal policy in the short term that could provide targeted, timely, and temporary stimulus
* discussed supply management policies as ongoing long-term policies.

**The less successful responses**

* discussed policies in general and did not refer to the specific economic indicators for Country C provided in the question.

Part B: Essays

**The more successful responses**

* clearly and accurately communicated relevant content and evaluated the given statement through a discussion of reasons why it may be true or false
* included, where relevant, accurate and fully labelled diagrams and used these to support their discussion.

Question 4

This was by far the most popular question.

**The more successful responses**

* indicated a comprehensive understanding of the four macroeconomic objectives, clearly described the effects of not achieving these objectives, and evaluated the statement. Many students referred to the conflict of objectives and explained that there were times when a government might need to prioritise between objectives. These responses included relevant examples to support their assessment.

**The less successful responses**

* simply described the four objectives, focusing on defining, looking at how they were measured without actually describing the effects of non-achievement on the economy and the individual. These responses showed inconsistency, gaps in understanding, and a general inability to support statements with examples.

Responses in the C grade were able to show a satisfactory understanding of the objectives, sometimes incorporate examples, and show some awareness of   
how the non-achievement of the objectives affected the economy and the individual.

Question 5

This was by far the least popular question.

**The more successful responses**

* could accurately draw the models, clearly explain these and identify some limitations of the models. All economic models include assumptions and omissions. For example, the circular-flow model can be used to describe the relationship between production and spending as well as the concept of equilibrium; however, the model does not have a link to the macroeconomic objectives so it does not show if equilibrium is possible. The aggregate demand – aggregate supply model can help to explain inflation, unemployment, and the possible effects of policy but it does not show external balance.

**The less successful responses**

* showed a superficial understanding of the models and rarely identified any of their limitations.

Question 6

**The more successful responses**

* showed an awareness of the subject outline, which lists a number of problems of economic management. These problems include limitations of indicators, implementation and impact lags, external factors, and institutional and political problems.

**The less successful responses**

* focused on the problems of implementing different economic policies
* were too general and lacked reference to any problems of management, while those who referred to the general problems of economic management through this discussion were rewarded.

## 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 school assessment work.

Economics

Chief Assessor