

Economics

2013 Chief Assessor's Report



Government
of South Australia

SACE
Board of SA

ECONOMICS

2013 CHIEF ASSESSOR'S REPORT

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 Tasks

Many schools used predominantly tests and supervised tasks in this section, although media reports were also used effectively. Tests should reflect the appropriate rigor for Stage 2 studies, and teachers are encouraged to review the number and type of multiple choice questions used in tests. These are often primarily focused on testing knowledge and understanding and are often not a clear discriminator of student achievement at different grade bands. True and false questions are not appropriate. Questions requiring a response to stimulus materials are useful to assess all three assessment design criteria. Teachers are encouraged to include some opportunities for more extended responses allowing A level students to clearly demonstrate 'comprehensive knowledge and in depth understanding' and 'A' level Analysis and Evaluation. Essays, extended responses in reports, or responses allocated five or more marks in tests were effective ways to provide this opportunity.

Some tasks, however, did not provide students with adequate opportunity to show 'sophisticated communication of economic principles and models' or 'focused application of complex economic concepts, principles, models and skills.' Tests should include opportunities for students to use models as part of an explanation and/analysis. Tests where most or all questions were allocated only one or two marks limited student opportunity in this regard.

The more successful tasks used questions that ensured students were required to show analysis. Stems to such questions included, 'consider the following information and evaluate . . .', or 'based on the given information make a supported judgement in relation to . . .'. Some effective tasks presented students with current information related to the macro-economic state of the economy and either asked for suggested policy with an assessment of likely outcomes, or the policy used was given, and students were asked to make judgments about predicted outcomes. Questions commencing with 'discuss' or 'state' do not require students to evaluate.

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 macro economic objectives; analyse the

policy instruments available; predict the outcome of demand and supply management policies. In addition evaluation applies to all aspects of the globalisation and poverty and inequality topics.

To evaluate, students are required to make a judgment about the amount, number, or value of something. The more successful evaluations provide information to support the evaluation. 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 structure of something. It is very difficult to demonstrate evaluative or analytical responses in very short answer questions.

Teachers are asked to carefully consider the balance of content assessed in the skills and applications tasks. There was some evidence of an over emphasis on the micro aspects of the course (key areas 1 and 2).

Use of current stimulus material is encouraged. Teachers are reminded not to overload tasks with too many requirements or to assess too many specific features in any one task. Skills and achievement can be displayed without doing a large volume of something. While the subject outline does not prescribe time limits teachers tend to set timed tests of between 50–60 minutes.

Most moderation adjustments in this type were a consequence of task design, where students were not given the opportunity to demonstrate nominated performance standards at all levels.

Assessment Type 2: Folio

There was a range of interesting and creative tasks included in this assessment type. The range of choices provided students with the opportunity to achieve at the highest level. and it was pleasing to note that many teachers are now setting three or four tasks as part of this assessment type.

Teachers need to carefully manage the degree of scaffolding given to students when undertaking these tasks. In some instances, this was highly prescriptive, which limited the scope for higher achieving students, In other instances; for example, limited scaffolding meant that students either did not fully address Analysis and Evaluation, or failed to provide enough evidence include models to support the Communication criterion.

Many interesting research tasks were completed on poverty and inequality. The best student responses focused on strategies for reduction and identification of issues. Often, students focused on a narrative about their chosen country, and therefore omitted to clearly show 'evaluation of the effects of interdependence' or 'astute and logical analysis of .issues. There was an improvement in the appropriate use of referencing, again supporting achievement at the 'A' level in the Communication criteria.

Teachers are encouraged to limit the size of research tasks. 'Sophisticated' communication can be demonstrated in a concise manner. Most teachers had set limits for research tasks from 1000 to 1500 words.

Most moderation adjustments in this type were due to generous marking in relation to achievement of the performance standards.

EXTERNAL ASSESSMENT

Assessment Type 4: Examination

Part A: Short Answer Questions

Question 1 (mean 6.52/10 marks)

- (a) Most students provided examples, such as high start-up costs, and patents, as part of their response
- (b) The more successful responses referred to at least two types of market structures to explain that barriers to entry ranged from none; for perfectly competitive markets, to very high for oligopoly or monopoly markets.
- (c) Most students were able to state that technological innovation would be highest for firms in oligopoly and monopoly markets due to their ability to access funds.
- (d) Most students correctly defined the price elasticity of demand as the measure of how responsive the quantity demanded was to a change in price.
- (e) On the whole, most students were able to explain that perfectly competitive firms faced a perfectly elastic demand curve whilst a monopolist would face a relatively inelastic demand curve.
- (f) This section was the least well answered. A number of students provided examples of other types of market failure rather than a negative externality. Good responses identified a negative externality such as global warming and proceeded to explain that as this was not a private cost but a social cost the market did not take this into account when making production decisions. These responses then referred to a carbon tax as a measure that would change the social cost into a private cost for producers leading to less carbon emission.

Question 2 (mean 5.8 /11 marks)

- (a) This question was generally well answered. Responses needed to include reference to the fact that real GDP is calculated by removing the effects of inflation.
- (b) Most students referred to negative effects such as higher unemployment and lower living standards.
- (c) (i) Students who answered this question correctly most often referred to budget deficits increasing the rate the growth.
(ii) The majority of students were able to respond correctly to this section and described that as an increase in the rate of economic growth would increase revenue and reduce expenditure a budget surplus (or lower deficit) was the likely result.
- (d) (i) Higher economic growth, more employment and higher spending in areas such as education were commonly cited as potential benefits from not achieving a surplus.

- (ii) Students most often referred to higher inflation, loss of confidence in government economic management, or increased debt as examples of potential costs of not achieving a surplus.
- (e) (i) The most successful responses listed either building approvals or consumer and business sentiment as examples of leading indicators.
- (ii) This was a challenging section for many students. Possible responses include the fact that building approvals may not be proceeded with or that sentiment statistics could be unreliable and were only a prediction of behaviour rather than actual behaviour were common answers

Question 3 (mean 5.3 /10 marks)

- (a) The correct response was that the labour force participation rate is the percentage of people who were employed or unemployed. The first option, those actively seeking work, was the most common incorrect response.
- (b) Most students correctly stated that this was an inverse relationship.
- (c) (i) Most students identified an employment trend as being an overall decrease in unemployment/increase in employment or an increase in participation rate. However, many students did not understand the nature of a trend over time and chose to highlight just one point on one of the graphs.
- (ii) Better responses understood the nature of the ‘for whom’ question in terms of the impact of changing incomes (distribution) on people’s ability to access goods and services.
- (d) The more successful students realised that the graph had two axes which meant that the numbers associated with each line were different. Full time numbers were always above part time numbers despite the position of the graphs.
- (e) (i) Most students were able to correctly define hidden unemployment as discouraged job seekers although some of the examples, e.g. looking after children were not appropriate.
- (ii) Most students were also able to show their understanding of the impact of hidden unemployment on the unemployment rate, i.e. understate it when there are high levels of discouraged job seekers or increase it in times of economic recovery when jobs become more readily available.
- (iii) While most students had an understanding of underemployment – working less hours than wanted – too many did not have a full understanding of the concept and discussed unemployment.
- (iv) The more successful students understood the notion that, even though the underemployed were not working the hours they wanted, they were still employed. As a result, the unemployment rate will not be impacted upon.

Question 4 (mean 7.27 /14 marks)

- (a) (i) Better responses explained that a government could sell currency to bring about a depreciation which could increase economic growth by making country A more competitive.
- (ii) The correct answer was the second option (B to C). The most common incorrect option was the third (B to D).

- (b) (i) Better responses included an accurate demand and supply diagram with a fixed price below equilibrium. The short term nature of this policy, problems of shortages and black markets that could result and the increases that would occur once the freeze ended were used to support the claim that this was an ineffective policy. A number of students referred to the statistics in the table and provided strong arguments for a macroeconomic policy response.
- (ii) The majority of students were able to identify an appropriate macro policy (with most looking at monetary and then fiscal policy) and then use the diagram to discuss how this would lower inflation. However, too many responses included inaccurate or unlabelled diagrams.
- (c) Most students were able to outline the positive and negative effects of a rise or fall in the exchange rate. However, the extent of evaluation in many answers was disappointing and best responses used appropriate examples to illustrate the impact of a change in currency on the macroeconomic objectives.

Part B: Essay

Students needed to refer to all parts of the question asked and address the question that had been asked. The more successful responses included appropriate, clearly labelled diagrams and relevant current examples.

Question 5 (113 responses: mean 9.09/20 marks)

This question required students to demonstrate an understanding of the nature and limitations of the two models at the core of the macroeconomics part of the course: circular flow and aggregate demand-aggregate supply. The notion of *equilibrium* and its significance in each model provided the focus for the evaluation.

Most responses attempted to describe the two models, but many were unable to evaluate the statement with reference to the meaning of equilibrium. A high proportion of candidates assumed that the circular flow model was able to identify the achievement of the macroeconomic objectives, rather than focusing on the role of leakages and injections in maintaining, increasing, or decreasing, the level of economic activity.

In the discussion of the aggregate demand-aggregate supply model, most students did not clearly define the meaning of equilibrium. This would have provided a reference point for discussion of multiple possibilities in relation to alternative positions of, and changes in, aggregate demand and short-run aggregate supply.

The better responses were able to refer to the consequences of inflationary and deflationary gap scenarios, although inaccurate comments about the achievement or otherwise of external balance were common. The most successful responses indicated that equilibrium may never in fact exist, but it is the point that the economy moves towards.

Question 6 (275 responses: mean 11.43/20 marks)

This question required students to focus on the effects of participation in international trade agreements, weighed against arguments for protection. A relatively high

proportion of answers suggested that students had rote-learned a list of points for and against the effects of free trade: the same points appeared repeatedly in exactly the same order, with little attempt to develop an argument.

Many students used a theoretical approach – referring to the logic of comparative advantage and international competition, measured against the arguments that may be advanced for protection. The higher quality responses were able to integrate real world examples into the theoretical framework, referring to the consequences of trade agreements, and the effects of particular bilateral and multilateral trade arrangements. Better responses explained that evidence suggests free trade agreements do not bring benefits equally to all parties involved. Better responses also used the AD/AS model to illustrate the potential benefits of free trade agreements.

Question 7 (386 responses: mean 12.22/20 marks)

Students could and did take two different approaches to this question. Some focused on the problems that arise at each stage of the cycle, while others overviewed the cycle and then identified problems in economic policy implementation more broadly. Weaker responses devoted much detail to describing each stage of the cycle but did not then consider the latter part of the question, i.e. the problems of implementing policy.

Weaker responses simply outlined the appropriate use of expansionary and contractionary demand management policies in relation to the trough and peak phases respectively. Expansionary fiscal and monetary policies, for example, were discussed (often in detail) as both being able to increase economic activity, instead of considering the relative appropriateness of each policy in this phase of the cycle.

Conflict in the achievement of macroeconomic goals was often mentioned, but greater explanatory power would have been achieved by considering the comparative effects of boom and bust conditions on the implied trade-offs between unemployment and inflation.

Weaker responses referred to problems of economic management in list form with little or no reference to the phases of the business cycle. Best responses referred to a broader variety of problems such as indicator issues, measurement issues, external influenced, political issues and erratic factors. Best responses used examples of particular times when policies had been used, and commented on their effectiveness or otherwise, strengthening the evaluation. Better responses recognized that economies do not automatically move through each stage, stating that good policy management can minimize the fluctuations and used the AD/AS model as a part of their discussion

Conflicting objectives was often identified as a problem, and illustrated with the model. Policy mix was also frequently identified.

Chief Assessor
Economics