2021 Economics Subject Assessment Advice

Overview

Subject assessment advice, based on the 2021 assessment cycle, gives 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. It provides information and advice regarding the assessment types, the application of the performance standards in school and external assessments, and the quality of student performance.

This was the first year of teaching and assessing the new Economics Stage 2 Subject Outline. Teachers should refer to the [subject outline](https://www.sace.sa.edu.au/web/economics/stage-2/subject-outline) for specifications on content and learning requirements, and to the subject operational information for operational matters and key dates.

School Assessment

Assessment Type 1: Folio

The new Assessment Type 1: Folio requires students to submit between three and four assessment tasks with a maximum total word count of 4000 words. The most popular combinations were three assignments, and three assignments and one test.

Teachers are encouraged to check that the designs of all assessment tasks in the Folio provide opportunities for students to adequately demonstrate *Application* and *Analysis and Evaluation*. Teachers are encouraged to check that the total word count for all tasks does not exceed the word limit as student work written beyond the word limit is not assessable.

The more successful responses commonly:

* demonstrated achievement against all assessment criteria on several occasions
* demonstrated knowledge and skills in different types of tasks with a variety of presentation formats
* included evidence of *Application* and *Analysis and Evaluation* skills in all tasks
* responded to current economic contexts in which they could apply *Understanding of economic* concepts and models
* included evidence of research and data analysis to support conclusions and recommendations
* contained evidence of deep *Understanding* of economic concepts, including precise, accurate and appropriate use of terminology
* used opposing arguments to reach a conclusion and/or make recommendations.

The less successful responses commonly:

* responded to tasks that were very similar and that used the same, limited number of specific features
* responded to questions with descriptive information rather than using data analysis and considered application of economic models
* included limited data analysis that simply described trends in data rather than drawing connections between data sets or using mean, median, quantiles and variance
* simply stated knowledge without demonstrating deep understanding using application of economic concepts and models in a variety of contexts
* described economic issues without application, analysis, or evaluation of information
* lacked accuracy in their application and explanation of economic concepts and models
* did not complete all tasks or provided very brief responses where more detail was required.

Assessment Type 2: Economic Project

The Economic Project must be completed individually and have a maximum word count of 2000 words. A well‑framed question that allows opportunities for data analysis as well as analysis of opposing economic perspectives allows students to demonstrate the required specific features at higher performance standards.

The more successful responses commonly:

* answered a question that allowed for a considered conclusion and/or recommendation
* focused their question on a specific rather than broad economic issue
* made good use of sub-headings that were relevant to the arguments being presented and explored multiple perspectives
* included perceptive analysis and evaluation and a detailed conclusion
* where appropriate, provided explicit and justified recommendations that related clearly to the arguments raised
* presented and analysed a range of data
* considered the unintended and intended consequences
* explored a case study, industry, and government impacts, from a micro and macro perspective
* used a variety of economic models, rather than just economic data to assist in analysis and evaluation.

The less successful responses commonly:

* addressed social issues, rather than economic issues
* did not address a specific question resulting in responses almost entirely devoted to explanation with little to no analysis and evaluation
* did not research the topic in sufficient breadth or depth
* did not present both sides of an argument
* did not make explicit recommendations
* did not analyse data
* made general conclusions (rather than addressing the specific question)
* described and explained demand side policies used by governments in a historical context
* recounted information rather than analysing and evaluating information.

External Assessment

Assessment Type 3: Examination

The new format for the examination this year consisted of two booklets of short-answer questions with a range in marks from 1 to 7 marks. Students had more time to consider their answers to these type of questions as there is no longer an essay response include in the examination.

The more successful responses commonly:

* demonstrated comprehensive knowledge and understanding
* addressed the question asked
* referred to the sources provided
* followed question directives such as evaluate, explain, or outline
* provided detailed arguments for discuss, analyse questions, demonstrating perceptive analysis and evaluation
* used accurate economic terminology and clearly labelled diagrams.

The less successful responses commonly:

* demonstrated limited knowledge and understanding
* did not respond to all questions
* did not follow question directives
* demonstrated limited analysis and evaluation
* included incomplete or inaccurate diagrams.

Booklet 1

Question 1

(a) Better responses correctly concluded that supply has increased more than demand leading to a decrease in price and an increase in quantity demanded.

(b) (i) Better response explained that households consume to directly satisfy wants and that businesses invest to increase future profits. These responses also provided examples of consumption (e.g. buying food, clothes) as well as examples of investment (purchase of capital goods or additions to stocks). Weaker responses defined consumption as meeting current needs and investment meeting future needs.

(ii) Better responses explained that additional investment in charging stations would directly increase GDP because investment is a component of GDP. Better responses described the multiplier process in detail and explained how the final impact on GDP results in a multiple of the initial increase in investment.

(iii) The correct answer, Diagram B, was the most common response.

(iv) This was not well answered. An increase in productivity reduces production costs and increases SRAS. More output can be produced from the same resources. LRAS increases and helps to achieve a non-inflationary increase in GDP.

(c) (i) Better responses correctly defined negative consumption externalities. As a result, at free market equilibrium SMC is greater than SMB creating a deadweight loss. Because consumers do not have to pay the cost of the externality there is overconsumption or a misallocation of resources.

(ii) MSB is to the left of MPB creating a DWL. Most students were able to identify the DWL on the diagram.

(d) (i) Possible examples of market failure include market power, asymmetric information, government intervention etc.

(ii) The strategy explained must relate to the market failure identified in part (i).

(e) Better responses both explained and evaluated the effects of subsidies and taxes using the D/S model. Subsidies to EV producers would shift the supply curve to the right and encourage more production and a lower price if the subsidy is passed on by producers to consumers. Taxes on producers of petrol vehicles are likely to increase the price of petrol vehicles. Better responses argued that each strategy is affected by the price elasticity of demand and concluded that a combination of strategies is likely to be most effective. Better responses also argued that subsidies are a cost to government whilst taxes raise revenue. In each case governments need to decide on the size of the subsidy or tax necessary. Additionally, each action can distort the market and result in market failure. Best responses clearly evaluated a range of arguments.

Question 2

This question was well answered.

(a) Volts should spend on marketing.

(b) Amps best response is to always market regardless of what Volts does; 20>15 and 35>25.

(c) Nash equilibrium is for both to market (rectangle 40/20).

(d) Both installers would have a higher profit if they chose to not spend on marketing, but this is not an equilibrium and therefore is unstable. There is an incentive to collude (illegal) but also to cheat, so the statement whilst partially true is unlikely to be true in practice.

Booklet 2

Question 3

(a) While most students understood that when there are many firms providing similar services, but which are also able to build customer loyalty through differentiation, this describes a monopolistically competitive market.

Less successful responses showed confusion between a monopolistically competitive market and a monopoly market.

(b) The majority of students recognised that firms in the monopolistically competitive market for petrol/diesel vehicle servicing would face an elastic demand curve due to the high number of substitutes available. Some students also explained that an individual firm could reduce this elasticity through customer loyalty.

Weaker responses either incorrectly stated that the PED would be inelastic or did not explain why firms would face an elastic demand curve.

(c) Better responses recognised that the dominance of a few EV dealerships would result in an oligopoly market. These responses included a discussion of benefits for both producers (super-normal profits, high barriers to entry, impact on smaller firms trying to complete) and consumers (higher quality products as the result of R & D, possibility of lower prices because of economies of scale) Better responses also explained that consumers could face higher prices in this market due to the market power of firms.

Weaker responses did not assess the claim as being valid or not.

(d) This question was well answered. Most students were able to explain the difference between the mean and median wage and the impact of outliers on these. Reference to all the numbers provided was required. Petrol/diesel mechanics had a higher mean wage but a lower median wage, EV mechanics had a lower mean wage but a much higher median wage. Therefore, most mechanics in the EV market earn higher wages.

Question 4

(a) (i) This question was not well answered. Students were asked to show the change from Year 3 to Year 4 which shows GDP moving from 5.3% to -2.2%. Economic activity is still decreasing but at a slower rate. The AD curve moves to the left resulting in a lower APL and a lower level of real GDP. The source does not include evidence of any movement of the SRAS or LRAS curves.

(ii) Data from Source F shows falling GDP, which is consistent with the lower inflation levels and higher of unemployment shown.

(b) (i) Many students were able to identify that the unemployment rate is a lagging indicator but not all then went on to say why this is a limitation of the indicator i.e., can only be used to confirm the path of the business cycle. Other answers highlighted issues associated with the measurement of the figure (i.e. narrow definition) as a limitation.

(ii) Very few students were able to identify that consumer and business confidence is based on the predicted actions and may not be fully accurate in the future as confidence levels can change very quickly. Some students referred to the fact that confidence data is collected through surveys and measure opinions or feelings. Lead times for such indicators can also vary, depending on the phase of the business cycle.

(c) Better responses explained that as GDP growth falls unemployment increases and understood that this is an indirect or inverse relationship. Students were also required to explain why this was an inverse relationship i.e., as GDP growth falls, levels of spending in the economy also fall, production decreased, and unemployment increases as a result.

(d) (i) The change in economic conditions from Year 2 to Year 3 suggests a significant decrease in the demand for labour. Not all students correctly labelled the diagrams or showed the resulting change in price and quantity.

(ii) This question was well answered. Most students discussed the impact of hidden unemployment on the accuracy of the official unemployment rate. Some students discussed issues with the labour force survey (sampling, honesty of responses) which would affect the accuracy of the official unemployment rate.

Weaker responses listed the term ‘hidden unemployment’ without giving an appropriate explanation as to what this is or how it leads to an understatement of the official unemployment rate.

(iii) Better responses to this question discussed the intended impact of lower official interest rates on leakages such as savings (would fall) and injections such as investment (would rise) as well as the increase in C brought about by the increased borrowing by households (lower repayments and increased incentive to borrow). These responses often discussed the possible impact of lower official interest rates on the exchange rate (depreciate) and the subsequent increase in X (injection) and decrease in M (leakages).

(iv) Most students were able to identify and explain how a group (e.g., those with existing loans, new borrowers, firms) could benefit from the lower official interest rate in Year 4

(e) This question required students to assess the effectiveness of the demand management policies of Country Y in Year 4. Weaker responses generally discussed demand management and supply management policies without direct reference to conditions in Country Y. Many students incorrectly stated that there had been an improvement in GDP Growth from Year 3 to Year 4 (-5.3% to -3.2%). This is not an improvement but just a slowing of the fall in GDP Growth.

Better responses identified the changes to fiscal and monetary policies and evaluated the effectiveness of these measures in terms of impact and implementation lags as well as other problems of policy. These responses also stated that while the policies were seemingly ineffective in year 4, there needed to be a longer period to fully assess the effectiveness of the changes. Better responses linked their analysis to the current setting of the macroeconomic objectives in relation to their target rates.

Better responses concluded that SMPs would be ineffective in dealing with the recessionary gap in the short run but would bring ongoing future benefits.

Weaker responses tended to focus on one aspect of DMP (usually Fiscal Policy) and were more descriptive.