2020 Economics Subject Assessment Advice

Overview

Subject assessment advice, based on the 2020 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. They provide information and advice regarding the assessment types, the application of the performance standards in school and external assessments, and the quality of student performance.

Teachers should refer to the subject outline for specifications on content and learning requirements, and to the subject operational information for operational matters and key dates.

School Assessment

For 2021, teachers should refer to the new subject outline for specifications on content and assessment requirements, and to the subject operational information for operational matters, such as use of the supervision and verification student record sheet. Teachers should consider assessing assignment-type tasks by using performance standards, rather than marks, to determine an appropriate overall grade.

Assessment Type 1: Skills and Applications Tasks

Students complete a minimum of two tasks for Skills and Applications Tasks. These tasks should provide multiple opportunities to demonstrate all specific features to the highest level. All tasks need to include opportunities for analysis and evaluation rather than just explanation of concepts. Teachers should consider student workload and design tasks that can be completed within a manageable word limit.

The more successful responses commonly:

* referred to both costs and benefits when evaluating an issue
* clearly explained cause and effect using a chain of reasoning
* accurately used economic terminology
* demonstrated effective integration of accurate and fully labelled economic models to support analysis
* demonstrated effective analysis of new economic data
* considered local, national and international scales and the impacts on different groups, such as consumers, businesses, industries, sectors, older, female and unemployed
* integrated and explained examples to support arguments.

Less successful Skills and Application tasks commonly

* lacked depth, were mainly descriptive with simplistic explanations and demonstrated little analysis and evaluation
* did not explicitly respond to questions asked in assessment tasks
* included a high number of multiple-choice questions that assessed only recall of knowledge
* included limited use of accurate economic terminology
* provided lists of advantages and disadvantages (or costs and benefits) rather than evaluating them.

Assessment Type 2: Folio

Students complete a minimum of two tasks. Good tasks use a mix of questions that enable students to demonstrate knowledge, application, analysis and evaluation, use word limits and require acknowledgement of sources in-text and a bibliography.

Many folio tasks looked at the impact of COVID 19 on the economy and the government intervention that occurred through different policy decisions, and there were many examples demonstrating good depth and breadth in the ‘poverty in inequality’ task. A number of media tasks provided students an opportunity to apply economics to real-world scenarios.

The more successful responses commonly:

* integrated economic models into analysis of a topic
* included explanations showing causality and links to theory
* included contemporary examples to effectively support a case or illustrate a theory and its limitations
* concisely analysed and evaluated the effects of economic change on a variety of groups
* demonstrated clear and accurate communication of economic terms, principles and models
* demonstrated insight by drawing together findings from a range of researched sources to support a viewpoint.

The less successful responses commonly:

* included errors, inconsistencies and gaps when communicating economic principles and when using economic terminology
* focused on social or legal issues rather than economic issues
* were superficial and lacked depth of explanation and relevant examples
* did not discuss or even refer to diagrams and/or models that had simply been inserted into responses
* often limited discussion to one viewpoint rather than assessing a range of different viewpoints.

External Assessment

Assessment Type 4: Examination

Students complete a 130-minute examination made up of short answer questions and one essay question.

Part A — Short Answer

Student performance in this section of the exam did vary but there were some good examples of well explained and well evaluated responses.

Question 1

This question was answered well by most students.

(a) Students were required to display their understanding of the ‘what to produce’ question from information in the article. Better responses were able to outline how consumer sovereignty influenced the decision to buy chicken and led producers to produce more chicken.

(b) The majority of responses identified the difference between the likely price elasticity of demand for beef and for chicken – with beef being more elastic (luxury item, expensive relative to income) and chicken being less elastic or even inelastic (small proportion of income).

(c) Better responses were able to explain that the differences in the length of production and changes in efficiency were important factors affecting the PES of beef and chicken. Beef production is likely to be more inelastic than chicken production.

(d) Very few responses were able to explain that both beef and chicken production had increased over time by moving both the PP curve and the point out and upward to the right.

(e) Best responses showed an understanding that both demand and supply for both beef and chicken had increased (to the right) but that because these were in different proportions the price of beef had increased and the price of chicken had decreased. The most common incorrect answer was to identify an increase in demand for beef and an increase in supply for chicken.

(f) Most students correctly identified the market as an oligopoly market as there were two large producers dominating the market. However, as this is a farm product some students incorrectly stated that it was perfect competition due to the homogeneous nature of the product.

(g) Most students were able to identify one market failure. The most common answers identified possible negative externalities; the possibility of collusion and market power of the two dominant firms or asymmetric information.

(h) Most students were able to discuss how the producers benefited from oligopolistic markets through supernormal profits, economies of scale, technological developments, and the possibility of higher prices. Better responses discussed how consumers might benefit from higher quality, lower prices from R&D and economies of scale and some choice. The possibility of higher prices was not as well developed. Many answers failed to evaluate the validity of the claim as asked by the question.

Question 2

(a) (i) The definition of the macroeconomic objective of the ‘full employment of labour’ was not well understood. This is an objective of government and therefore it is defined as the lowest level of unemployment that can be achieved that does not add to inflation, NAIRU etc. Could also be defined as a situation where no cyclical unemployment exists. Some responses included reference to the target rate of unemployment.

(ii) Most students understood that at full employment there will be frictional, structural, hard core and/or seasonal unemployment and that if there was 100% employment this would be highly inflationary.

(b) (i) Very few students were able to define the LFPR as the number employed + unemployed as a % of the working age population.

(ii) If the LFPR increases there could also be an increase in the unemployment rate as more hidden unemployed persons re-join the labour force and look for a job. This is a direct relationship.

(c) The economy of Country P is in the recovery phase of the Business Cycle for 2021. Most students were able to identify this as the correct answer, citing the data showing the growth in GDP, LFPR and wages growth as evidence of this. Better responses referred to unemployment as a lagging indicator so increase in unemployment could be explained.

(d) (i) Most students were able to identify that real wages were nominal wages adjusted for inflation. However, a significant number thought that the difference lay in whether or not tax was included in the figure.

(ii) Those students who correctly answered part (i) were often able to go on and identify that nominal wages have grown at a faster rate than the CPI based on information in the table and therefore real wages had increased.

(e) The best responses explained that the rise in commodity prices and the increased demand for exports would have moved the balance on goods and services into surplus and hence moved the balance on the current account into a surplus. Incorrect responses incorrectly stated that the current account balance was related to the government deficit.

(f) This question was not well answered – too many responses focussed on different components of the Circular Flow and not on the impact of tax cuts and increase in welfare payments on economic activity. More successful responses discussed these two changes as one, looking at the changes in leakages and the impact on consumption and possibly Investment and possibly even the government sector and incorporated the multiplier effect to increase production and economic activity and AD.

(g) The most common responses explained the possible conflict of objectives or the effect of impact and/or implementation lags.

(h) This question allowed students to evaluate the impact of Country P leaving the cash rate unchanged in 2021. Many students were able to discuss reasons for leaving the cash rate the same, citing the fact that the economy was at the start of the recovery with GDP forecast to increase, the lengthy time lag associated with MP and the expansionary nature of FP. Better answers also looked at the fact that the cash rate was already very low and therefore any future reductions were not likely to be effective; also that MP is not a good accelerator of an economy. Sometimes responses included descriptions rather than an evaluation. Some responses discussed reasons for an increase in the cash rate, citing the growth in GDP and stating the full employment objective had been met at 5%. Although there was scope to develop and evaluate an argument in this question, weaker responses just listed or discussed reasons without a final evaluation.

Part B — Essays

Overall, the quality of the essays was weaker than usual this year. Many students used pre-prepared essay structures that did not properly address the question. Several essays used an example such as Covid-19 but the example became the main argument at the expense of the question. Diagrams were poorly drawn and often inappropriately applied.

More successful responses commonly:

* clearly and accurately communicated relevant content and evaluated the given statement through a discussion of reasons why it may be true or false
* demonstrated strong economic literacy and effectively used appropriate economic terminology and fully labelled diagrams where relevant to support discussion
* included relevant examples to support their assessments
* were logically structured and coherent
* discussed all parts of the question and linked their knowledge to the specifics of the question being asked.

Less successful responses commonly:

* only outlined or described rather than providing a fuller discussion
* did not focus on key words in a statement
* demonstrated very little analysis and evaluation even when considerable relevant knowledge was supplied
* only agreed or disagreed with the statements without considering alternative arguments
* showed inconsistency, gaps in knowledge and a general inability to support statements with examples
* showed confusion between microeconomic and macroeconomic models.

Question 3

More successful responses commonly:

* had a balance of positive and negative effects with an overall evaluation that the benefits of freer trade in the long term outweighed the short terms costs
* made reference to domestic macroeconomic objectives
* drew the AS/AD model and PPC model appropriately
* integrated the models into the analysis and were able to explore broader globalisation issues.

Less successful responses commonly:

* sketched in general terms the benefits of free trade and often included the negative impacts of environmental degradation and exploitation of workers in less developed countries.

Question 4

This was the least popular and most poorly done question.

More successful responses commonly:

* used AS AD diagrams to explain the causes of inflation with inflationary gap and explained that demand and/or supply side policies can be used to manage demand pull and cost-push
* referred to limitations of the model not being able to explain inflationary expectations.

Less successful responses commonly:

* struggled to answer the question and were focussed on macroeconomic objectives
* were unable to correctly apply AD/AS analysis with many only dealing with demand pull inflation
* confused price increases as inflation, failed to identify the inflationary gap and left out LAS, which made it difficult to effectively answer the question.

Question 5

This was the most popular question.

More successful responses commonly:

* used the business cycle model to explain that fiscal policy should be used as a short-term strategy to reduce the impact of downturn and recession, and monetary policy should be used to slow down an economy to reduce the impact of upswing
* referred to conflicting economic objectives and that supply side policies must be used in conjunction with demand side policies to achieve all macroeconomic objectives in the long run
* referred to the limitations of demand side polices (impact lags) and emphasised that supply side policies enable long term sustainable economic growth
* included PPF model as well as AD/AS models.

Less successful responses commonly:

* described the nature of fiscal and monetary policies and their use in management of aggregate demand at different stages of the business cycle
* often referred to expansionary stance and contractionary stance
* described supply side policies and sometimes referred to their long-term nature
* confused supply side policies
* used D and S not AD and AS for labels.