# Government of South Australia LogoSACE Board Logo2023 Economics Subject Assessment Advice

Overview

Subject assessment advice, based on the 2023 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

Assessment Type 1: Folio

Students are required to submit three or four tasks with a combined maximum word count of 4 000 words. The most popular submissions consisted of three assignments and/or investigations and one test.

Teachers can elicit more successful responses by:

* designing tasks that include both routine and more complex questions and issues that allow effective differentiation of knowledge and understanding, application and analysis, and evaluation of economic concepts and models across all grade bands
* providing students with a variety of assessment tasks to demonstrate their knowledge and skills of analysis and evaluation
* including opportunities to demonstrate application and analysis and evaluation in every task.

*The more successful responses commonly:*

* expressed deep and broad understanding of economic concepts, principles, and models in all tasks and in a variety of contexts
* made clear and obvious application of economic concepts, principles, and models
* integrated fully labelled diagrams at the micro and macro level which were correctly manipulated and analysed changes - in particular the monetarist AD/AS model
* incorporated economic data accurately when applying economic concepts, principles, and models
* had recommendations which flowed logically from their work, were supported by reasoned arguments, and included intended and unintended consequences
* included correctly labelled diagrams in which analysis and evaluation was based on clear application of economic theory and supported by economic data
* used appropriate economic language.

*The less successful responses commonly:*

* did not address the assessment design criteria
* were generalised and unable to go beyond textbook descriptions to show understanding in a variety of contexts
* lacked clear and obvious application of economic concepts, principles, and models
* just described economic data, but did not apply the data to economic concepts and lacked reasons for impacts of change
* did not include accurate or completed economic models - specifically the monetarist AD/AS model
* did not refer to the economic models or analyse how the model changes under different conditions referred to or changes analysed
* demonstrated basic analysis and evaluation with recommendations not fully supported by economic reasoning
* lacked analysis of intended and unintended consequences.

Assessment Type 2: Project

The economic project must be completed individually and have a maximum word count of 2 000 words. A well-framed question that allows opportunities for data analysis as well as evaluation of opposing economic perspectives will allow students to demonstrate the required specific features at higher performance standards.

Teachers can elicit more successful responses by:

* designing questions or assisting students to design questions that allow opportunities for data analysis as well as assessment of opposing economic perspectives with minimum scaffolding
* ensuring that the project allows students to demonstrate the required specific features at higher grade levels.

*The more successful responses commonly:*

* had a clear and specific topic to investigate which allowed for the integration of economic concepts and models
* included accurate use of economic terminology and definitions
* incorporated economic data/statistics from a wide range of sources to support analysis and recommendations
* integrated accurate and fully labelled economic models to support analysis and evaluation
* analysed and evaluated economic data effectively including possible causes and effects of changes in data
* successfully developed economic analysis and evaluation to reach synthesised, well-rounded conclusions with a full analysis of intended and unintended consequences.

*The less successful responses commonly:*

* investigated topics that were too broad or poorly defined
* were generalised and used textbook descriptions with little application to the topic
* incorporated discussions of data rather than the application and in-depth analysis of economic theory, concepts, and models
* used limited or no economic models. Included models were often incomplete, inaccurate especially the monetarist AD/AS model
* lacked depth of analysis and evaluation especially of the causes and effects of change
* lacked recommendations or those given were not supported by economic reasoning. Impact of intended and unintended consequences not fully explored
* focussed on a limited range of sources
* exceeded the word limit of 2 000 words.

# External Assessment

Assessment Type 3: Examination

Booklet One

Question 1

(a) (i) This question was well answered. Most students explained that a perfectly competitive market produces a homogeneous product. Product differentiation in the potato market meant that it could not be classified as perfect competition.

(ii) Most students outlined that consumers could be disadvantaged because prices were likely to be higher if the market was not perfectly competitive.

(b) Most students correctly shifted the supply curve to the left for both markets. Best responses clearly indicated that the shift for processing potatoes was greater than the shift for table potatoes.

(c) (i) The majority of students outlined that as processing potatoes were an intermediate good (or an input into the production of frozen fries), an increase in their price would increase the cost of producing frozen fries and hence the price of frozen fries.

(ii) This question did challenge many students. Best responses clearly explained, using correct economic terminology, that a decrease in supply would create a shortage at the old equilibrium price and put an upward pressure on price. As price increases, demand contracts (or decrease in Qd) and supply expands (or increase in Qs) until a new equilibrium price is reached. Weaker responses included broad statements about the price mechanism adjusting but did not provide enough details about how this would happen.

(d) (i) Most students explained that the PED for frozen fries was highly inelastic because of two factors. Firstly, they were a necessity for restaurants, and secondly, because of the lack of suitable substitutes for these frozen fries.

(ii) Successful responses referred to both a highly inelastic demand and areas shown on the diagram to explain that an increase in price would result in an increase in total revenue. Less successful responses did not correctly refer to the diagram.

(e) Best responses identified and justified both a decrease in supply (shift to left of supply curve) and a decrease in demand (shift to the left of demand curve). These included accurate diagrams and concluded that without more information about the relative size of these changes, the quantity of meals sold would decrease but the effect on price is indeterminate.

(f) (i) Weaker responses were generally able to correctly identify the CS at Pe (a+b+c) and the PS at Pe (d+e+h) but not the CS at P1 (a+b+d) and PS at P1 (h).

(ii) Weaker responses included some examples of intended and intended consequences of Supermarket Chain 1’s decision to hold prices and set buyer limits but did not refer to these to assess the effectiveness of the supermarket’s decision. Best responses often discussed shortages, rationing costs, and/or loss in allocative efficiency as unintended consequences. These responses showed evidence of a balanced assessment of the effectiveness of the Supermarket Chain 1’s decision.

(g) (i) Most students were able to use data in the payoff matrix to correctly identify and justify that Supermarket Chain 2 will not hold price and not set buyer limits.

(ii) Best responses explained that, in an oligopoly market, the supermarkets are strategically interdependent. The actions and choices of each supermarket affect payoffs and profit-maximising positions. Poorer responses did not refer to interdependent behaviour.

**Question 2**

(a) (i) Weaker responses simply defined and described a negative consumption externality and the resulting effects. Successful responses clearly explained that the externality would result in an overproduction of fries and an inefficient allocation of resources.

(ii) Many students correctly drew an MSB curve to the left of the MPB curve but a smaller number correctly identified the DWL. Weaker responses had poor labelling of the respective curves.

(b) (i) Weaker responses simply made a statement about the value of the mean and median or defined the terms but could not explain the significance of these values. Successful responses explained that the data was positively skewed because the mean was higher than the median.

(ii) Most students referred to an inverse or negative relationship between income and consumption.

(c) Most students suggested an excise tax on fries, but a few referred to a public health/education campaign to increase awareness about the negative effects of consumption of fries. Many students included a D/S diagram to support their explanation. Successful responses discussed reasons why a tax could be effective as well as reasons why a tax might not be effective before reaching an overall conclusion. Weaker responses lacked structure and included broad unsubstantiated statements.

Booklet Two

Question 3

1. Most students identified the possibility of deflation as a reason for the inflation target not being 0%. Successful responses were able to link this to a decrease in economic activity. Other successful responses referred to a potential trade-off between 0% inflation and other macroeconomic objectives

(b) Successful responses clearly identified and explained reasons why high inflation, unlike low and stable inflation, can negatively affect economic growth and living standards. These responses included a conclusion that the statement was correct.

(c) Generally, this question was not well answered. Weaker responses incorrectly labelled parts of the diagram. These responses made no or limited reference to long-run adjustments in resource prices and SRAS. Best responses labelled the diagram accurately and explained that the SRAS would shift to the left and return the economy to long-run equilibrium if the government did not intervene in the economy.

(d) Most students correctly argued that contractionary monetary policy would decrease AD (shift the curve to the left). Best responses were able to justify the decrease in AD by explaining the links between higher interest rates and components of AD. The best responses were able to link this specifically to the situation of Country X.

€ Many students found this question challenging. Successful responses clearly explained the link between contractionary monetary policy and the demand/supply for $X. Most students explained that the demand for $X was likely to increase because of increasing returns on portfolio investment in Country X.

(f) Successful responses generally concluded that the statement was inaccurate, arguing that whilst monetary policy is effective, it is not always more effective than fiscal policy. These responses included examples to support arguments. Weaker responses included broad general statements that were not explained or developed further or evaluated. The weaker responses made no reference to fiscal policy as an alternative. A few students spent time assessing supply-side policies as alternatives which failed to recognise the demand side focus of the question.

Question 4

(a) Best responses used data from Source G to conclude that there had been a large decrease in consumption expenditure. As consumption is the biggest component of AD, the decrease in consumption outweighed the increase in business investment.

(b) (i) The best responses indicated that the economy of Country W was likely in an upturn (recovery)

(ii) Most students who identified an upturn were able to justify this by referring to relevant data in Source G. Better responses noted the further increase in GDP in Year 3 to justify this position.

(c) Successful responses used either building approvals or consumer confidence data to explain that there was likely to be a decrease in economic activity in Year 4.

(d) Generally, this question was not well answered. Successful responses used and analysed the data provided to assess the state of the economy in Year 3 and the likely movement in economic activity in Year 4. The conclusion generally reached was that Country W had moved beyond the peak and that reducing the size of the budget deficit was inappropriate as this would decrease AD even further. Weaker responses did not explain that a decrease in government spending would contract economic activity.

(e) This question proved to be challenging for many students. The question required students to analyse the possible effects of an appreciation of the currency on AD and SRAS in Country W, and to use this analysis to review their response in (d). Better responses noted that an appreciation would decrease economic activity and that a decrease in government spending may be inappropriate.

(f) Successful responses correctly completed and fully labelled the AD-AS diagram. These explained and justified why spending on health and education would shift AD, SRAS and LRAS to the right leading to an increase in actual and potential production. Weaker responses often referred to a change in one of the curves and incorrectly labelled the diagram.

General

1. Students need to be encouraged to attempt to answer every question rather leaving blank sections. They should refer to the mark guide to ensure that they provide the detail required for each question. Students were rewarded for successfully labelling diagrams, using data and information provided to support responses and for the correct use of economic terminology. Successful responses understood the command terms in the question. e.g. when asked to evaluate, they provided arguments for and against and assesses different points of view to reach a conclusion.