**Student Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

STAGE 2 ECONOMICS

Assessment task 1

2013

THE ECONOMIC PROBLEM

## General instructions

* Working time – 1 Lesson
* Write using blue or black ink
* Answer all questions
* Write your name at the top

**A few tips**

* Remember to use economic terminology
* Draw and label diagrams correctly

**Knowledge and Understanding Questions**

*Questions in this section will be assessed in terms of the extent to which students demonstrate:*

* *Understanding of the role of economic systems in dealing with the economic problem of scarcity.*
1. The diagram below represents the PPF for an economy producing at A. The most likely reason for a shift from A to B would be. (1 mark)
	1. The movement of resources from food production to machinery production
	2. Improved productive efficiency in the production of food
	3. Lower levels of unemployment in both industries
	4. A loss of business confidence

 Food

 B

 A

 Machinery

1. The diagram below represents a PPF for an economy producing at A. What would cause the economy to shift to point B? (1 mark)
	1. Improved technology in consumer goods production
	2. Improved technology in both consumer goods and capital goods
	3. Resources are shifted from capital to consumer goods
	4. Increased demand for consumer goods

Capital goods

 A B

 Consumer goods

1. Classify the following as either What, How or For whom questions. Justify your choice. (3 marks)
* The government decides to increase the mining tax
* Floods in South East QLD have forced wheat producers in Northern NSW to shift to producing rice.
* The Australian government cuts income tax, but increases company tax
1. Read the following article and answer the questions

*Responding to reports today that Testra will cut its pay phones services, the National Farmers’ Federation (NFF) is seeking a detailed explanation from Government and Telstra on how services will continue to be provided.*

*Telstra has an obligation to ensure that they do provide rural areas with phone coverage. “Not all of rural Australia has mobile coverage and even where coverage exists not everyone has a mobile phone, particularly low income earners.*

*“Of course even if people have a mobile, basic pay phone services are essential in some cases, particularly emergencies.*

*As a result, Telstra has been ordered to ensure that pay phones are available in rural areas.*

*Peter Jones of Telstra has been quoted as saying ‘We don’t mind providing services for rural areas, but we could be putting those resources to much better use for the benefit of the whole nation’.*

1. What impact does the government’s decision to make Telstra provide cover in rural areas have on Telstra’s allocative efficiency? (2 marks)
2. In a planned economic system, how would telephone coverage be allocated? (2 marks)
3. In what ways does Australia’s telecommunications industry demonstrate elements of a mixed economy? (3 marks)

**Analysis and Evaluation Questions**

*Questions in this section will be assessed in terms of the extent to which students are able to illustrate:*

* Evaluation of the way in which economic decisions involve costs and benefits.
1. Using examples and diagrams, explain how a planned economy and market economy are efficient or inefficient in relation to the following types of efficiency (AE1 = 6 marks, C = 3 marks)
	1. Productive (2 marks)
	2. Allocative (2 marks)
	3. Dynamic (2 marks)
2. Referring to your case study of China, what were the major ***costs and benefits*** associated with making the transition from a planned economy to a market economy. **Use examples and at least 2 diagrams**. (10 marks) (AE4 = 6 marks, C = 4 marks)

**Assessment**

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| **Learning Requirements** | **Assessment Design Criteria** |
| 1. know, understand, communicate, and apply economic concepts, principles, models, and skills2. explain the role of economic systems in dealing with the economic problem of scarcity3. evaluate the effects of interdependence on individuals, business, and governments locally, nationally, and globally4. evaluate and explain the way in which economic decisions involve costs and benefits5. critically analyse and evaluate economic issues and events (past and current) using economic models and the skills of economic inquiry6. critically analyse and evaluate the impact of economic change locally, nationally, and globally. | Knowledge and UnderstandingThe specific features are as follows:KU1 Knowledge, understanding, and application of economic concepts, principles, models, and skills.KU2 Understanding of the role of economic systems in dealing with the economic problem of scarcity.Analysis and EvaluationThe specific features are as follows:AE1 Analysis and evaluation of economic issues and events (past and current) using economic models and the skills of economic inquiry.AE2 Evaluation of the effects of interdependence on individuals, business, and government, locally, nationally, and globally.AE3 Analysis and evaluation of the impact of economic change locally, nationally, and globally.AE4 Evaluation of the way in which economic decisions involve costs and benefits.CommunicationThe specific features are as follows:C1 Communication of economic principles, models, and concepts.C2 Use of economic terminology. |

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| **Assessment Criteria** | **Requirements** | **Grade** |
| Knowledge and UnderstandingKU2 Understanding of the role of economic systems in dealing with the economic problem of scarcity. | * Advantages & Disadvantages of Planned and Market Systems in solving the questions of What, How and For Whom
* Economic systems and scarcity – using PPF’s to demonstrate as well as examples from Russia and China
 | A, B, C, D, E**/13** |
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| Knowledge and Understanding Overall Grade | A+ | A | A- | B+  | B | B-  | C+ | C | C-  | D+  | D | D- | E+  | E | E- |

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| Analysis and EvaluationAE1 Analysis and Evaluation of economic issues and events using economic models and the skills of economic inquiryAE4 Evaluation of the way in which economic decisions involve costs and benefits. | * Analysis of issues through the use of a appropriate economic models
* Cost benefit analysis – analysing the costs and benefits of China’s transition
* Analysis of efficiencies in relation to market and planned economies
 | A, B, C, D, E**/14** |
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| Analysis and Evaluation Overall Grade | A+ | A | A- | B+  | B | B-  | C+ | C | C-  | D+  | D | D- | E+  | E | E- |

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| CommunicationC2 Use of economic terminology. | * Appropriate use of specific economic terminology including concepts, models and principles

 PPF, Scarcity, wants, resources, choice | A, B, C, D, E**/7** |
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| Communication Overall Grade | A+ | A | A- | B+  | B | B-  | C+ | C | C-  | D+  | D | D- | E+  | E | E- |

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|  | **On Balance Grade** |  |

Performance Standards for Stage 2 Economics

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|  | Knowledge and Understanding | Analysis and Evaluation | Communication |
| A | Comprehensive knowledge, in-depth understanding, and focused application of complex economic concepts, principles, models, and skills.Comprehensive and well-informed understanding of the role of economic systems in dealing with the economic problem of scarcity. | Astute and logical analysis and evaluation of economic issues and events (past and current) using economic models and the skills of economic inquiry.Perceptive evaluation of the effects of interdependence on individuals, business, and government locally, nationally, and globally.Incisive analysis and evaluation of the impact of economic change locally, nationally, and globally. Insightful and well-informed evaluation of the way in which economic decisions involve costs and benefits. | Sophisticated communication of economic principles and models, and complex concepts.Consistent, clear, and appropriate use of correct economic terminology.  |
| B | Some depth of knowledge and understanding, and focused application, of a variety of economic concepts, principles, models, and skills.Well-informed understanding of the role of economic systems in dealing with the economic problem of scarcity. | Well-considered analysis and evaluation of economic issues and events (past and current) using economic models and the skills of economic inquiry.Well-considered evaluation of the effects of interdependence on individuals, business, and government locally, nationally, and globally.Well-informed analysis and evaluation of the impact of economic change locally, nationally, and globally. Well-informed evaluation of the way in which economic decisions involve costs and benefits. | Clear and accurate communication of economic principles and models, and a variety of concepts. Clear and appropriate use of economic terminology. |
| C | Considered knowledge and understanding, and competent application, of economic concepts, principles, models, and skills.Informed understanding of the role of economic systems in dealing with the economic problem of scarcity. | Considered analysis and evaluation of economic issues and events (past and current) using economic models and the skills of economic inquiry.Considered evaluation of the effects of interdependence on individuals, business, and government locally, nationally, and globally.Informed analysis and evaluation of the impact of economic change locally, nationally, and globally. Informed evaluation of the way in which economic decisions involve costs and benefits. | Competent communication of some economic principles, models, and concepts.Appropriate use of economic terminology. |
| D | Superficial understanding and partial application of some basic economic concepts, principles, models, and skills.Some recognition of the role of economic systems in dealing with the economic problem of scarcity. | Basic consideration and description of one or more economic issues and/or events (past and current) using some skills of economic inquiry.Basic consideration and description of one or more of the effects of interdependence on individuals, business, and government locally, nationally, and globally.Recognition of aspects of the impact of economic change locally, nationally, and globally.Some awareness of the way in which economic decisions involve costs and benefits. | Communication of some basic economic principles, models, and concepts.Some appropriate use of some economic terminology, with inconsistencies. |