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

STAGE 2 ECONOMICS

Assessment task 1

2014

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 economic problem (1 mark)
   1. Is relevant to business only
   2. Would disappear if the economy became more efficient
   3. Does not apply to wealthier countries
   4. Concerns itself with the satisfying of unlimited wants from limited resources
2. Resources within Australia are regarded as scarce because (1 mark)
   1. Resources are continually being used up in the production process
   2. There is a continual introduction of new goods
   3. A significant part of Australia is desert
   4. The level of resources is insufficient to satisfy all wants
3. 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 the PPF for an economy producing only food and clothing. Choose the correct response (1 mark)
   1. If demand for clothing increases the total PPF would shift outwards
   2. The opportunity cost of 90 units of food is 40 units of clothing
   3. If the economy is producing at B the opportunity cost of producing an extra 10 units of clothing is 20 units of food
   4. Improved technology in the production of clothing would result in the economy moving from A to B

60

Clothing

50 A

40 B

70 90 100

Food

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. A loss of profits in the production of 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. (5 marks)

* The government decides to increase taxes on luxury cars
* Banana crops being wiped out from a cyclone causes many farmers to start growing avocados.
* The Australian government cuts income tax, but increases company tax
* Petrol stations start replacing cashiers with ‘on pump’ payment systems
* The local gym decides that in order to compete they need to become a 24 hour gym

1. Use a PPF model to *assist* in explaining each of the following terms: (4 marks)
   1. productive efficiency
   2. opportunity cost
   3. scarcity
   4. unemployed resources
2. Explain the following terms with reference to an example: (4 marks)
   1. Allocative efficiency
   2. Dynamic efficiency

**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. 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. (6 marks)
2. Outline two of the effects of China’s transition (one benefit, one cost) on the PPF diagrams below, clearly indicating what is happening. Remember to label your diagrams

**PPF 1** (1 mark) **PPF 2** (1 mark)

**PPF 1** (2 marks)

**PPF 2** (2 marks)

**Assessment**

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| **Learning Requirements** | **Assessment Design Criteria** |
| 1. know, understand, communicate, and apply economic concepts, principles, models, and skills  2. explain the role of economic systems in dealing with the economic problem of scarcity  3. evaluate the effects of interdependence on individuals, business, and governments locally, nationally, and globally  4. evaluate and explain the way in which economic decisions involve costs and benefits  5. critically analyse and evaluate economic issues and events (past and current) using economic models and the skills of economic inquiry  6. critically analyse and evaluate the impact of economic change locally, nationally, and globally. | Knowledge and Understanding  The 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 Evaluation  The 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.  Communication  The 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 Understanding  KU2 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  **/33** | |
| |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | Knowledge and Understanding Overall Grade | A+ | A | A- | B+ | B | B- | C+ | C | C- | D+ | D | D- | E+ | E | E- | | | | | | |
| Analysis and Evaluation  AE4 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 | | A, B, C, D, E  **/16** | |
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| Communication  C2 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  *Q 6,7,8,9b)iv), 10,11,12*  **/36** | |
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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. |
| E | Identification and attempted application of one or more basic economic concepts, principles, models, or skills.  Limited recognition of the role of economic systems in dealing with the economic problem of scarcity. | Emerging awareness of one or more economic issues or events (past and current), with limited use of skills of economic inquiry.  Limited recognition of one or more of the effects of interdependence on individuals, business, and government locally, nationally, and globally.  Emerging recognition of an aspect of the impact of economic change locally, nationally, and globally.  Limited awareness of the way in which economic decisions involve costs and benefits. | Attempted communication of one or more simple economic principles, models, or concepts.  Limited use of economic terminology. |