

Assessment Summary

Macro & Microeconomics

2023 – 2024

The major assessment goal for economics students at Concordia Seward for the 2023-24 academic year was understanding the role of business profits in society. The current cohort of students has been influenced by the idea that businesses should “give back” to society and the business profits amount to a transfer from consumers and customers to businesses and their owners. Businesses, particularly big, well-known corporations are often accused of doing social harm in the pursuit of profit. Market economics views the social role of business profits differently. In market economics, business profits are a social signal to produce more of the profitable product and less of unprofitable ones. In other words, when businesses pursue profit, they are serving society by satisfying society’s needs. Pursuit of profit is no excuse for abuse of land or labor resources, that is just short sighted, bad management practice; despite the observation that corporate managements sometimes used profit or “the bottom line” as an excuse for their short-sighted behavior.

Market economics recognizes the essential role of philanthropy in society, but philanthropy is more efficiently distributed by individuals rather than corporations. Businesses function best when they maximize profits by serving society. Philanthropy is the responsibility of individual owners of the company and company employees who benefit from the business profits.

Assessment Criteria

In order to be considered a success, students must perform better than average on the six questions listed on the last page of this summary. The weighted average exam score of students in the traditional delivery course of Microeconomics (ECON 102) in the Winter Spring ‘24 semester was 76.0% (similar to the previous year’s 78.1%). Students must score a minimum of 80% on each of the five questions to be considered better than average. Scores from the Fall semester were not included, because that were quite low and instruction was improved in the Winter Spring semester.

Business Profits & Society Assessment Macroeconomics (ECON 101 & 102) 2023-24 Concordia University Nebraska – Traditional Delivery (n=76)				
CHAPTER	QUESTION	% CORRECT	% BASELINE	DIFFERENCE
2	I	90%	80%	+10%
2	II	93%	80%	+13%
4	III	79%	80%	-1%
4	IV	78%	80%	-2%
9	V	95%	80%	+15%
11	VI	67%	80%	-13

The biggest problem that students exhibited was understanding the creative destruction improves

overall business profits in the long run because successful companies seek profits in creative ways. It is likely that the term “destruction” simply seems bad for business. Students came close to baseline when asked about the ambivalent market reaction to price controls and technical observation that profits are part of social surplus, by definition. Students scored higher than baseline with their understanding that entrepreneurs seek profits as a way of making the economy more efficient and that business profits are a social signal that businesses heed. Finally, this generation of students feels comfortable with the concepts of asset trading. The generation known as The Millennials were often confused by the concept that a company with steady profits might not be valued as highly as a company with current losses because the steady profit company may have higher opportunity costs because it’s just coasting along. Meanwhile the loss making company may be judged to have lower opportunity costs because it is competing in a new, growth product area.

Entrepreneurship Knowledge Assessment AP Macroeconomics (Blended) 2023-24 High School – Alternative Delivery (n=8)				
CHAPTER	QUESTION	% CORRECT	% BASELINE	DIFFERENCE
2	I	63%	80%	-17%
2	II	88%	80%	+ 8%
4	III	63%	80%	-17%
4	IV	50%	80%	-30%
9	V	100%	80%	+20%
11	VI	63%	80%	-17

In the alternative delivery course, the students met two of the six delivery criteria. Actually, these eight students performed about as well as the CUNE students in the Fall '23 semester, which were left out of the Traditional assessment. Their understanding of the role of entrepreneurs and the nuances of asset trading were above baseline, but they struggled with the questions with more technical terminology.

Conclusion & Recommendations

We will continue to emphasize the important social role of business profit in the 2024-25 school year, but we will have different assessment criteria, nevertheless. In the 2024-25 school year CUNE is introducing a more assessable Christian Worldview in the Economics curriculum (and other General Education classes). Given the importance and novelty of this topic, we will assess this new area in the coming year.

Assessment Questions

I. Business profit:

- A. transfers wealth from households to businesses
- B. is society's signal to businesses to produce more of a certain good or service**
- C. directly satisfies consumer demand and human needs
- D. is the way businesses control wages, rents and interest flows

II. Entrepreneurship and entrepreneurial ability drive economic growth by:

- A. countering foreign competition
- B. allowing the "little guy" entrepreneur beat big business in competitive markets
- C. ignoring risk and "just doing it"
- D. addressing inefficiencies and making profits through investment and capital accumulation**

III. Prices for commercial goods and services are:

- A. higher than those offered by government because buyers have to pay extra for the company's profit
- B. lower than those offered by government, because government is less efficient than private companies
- C. perhaps higher or lower than those offered by the government for a variety of reasons**
- D. the main reason for inequality in society

IV. At equilibrium quantity and price, maximizing social surplus:

- A. also maximizes business profits**
- B. means that the maximum possible number of people are satisfied with their lifestyle
- C. requires businesses to "give back" to society through charitable organizations
- D. happens when consumer surplus is greater than producer surplus

V. Company Y reported an accounting loss last year, and the stock price went up 80% in the same period. Company Z reported an accounting profit last year and its stock price went down 20% in the same period. Why might participants in the stock market bid up the price of Company Y and bid down Company Z?

- A. You really can't make sense of the stock market. Higher stock prices create higher stock prices and *vice versa*
- B. This is Creative Destruction in action. Company Y is creative while Company Z is not
- C. Company Z's implicit, opportunity costs exceed its accounting profit, while Company Y is thought to have future economic profits**
- D. This is due to stock market fraud. Someone is bidding up Company Y in a "pump-and-dump" scheme unrelated to what is happening with company Z

VI. Creative destruction is important in the market system because:

- A. it punishes the lazy and corrupt businesses that deserve destruction
- B. it works to increase private sector profits in the long run**
- C. employees of the destroyed businesses always find better jobs in more creative companies
- D. it encourages a conservative way of running businesses and discourages government intervention

