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## GENERAL & APPLIED ECONOMICS | RESEARCH ARTICLE

# Assessing students: Real-world analyses underpinned by economic theory

Caroline Elliott<sup>1\*</sup> and Vudayagi Balasubramanyam<sup>2</sup>

**Abstract:** Having highlighted the importance of designing assessments for university economics students that link technical material with practical applications, the paper outlines three such assessments that have been successfully applied with postgraduate and third year undergraduate-level students. The assessments ask students to use their knowledge of economic theories and empirical analyses to propose and debate policy positions or to analyse the strategy decisions of real firms.

**Subjects:** Economics; Teaching & Learning

**Keywords:** assessment; active learning; economic tools for teaching

### 1. Introduction

Students need research and inductive skills, problem-solving skills and the ability to relate economic theories and concepts to messy real-world situations for which data are limited and where agency problems and problems of information asymmetry abound. (Sloman, 2012, p. 172)

Since the financial crisis of 2007 onwards there has been increasing reflection amongst academics, students and employers of economics graduates on how Economics is taught and assessed at UK universities.<sup>1</sup> The quotation above highlights some of the key skills that economics graduates are

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### PUBLIC INTEREST STATEMENT

Having highlighted the importance of designing assessments for university economics students that link technical material with practical applications, the paper outlines three such assessments that have been successfully applied with postgraduate and third year undergraduate-level students. The assessments ask students to use their knowledge of economic theories and empirical analyses to propose and debate policy positions or to analyse the strategy decisions of real firms.

hoped to have, and post 2007 there is clearly ongoing review of the appropriate content of undergraduate and postgraduate economics qualifications. There are examples of assessments that aim to inspire students, link technical material to real-world applications and to provide students with at least some of the skills that John Sloman has highlighted above. Nevertheless there are many modules, seemingly unimaginatively, assessed using short answer tests including multiple choice tests, problem sets that often seem little more than mathematical exercises, essays, and essay-based examinations. Such forms of assessment are sometimes appropriate, but maybe not to the extent that they are currently used. Nevertheless, in the education literature, the importance of considering alternative forms of assessment is widely recognised, for example in Brown (2004–2005).

There is an extensive literature on developing effective assessments and the evaluation of assessments in higher education, see for example Bloxham and Boyd (2007) for a detailed review. Rust (2002) highlighted the value of assessments that encourage “deep” learning, suggesting that assessments that link learning to the real world can help motivate students. He went on to indicate two further desirable characteristics of any assessment method, namely that students should have some element of choice in the assessment task that they complete, and assessment should be linked to “learner activity” for example in the form of “independent project work, group-work and problem-based learning” (p. 150). Each of these properties characterises the assessments discussed below. See Brown (2004–2005) for further key characteristics of assessments.

Attention has also already been given to the need for effective assessment, specifically in university Economics programmes. Cook and Watson (2013) highlighted the importance of careful Economics assessment design, while Dynan and Cate (2009) emphasised the importance specifically of writing in Economics assessments. Examples of original Economics written assessments are provided in Sections 2.2 and 2.3. Meanwhile, Walstad (2001) highlighted that assessment could take place in the classroom as well as in tests and written work submitted. The group work and assessment outlined in Section 2.1 clearly is an example of this, also satisfying Walstad’s desire for students effectively to be able to communicate verbally about Economics.

This paper sets out three assessments used successfully by the authors that explicitly link the often technical, theoretical and empirical, material that students encounter in postgraduate masters and third year undergraduate economics modules to real-world applications. In each case, students come to realise the real-world applicability of material taught in the classroom, the assessments also being designed to develop a number of additional skills that will be highlighted as each assessment is discussed in Section 2. While not appropriate to be adapted to every economics module taught at universities, it is hoped that the assessments described will inspire colleagues to think imaginatively about methods of formative and summative assessment.

## 2. Assessments

### 2.1. A policy forum

#### 2.1.1. Introduction

The World Economic Forum (WEF) is a simulation exercise that forms part of the assessment for a core, year-long, International Business module on the MSc in International Business (IB) at Lancaster University. The exercise was first introduced 20 years ago, centred on the World Trade Organization (WTO) with discussion on global trade issues. Subsequently, the exercise was broadened to include issues relating to globalisation in general (see Appendices 1 and 2 for the issues debated in 2014–2015).

The MSc in IB programme attracts overseas students from many countries including China, India, Malaysia, Brazil, Thailand, Norway and several EU countries including the UK. Many of these students have little experience of being assessed (at a postgraduate university level) in oral and written English. Although they are well trained in economic theory, statistics and mathematics some have

initial problems coping with lectures, seminars, essays and examinations delivered in English. Consequently, the first objective of the exercise is to train students in the use of both written and spoken English language.

Further, students sometimes find it difficult and stressful to adjust to life and work in a foreign country. They may feel most comfortable working with fellow students from their home countries as a means of coping with life and work in a foreign country. However, if tempted to converse in their native tongue, this does little to improve their language skills and deprives them an opportunity to broaden their thinking on global economic issues that they have selected to study. Hence, the second objective of the exercise is to provide students a fantastic opportunity to mingle with each other, debate and discuss global issues and to learn from each other. The third objective is to ensure active learning, giving students the confidence to use their economics knowledge to express and debate their own economic opinions, rather than being tempted to rote learn material presented in lectures and seminars. Finally, the exercise encourages students to keep abreast of developments in international business in all its varied dimensions. The issues discussed at the forum are “live issues” debated in international fora and in the media, especially the *London Economist* and the *Financial Times*. Consequently, students must keep abreast of current international business affairs.

### 2.1.2. Structure of the WEF exercise

Students are grouped into six or seven country groups with four students in each group. The number of country groups depends on the number of students on the programme. India, China, The EU, the US, UK, Brazil, Japan and East Asia are the usual country groups. Every effort is made to make sure that each group consists of students from different countries. For example the China group would have one student member from China and the other three would be from countries other than China.

A feature of the exercise is a newspaper edited by a further group of students. The newspaper named *The Loudmouth* is edited by a press group comprising an editor and three correspondents. The team is required to put out a fortnightly issue prior to the final WEF issue titled “The Summit”. Members of the group are required to write short editorials, interview members of the various student country groups and solicit short pieces from members of the various groups. Usually the output is overseen by the academic organiser of the event and the press group is shown how to edit. The newspaper is circulated to all the students and staff associated with the module via email. The newspaper has proved most popular and a useful tool for training students and providing some initial journalism skills.

Once the student groups are formed, a “mock forum” is held just before or after Christmas. The mock meeting is convened for one afternoon with a couple of items on the agenda (see Appendix 1). For example one of the items on the agenda could read “The Chinese Delegation proposes that no member country should be allowed to refer complaints relating to Dumping to the WTO as there is no agreement on what constitutes dumping”. The delegation from China would be asked to move the motion and the US to oppose it followed by a general discussion.

The mock session introduces the students to the exercise. The final WEF session is held at the end of May in a nearby hotel. Students have been found to perform better in a locale away from the university and enjoy the day, appreciating the special treatment. The agenda for the final meeting, known as the summit, always consists of four or five items. The items reflect current international business issues (see Appendix 2). Each of the items or proposals is assigned to be mooted by one of the delegations with a reply from a specified delegation, followed by a general discussion with each of the delegations and the press group expressing their views, in addition to issuing press releases as and when they wish during the day. In the months preceding the final summit (from January to May) students in each group are expected to negotiate with other groups; they may form alliances or formulate strategies to promote the interests of their group/country.

Each delegation is assigned a consultant, usually a tutor or lecturer on the programme. The delegations are free to consult the tutors and seek help but must not depend on the tutors for formulating their positions at the mock session of final summit. The final summit is chaired by the principal organiser of the exercise with three fellow academics acting as experts.

PowerPoint presentations are strictly prohibited. Nevertheless, delegations can, if they so wish, circulate short memos or data tables supporting their case to the members of the meeting. As is the convention at the WTO, there are no votes taken on any of the motions. There could either be a consensus agreement or it would be accepted that there is no agreement. This rule was instituted to make sure that there was no canvassing for votes and no ill will between friends at the end of the session.

### 2.1.3. Assessment

The mock meeting is intended to be purely formative with no marks awarded and the students not required to produce any written material. Nevertheless, every year student effort and engagement is impressive, maybe reflecting students' appreciation of the skills they acquire in the run up to and during the mock meeting. Three weeks prior to the final summit each of the delegations is required to submit an initial report expressing their views on each of the items on the agenda. This is to be a group report; its formulation and the responsibility for writing it is entirely left to the delegations. Following the final summit each of the delegations is required to submit a final report. Each of the delegations is assessed on the basis of the two reports and their performance on the day of the final summit. The initial report counts for 25% of the total mark, the performance on the summit day for 35% and the final report for 40%. The members of staff designated as experts assess the performance of the delegations on the day and also help assess the initial and final written reports. Each of the members of the group is awarded the group mark. This too is to ensure that the members of the group work together with no individual dominating the group.

The exercise has proved immensely helpful to the students and the tutors on the International Business programme. One significant outcome is always the recognisable improvement in the approach of students to international economic issues and the vast improvement in their writing and oral presentation abilities. The Loudmouth has helped immensely in improving the English language writing abilities of the students. They also get to know each other much better than previously, with the summit culminating in a dinner and on occasion an informal talent show! Many students have provided very positive feedback, indicating that the exercise has served to improve their understanding of policy issues in trade and finance, and that it has helped them face job interviews with confidence.

## 2.2. Economics in the news

By the third year of an undergraduate Economics degree, the material covered in many modules becomes increasingly technical, involving relatively advanced theoretical foundations. This is certainly true of the material expected to be covered in a third year undergraduate Industrial Economics module. Yet, students should also never lose sight of the real-world relevance of the material they study in such a module where the focus is on understanding firms' strategies, changing industry structures and government regulation of firms.

The coursework component of the module is designed to ensure that students appreciate the applicability of the subject. Students are asked to select any topic from the module, for example, mergers, innovation or competition policy. Students are required to write a 500-word academic literature review on their chosen topic, forcing students to develop concise writing skills. They also have to find three newspaper articles from *The Economist* or a broadsheet newspaper relating to the topic, published during the term in which the module is taught. Students must comment on the newspaper articles, discussing to what extent each article is in line with or challenges the academic literature. Students are advised to write 500 words on each newspaper article selected. Students also submit

an appendix of 10 further newspaper articles published during the term on any topic covered in the module.

The coursework demands that students consider the extent to which the material covered is relevant to issues facing real firms and industries, and crucially, ensures that students obtain a habit of keeping up with current affairs, as with the WEF described above. This is a key benefit, as it is always surprising when students admit to not reading *The Economist* or keeping up to date with economics and business news stories. Students have often commented, on completing the coursework, its effectiveness in achieving both of these fundamental aims. An additional advantage of the project is that students need to work on it throughout the term, rather than rushing to complete the project close to the end of term. Students need at least to be reading and selecting relevant newspaper articles throughout the term. This can be reinforced by asking students at the start or at the end of tutorials/seminars about the articles they have found in the preceding week. Over the years as students have increasingly accessed the news online there became a concern that students might search for all of their articles online in the last few days before submission, defeating one of the aims of the project. However, this problem can be avoided by asking students to submit the original articles cut out of magazines and newspapers, or by demonstrating the date on which the article was accessed online.

Students are often nervous about starting the project as it is very different to any other piece of coursework that they have encountered. Consequently, each year students' permission is obtained to anonymise projects to be distributed in a seminar/tutorial in the following academic year close to the start of the term in which the module is taught. Students get to read examples of particularly strong as well as weaker projects, and they relish the opportunity to read and guess the marks awarded to the previous year's submissions. The tutor talks through the strengths and weaknesses of each project that the students see. In a 50–60 min tutorial/seminar multiple copies of three projects can be circulated for students to read and then discuss, comfortably. Rust (2002) highlights the importance of peer assessment, asking students to mark each other's work. This is an excellent way of managing students' expectations of what is required (and what is not acceptable) of a submission. Brown (2004–2005) highlights the importance of managing students' expectations of what is required.

### **2.3. Analysing firms' strategies**

In a third year undergraduate Economics of Advertising module students are asked to select one or two advertising campaigns, explaining how relevant economic theory and econometric evidence help them understand the motivation for the advertising campaign(s), and the projected effects on key elements of firms' performance such as sales, market share and profits, as well as the potential consequences for economic welfare. In line with Walstad's (2001) desirable characteristics of assessments students have complete choice over the advertising strategies to analyse. The main guidance that they are given is that they should choose a campaign (campaigns) that are likely to hold their interest throughout a 10-week term. Hence, over a number of years, students have chosen to analyse family firms' advertising strategies, the strategies of overseas firms and the strategies of charities, as well as those of FTSE 100 firms.

As with the project described in Section 2.2, students initially find the coursework challenging as the onus is not only on applying the material covered in the module, but because their analyses are so subjective. Yet, the subjectiveness of students' answers is also important as many university economics assessments do not require students to come to their own conclusions, in this case based on their own views of why firms adopt a particular strategy, being asked to predict the consequences to a firm of its choice of advertising strategy prior to economic data becoming available that will confirm or call into doubt the advertising strategy adopted. Again, students are asked if they are willing for their projects to be anonymised and circulated in future years' classes. Seminars/tutorials in which students are given the opportunity to read past examples of both strong and weak projects

gives students a clear idea of what is expected of project submissions, and a real insight into the marking process. Students' module evaluation feedback is consistently excellent, for example:

An entirely new concept of economics taught well and in a way that provoked intrigue and thought, whilst being made very accessible and understandable.

The lectures were excellent, the handouts great and I found the topic interesting and subsequently the project the most interesting piece I have been given since starting university.

There are a number of benefits of this assessment. Students are very strongly advised to work on the project throughout the term, selecting their advertising campaigns to analyse after the very first class.<sup>2</sup> Students are advised after each week's classes to consider and write up how the material discussed that week helps them understand the motivation for the advertising campaign(s) and the possible consequences. Consequently, close to the submission deadline students should have most of the material required for their projects. Some seminar/tutorial time can also be devoted to checking students' appreciation of the real-world relevance of the material taught each week. Walstad (2001) indicated that staff could lose interest in marking long written assessments. However, this is never a problem with the assessments submitted that are described in Sections 2.2 or 2.3. For example, the economics of advertising projects are always interesting to mark, even with large cohorts of students as the campaigns selected by students are so diverse, students' interest in the campaigns selected often being very evident. Finally, because the project content is subjective and typically very topical as usually current advertising campaigns are selected, the opportunities for plagiarism are reduced. In fact in 10 years of running the module to between 50 and 100 students, there has not been a single case of plagiarism.

### 3. Conclusions

Ultimately,

Assessment is probably the most important thing we can do to help our students learn. We may not like it, but students can and do ignore our teaching; however, if they want to get a qualification, they have to participate in the assessment processes we design and implement. (Brown (2004–2005, p. 81)

The assessments described above are intended to encourage academics to think creatively about how they can design assessments to inspire students, to encourage them to work throughout the teaching terms and to appreciate the links between the advanced material they are introduced to in class and the potential real-world applicability of that material. When considering effective assessment strategies, of course the accompanying issue is how to provide effective feedback. This goes beyond the remit of the current analysis but is a topic for future research.

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#### Notes

1. For example, The UK Government Economic Service and the Bank of England together organised a conference around this theme in 2012, and The Economics Network organised symposiums on this topic at The Treasury in 2013 and at the Bank of England in 2015.
2. There is also some novelty for students when told that their first week's homework involves reading magazines, surfing the internet, watching television or maybe going to the cinema to help them select advertising campaigns to analyse.

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## Appendix 1

### Agenda for the Mock Summit 2014–2015

There will be two broad items for discussion at the mock summit. All of the groups including The Loudmouth should contribute to the discussion. The two resolutions (items for discussion) at the mock summit will have a bearing on the issues to be discussed at the final summit. Performance at the mock summit will not be graded.

- (1) The IMF/World Bank group propose that the time is appropriate for the creation of an international currency that Keynes proposed in 1941. The currency to be called BANCOR will be supervised and monitored by the IMF/Bank Group with a new department—The International Currency Union. Each of the member countries of the IMF/Bank Fund organisation will be members of the Union. Their national currencies will be defined in terms of the BANCOR at a rate to be agreed with the Union. The Union will be managed by a Secretariat consisting of representatives of the member countries. Member countries can purchase the Bancor with Gold but not Gold with Bancor. The Bancor will be the one and only currency for settling international payments deficits. Surplus countries would be encouraged to deposit their surpluses in Bancors with the Clearing Union. The proposal is designed to facilitate international trade and free countries from dependence on the Dollar.

Members of the summit are invited to comment on the proposal.

- (2) The Africa Group proposes that the Food and Agricultural Organisation should be reorganised with a view to enhance its role in not only promoting efficiency and equity in agriculture in developing countries. The membership of the organisation would consist of all member states of the United Nations. The administration of the organisation will be headed and supervised by a group of developing countries whose economies are not only heavily dependent on agriculture but are also experiencing high levels of poverty. The organisation to be called The International Organisation for Agriculture will be based in the capital city of one of the African countries. The organisation will review agricultural policies of both the developed and developing countries. It will be funded by contributions from member countries with large contributions from the rich countries that heavily subsidise their farmers. Details of the programme of the organisation will be published shortly in the Loudmouth.

Members of the summit are invited to comment on the proposal.

## Appendix 2

### Topics for the WEF 2015

- (1) FDI in Retail Trade in India: US Delegation proposing with the Indian Delegation responding.
- (2) Policies towards International Migration of Labour: UK Delegation proposing with the IMF/ World Bank Delegation responding.
- (3) The Environment Problem: China Delegation proposing with the EU Delegation responding.
- (4) Oil and the World Economy: Loudmouth will lead the discussion with the Africa Delegation responding.



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