

Achievement Standard

Subject Reference Economics 3.4

Title Demonstrate understanding of government interventions to correct market failures

Level 3 **Credits** 5 **Assessment** Internal

Subfield Economic Theory and Practice

Domain Economics

Status Registered **Status date** 04 December 2012

Planned review date 31 December 2016 **Date version published** 04 December 2012

This achievement standard involves demonstrating understanding of government interventions to correct market failures.

Achievement Criteria

Achievement	Achievement with Merit	Achievement with Excellence
<ul style="list-style-type: none"> Demonstrate understanding of government interventions to correct market failures. 	<ul style="list-style-type: none"> Demonstrate in-depth understanding of government interventions to correct market failures. 	<ul style="list-style-type: none"> Demonstrate comprehensive understanding of government interventions to correct market failures.

Explanatory Notes

- This achievement standard is derived from the first Level 8 Economic Achievement Objective of the Social Sciences learning area in *The New Zealand Curriculum*, Learning Media, Ministry of Education, 2007, and is related to the material in the *Teaching and Learning Guide for Economics*, Ministry of Education, 2012 at <http://seniorsecondary.tki.org.nz>.
- Demonstrate understanding* involves, for different market failures:
 - providing an explanation of:
 - each market failure
 - government interventions to correct each market failure in terms of efficiency or equity
 - using an economic model(s) to illustrate each market failure and the government interventions to correct it.

Demonstrate in-depth understanding involves, for different market failures:

- providing a detailed explanation of:
 - each market failure
 - government interventions to correct each market failure in terms of efficiency or equity
- using an economic model(s) to support detailed explanations.

Demonstrate comprehensive understanding involves, for different market failures:

- making a justified recommendation on the more efficient or equitable government intervention to use in order to correct each market failure
- integrating an economic model(s) into the justified recommendation.

- 3 *Market failure* refers to situations when a market fails to deliver an efficient or equitable outcome. Efficiency occurs when Social Marginal Cost equals Social Marginal Benefit. Equity occurs if a situation or outcome is considered to be fair. The different market failures relate to: consumption externalities, production externalities, public goods, imperfect information, inequitable income distribution.
- 4 *Government interventions* refer to interventions in a market by central or local government. For example, these may include, for each market failure, a selection from:
- subsidies, taxes, regulations, property rights and government provision (consumption externalities)
 - subsidies, taxes, regulations, property rights and government provision (production externalities)
 - government provision (public goods)
 - regulation (imperfect information)
 - progressive taxes, welfare benefits, collective provision and minimum wage (inequitable income distribution).
- 5 Conditions of Assessment related to this achievement standard can be found at www.tki.org.nz/e/community/ncea/conditions-assessment.php.
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Replacement Information

This achievement standard replaced AS90631 and unit standard 5865.

Quality Assurance

- 1 Providers and Industry Training Organisations must have been granted consent to assess by NZQA before they can register credits from assessment against achievement standards.
- 2 Organisations with consent to assess and Industry Training Organisations assessing against achievement standards must engage with the moderation system that applies to those achievement standards.