

Level 3 Economics 2018

Standards [91399](#) [91400](#) [91403](#)

Part A: Commentary

It is pleasing that, compared to previous years, more candidates were able to use correct economic terminology and make specific references to graphs and models when completing written explanations. These skills are vital if candidates are to gain a merit or excellence grade.

High achieving candidates gave detailed reasons when comparing and contrasting, a requirement at excellence level (e.g. explaining that marginal cost pricing is more beneficial for the consumer compared to a profit maximising monopolist as it generates a higher consumer surplus; Candidate responses that do not explain why the surplus is higher are not sufficient for excellence)

Candidates at lower levels of performance were often marked down for inaccurate labelling and shading of graphs. The use of a ruler and checking the labelling instructions in the questions may have prevented many of these errors.

It is also essential that candidates attempt each part of every question as significant omissions (e.g. not covering one of the bullet points stated in the questions) will result in candidates being marked down heavily.

Part B: Report on standards

91399: Demonstrate understanding of the efficiency of market equilibrium

Candidates who were awarded **Achievement** commonly:

- used some correct economic terminology in their answers
- identified a correct change in price, Deadweight Loss (DWL), or consumer surplus and producer surplus
- correctly illustrated a change in supply
- used figures from a graph to complete a table with some accuracy.

Candidates whose work was assessed as **Not Achieved** commonly:

- had very little accuracy in their written answers
- demonstrated only a basic level of understanding of the key concepts for this standard
- omitted parts of questions.

Candidates who were awarded **Achievement with Merit** commonly:

- integrated some information from a graph or table into their written answers

- accurately showed changes on graphs
- used definitions of key concepts such as consumer surplus and producer surplus in their answers
- identified a correct change in price, AND DWL, AND consumer surplus and producer surplus
- correctly explained the impact of Government intervention on different groups in the market.

Candidates who were awarded **Achievement with Excellence** commonly:

- performed calculations accurately, and fully integrated information from the graphs and tables, with definitions, into their answers
- fully explained the impacts of Government intervention on different groups in the market, including in-depth consequences
- used correct economic terminology throughout the paper
- gave detailed reasons for the changes made.

Standard specific comments

Candidates need to integrate the labels and figures from the graphs and tables in order to answer more thoroughly and gain a merit or excellence grade

91400: Demonstrate understanding of the efficiency of different market structures using marginal analysis

Candidates who were awarded **Achievement** commonly:

- correctly shaded the short run supernormal profit for a monopolist or perfect competitor
- described at least one key characteristic of a monopoly and perfect competition market structure which was relevant to the question
- partially explained marginal analysis for at least one of the questions when explaining changes in output
- correctly shaded the consumer surplus for a profit maximising monopolist or a natural monopolist operating with MC pricing
- explained one valid reason for why a monopolist is less beneficial for the consumer, with reference to consumer surplus
- explained one valid reason why a natural monopolist is allocative efficient
- explained a valid impact on the Government of a natural monopolist
- correctly labelled the impact of a change in market demand for a perfect competitor
- explained the impact of an increase in market demand on the price or quantity for a perfect competitor.

Candidates who were assessed as **Not Achieved** commonly:

- made inaccurate changes to graphs e.g. error in shadings of supernormal profit, CS, DWL, curve shift, or profit maximisation output level
- didn't use marginal analysis when answering each question
- didn't answer the question or wrote irrelevant material e.g. wrote long run explanations for short-run situations
- confused the profit maximisation rule for output ($MC=MR$) with normal profit ($AC=AR$) or Allocative Efficiency ($AR=MC$).
- failed to include key ideas in their answers e.g. didn't refer to consumer surplus when explaining why a profit maximising monopolist was less beneficial for the consumer.

Candidates who were awarded **Achievement with Merit** commonly:

- fully explained marginal analysis, referring to marginal profits or marginal losses, and $MC=MR$ in their answers, when explaining changes in output
- referred to specific labels from the graphs in their written explanations
- correctly shaded the short run supernormal profit for a monopolist and a perfect competitor
- correctly shaded the consumer surplus and deadweight loss for a profit maximising monopolist and a natural monopolist operating with MC pricing
- correctly labelled the impact of a change in market demand and a change in variable cost for a perfect competitor
- gave detailed reasons for any changes in the price level which included correct terminology.

Candidates who were awarded **Achievement with Excellence** commonly:

- correctly labelled all of the graphs with no omissions, including accurately showing long-run situations and the impact of changes in demand and costs
- compared and contrasted different market situations by explaining in detail the impact on price, output and profit for each market, with no significant omissions
- compared and contrasted a monopoly and a natural monopoly, using relevant terms and giving detailed reasons for each market for each of the required points of comparison
- integrated accurate graph references, from both graphs throughout their answer
- displayed an excellent understanding of marginal analysis.

Standard specific comments

There appears to have been an improvement in the number of candidates that use marginal analysis in their explanations.

Monopolist doesn't equal Monopolistic Competition.

Students should bring a ruler and use it accurately to ensure model changes are accurate and legible.

91403: Demonstrate understanding of macro-economic influences on the New Zealand economy

Candidates who were awarded **Achievement** commonly:

- used correct economic terminology and used models accurately
- accurately manipulated the AS/AD model
- explained how some of the money flows on the circular flow model would be impacted by tight monetary policy
- understood the link between tight monetary policy and increasing interest rates
- identified that AD decreased due to two components changing or AS increased due to lower costs for firms with tight monetary policy
- understood import payments were a leakage from the economy and decreased AD
- correctly stated the multiplier formula
- understood the link between increased consumer confidence and consumption that led to an increase in AD
- understood the RBNZ selling NZ dollars led to a depreciation of the NZD
- increased SNZD in the Market for the NZD
- correctly explained the link between a depreciating NZD and increasing AD or decreasing AS.

Candidates whose work was assessed as **Not Achieved** commonly:

- incorrectly shifted the AD and AS curves or only shifted one curve when two shifts were required in Q1 and Q3
- did not attempt all the questions or answer all parts of a question
- were unable to give a reason for changes shown on the economic models
- did not refer to the economic models
- confused monetary policy and fiscal policy in Question 1
- did not refer to specific money flows in Q1(a)
- incorrectly stated increasing imports would increase AD
- gave the incorrect formula given for the multiplier
- did not explain rising consumer confidence and the link to consumption
- showed a lack of understanding of the foreign exchange market.

Candidates who were awarded **Achievement with Merit** commonly:

- referenced the economic models to support analysis and provided detailed explanations e.g. in relation to AS/AD model, the components of each curve that were affected were explained
- gave substantive reasons that explained the impact on three of C, I, X or M in Q1
- shifted both AS and AD curves correctly on Graph 1 and Graph 4 and gave detailed explanations for both these shifts
- stated the multiplier formula and clearly explained the impact on MPC for local goods when more imported goods are purchased
- understood that if consumers purchase more imports then AD decreases due to net exports decreasing
- recognised that RBNZ selling the NZ dollar will increase the supply of NZD and linked the depreciation of NZD to an improvement in the balance on goods
- understood that the depreciating NZD caused both demand pull and cost push inflation so was unlikely to keep inflation inside the 1-3% target band
- discussed the balance on services as well as the balance on goods in part 3b(iii)
- provided some explanation as to the effectiveness of policies but lacked the depth of compare and contrast or lacked a conclusion.

Candidates who were awarded **Achievement with Excellence**

commonly:

- fully explained impacts on both economic goals in Q1 and Q3 and could give comprehensive reasons for the impact on each goal of the scenario with clear reference to the models
- understood the goals of government and how the government could work towards them
- used the context of the question throughout their answer, fully incorporating the resource material
- clearly explained with reasons why tight monetary policy would or would not achieve price stability dependent on the starting position of the economy relative to PTA target
- justified the effectiveness of tight monetary policy on the goal of full employment using the concept of derived demand
- showed a strong understanding of consumer confidence by linking it with greater confidence in job prospects or future income
- could use the multiplier well, linking the increased consumer confidence to increased imports and preparing a justification for the combined impact
- used the information in Question 3 to explain changes in balance on goods and balance on services
- clearly explained the impact of inflation on both imports and exports in the long run and the flow on effect to the Current Account
- linked changes in AS with changes in the profitability of firms
- compared and contrasted the two goals, policies or influences and prepared a justified conclusion
- used the model(s) throughout the written answer.

Previous years' reports

[2017](#), [2016](#)