

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 2019 **Date version published** 17 November 2016

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>.

This standard is also derived from *Te Marautanga o Aotearoa*. For details of *Te Marautanga o Aotearoa* achievement objectives to which this standard relates, see the [Papa Whakaako](#) for the relevant learning area.

- 2 *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.

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.

Consent and Moderation Requirements (CMR) reference

0233