

2023 NCEA Assessment Report

Subject:	Economics
Level:	3
Achievement standards:	91399, 91400, 91403

General commentary

The examination consisted of three questions per standard and candidates were required to answer all three. The questions across all three standards required written explanations and changes made to graphs. Each question was scaffolded by breaking into different parts and / or the use of bullet points. Candidates were expected to make specific graph references in each of their written explanations.

Candidates who achieved at a higher level fully integrated their answers by incorporating relevant definitions, giving multiple reasons in their explanations, and referring to specific labels or ‘anchor points’, for example the price level fell from PL_1 to PL_3 . Statements such as ‘as shown by the shift in the AD curve in Graph Four’ are inadequate graph references.

Questions, instructions, and resource materials need to be read thoroughly. Writing incomplete explanations and including irrelevant material continue to be an issue for some candidates.

Report on individual achievement standards

Achievement standard 91399: Demonstrate understanding of the efficiency of market equilibrium

Assessment

Question One was about the government intervening in the market through a subsidy on public transport as a measure to meet its emissions reduction goal. Candidates were expected to compare and contrast the impact on consumers, producers, the Government, and allocative efficiency and explain the effect elasticity of demand of public transport would have on consumers and producers.

Question Two was about restricting retailer numbers and imposing an indirect tax in order to discourage consumption of vaping products. It required candidates to explain how market forces would restore equilibrium following the restricting of retailer numbers. Candidates were also expected to compare and contrast the impact of the two interventions on allocative efficiency and the Government.

Question Three required candidates to explain how a quota and minimum price control on energy drinks might impact consumer surplus, producer surplus, and allocative efficiency.

All three questions required the use of an economic model, either through graphing or calculation of values, and were scaffolded by breaking the question into parts. Candidates

were expected to incorporate specific graph references or values from tables and use appropriate economic terminology in their explanations.

Commentary

Although improving, a significant number of candidates were still not correctly referring to the graph or table in their explanations. There were also many candidates using generalisations such as 'changed' instead of increased or decreased. When definitions are stated at the beginning of an answer, candidates need to ensure that they are also used to support their explanation.

Grade awarding

Candidates who were awarded **Achievement** commonly:

- identified changes in consumer surplus or producer surplus with little or no reference to the graph in their explanations
- included either price or quantity change when explaining changes in consumer surplus or producer surplus
- stated economic terminology with limited explanation of why or how something happened.

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

- applied economic terminology in their explanations and provided reasons why there was a change in consumer surplus or producer surplus
- referred to multiple points on the graph when explaining the changes shown
- explained how equilibrium was restored and the impact on allocative efficiency in various economic models
- identified an offset (gain / loss of surplus) has occurred but did not fully discuss how this has happened.

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

- gave detailed explanations of two reasons for a change in both consumer surplus and producer surplus, as well as applying the definitions correctly
- explained the impact on allocative efficiency by referring to the idea of offsetting gains against losses in terms of net welfare, resulting in deadweight loss
- explained that the changes to the gain in allocative efficiency was greater on an elastic good than on an inelastic good
- fully integrated the changes shown on the graphs in their detailed explanations.

Candidates who were awarded **Not Achieved** commonly:

- did not identify what allocative efficiency relates to
- identified there was a deadweight loss, but not what that meant
- identified a change in consumer surplus or producer surplus, but did not provide a reason for the change
- were able to somewhat interpret the graphs, or use some information from the graph to calculate figures but not use the figures in their explanations.

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

Assessment

Question One required candidates to explain, using marginal analysis, output choices for a perfectly competitive firm. They were also required to compare and contrast long run profit and output decisions and allocative efficiency of a perfectly competitive firm and a monopoly.

Question Two required candidates to explain why the Government might prefer a natural monopoly and not have competition, and also compare and contrast the impact of average cost pricing with the impact of a targeted tax on supernormal profits.

Question Three required candidates to explain why changes in the cost of insurance affects average cost (but not marginal cost), explain the differences in the short run and long run price and profit for a perfectly competitive firm (as a result of an increase in average costs), and compare and contrast the impact of a recession and an increase in average costs on the long run equilibrium quantity.

All three questions required the use of an economic model, through either graphing or explanation of the model, and were scaffolded by breaking the question into parts. Candidates were expected to incorporate specific graph references and use appropriate economic terminology in their explanations.

Commentary

The overall standard of marginal analysis explanations has continued to improve, and it was pleasing that the vast majority of candidates could explain why insurance was a fixed cost. Graphing work has also improved. Short run and long run explanations were generally well done although a significant number of candidates incorrectly referred to low barriers to entry or exit (rather than no barriers) for their perfect competition explanations.

Grade awarding

Candidates who were awarded **Achievement** commonly:

- showed changes on graphs, including shading and labelling the changes
- included at least one valid reason for their answer when explaining changes in consumer surplus, profit, and output
- linked at least one valid characteristic of perfect competition and monopoly to their long run explanations
- referred to demand and supply and / or deadweight loss when explaining why perfect competition is efficient and why a monopoly is not efficient
- identified that insurance was a fixed cost and / or independent of output
- referred to marginal analysis, including at least one key aspect of the marginal analysis explanation (i.e. either $MR > MC$, missing marginal profits, or increase output to Q_e where profits are maximised as $MR = MC$).

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

- included at least two valid reasons for their answer when explaining changes in consumer surplus, allocative efficiency, profit, and output
- included more detail to their explanations by stating why or how, for example, consumer surplus is greater under AC pricing because the price consumers pay is lower and the quantity they consume is higher than profit maximising
- referred to missing out on marginal profits and making marginal losses when applying marginal analysis
- included multiple graph references and correct economic terminology in their explanations
- referred to relevant information from the resource material
- included most of the relevant characteristics of monopolies, perfect competition, and natural monopolies in their explanations.

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

- integrated relevant and accurate graph references, correct economic terminology, and key market characteristics throughout their detailed explanations
- gave multiple valid reasons for their answers when explaining changes in consumer surplus, allocative efficiency, profit and output
- consistently included all of the key aspects when explaining marginal analysis, for example at Q_1 , $MR > MC$, missing marginal profits, increase output to Q_e where $MR = MC$ and profits are maximised.

Candidates who were awarded **Not Achieved** commonly:

- made inaccurate changes to graphs, for example errors in labelling the long run quantity for the monopoly, which should equal the original short run quantity
- did not complete whole questions or significant parts of questions
- merely listed characteristics of perfect competition and monopoly rather than explaining how those characteristics affected what the firm did
- used incorrect terminology, for example stating that CS and PS are maximised rather than the sum of CS and PS is maximised
- did not answer the question, for example defining consumer surplus without explaining whether it increases or decreases
- did not refer to marginal revenue and marginal cost when explaining marginal analysis.

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

Assessment

Question One required candidates to use the foreign exchange market model to show the impact of a rise in OCR on the New Zealand dollar and the trade balance. Candidates were also expected to use the aggregate demand and aggregate supply model to analyse the impact of the higher OCR on the Government's goals of price stability and a favourable trade balance.

Question Two was about the risk of stagflation and a recession due to significant cost pressures and falling domestic confidence levels. It required candidates to use the aggregate demand and aggregate supply model to analyse the impact of cost pressures on economic growth. Candidates were also required to explain the impact on price stability and economic growth of falling domestic confidence, as well as explain why it might be more helpful for achieving price stability than economic growth.

Question Three required candidates to use the circular flow model to explain the impact of a falling terms of trade and loosening migration settings on employment. Candidates were also expected to explain why falling terms of trade would be likely to have a lesser impact on employment compared to loose migration settings.

All three questions required the use of an economic model, through either graphing or explanation of the model, and were scaffolded by breaking the question into parts. Candidates were expected to use appropriate economic terminology and their knowledge of the contemporary New Zealand economy.

Commentary

Candidates who achieved at a higher level used appropriate economic terminology and had knowledge of the contemporary New Zealand economy. They identified the macroeconomic influences included in the question and accurately identified the impact on the Government's goals of price stability, economic growth, and employment.

Candidates who did not achieve did not show understanding of the resource material or economic models provided, attempted only parts of a question, and used little economic knowledge or terminology in their explanations. Commonly misused terms included disposable income when discretionary income was more accurate, firing employees when laying off employees or redundancies were more appropriate, and production instead of productivity.

Understanding of concepts like terms of trade and references to the circular flow model are areas that need improvement. Some candidates confused terms of trade with free trade agreement or balance of trade. Few candidates referred to the resources flow in the circular flow model when explaining the impact on employment.

When using and explaining aggregate demand and aggregate supply candidates should refer specifically to the variables or factors affected such as consumption spending, investment spending, or costs of production.

Grade awarding

Candidates who were awarded **Achievement** commonly:

- showed changes on graphs, including labelling the changes
- used some economic terminology in their brief explanations of economic concepts and models, including the market for the New Zealand Dollar, the aggregate demand and aggregate supply, and the circular flow models
- defined basic economic concepts such as price stability, trade balance, economic growth, employment, and terms of trade
- made links between the exchange rate and the impact on the trade balance.

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

- included multiple graph references and reasons for changes to models in their explanations
- referred to relevant information from the resource material
- applied definitions to their explanations of economic influences and their effects on the New Zealand economy and the Government's macro-economic goals, such as interest rates reducing spending and price pressure to maintain price stability, or falling terms of trade reducing employment in the trade sectors
- provided examples to support their explanations, such as consumer decisions about savings, or appropriate export goods like dairy being impacted by price changes.

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

- showed a strong understanding of the requirements of the question and a broad understanding of the standard including the terms of trade and the circular flow model, allowing them to explain the macro-economic effects using the concepts and models
- integrated the resource material and economic models into their detailed explanations
- compared and contrasted the short-and long-term impacts of policies to improve price stability, or cost pressures versus confidence levels
- identified the internal factors that the Government can control with policies and the external factors that the Government has less control over when trying to achieve macro-economic goals.

Candidates who were awarded **Not Achieved** commonly:

- confused the impact of interest rates on the foreign exchange model with that of the aggregate demand and aggregate supply model
- confused the impact of business confidence as a factor of aggregate supply, rather than aggregate demand
- provided only partial explanations
- mixed knowledge of microeconomics with macroeconomics
- did not use the models correctly to demonstrate an economic influence
- did not define economic concepts.