

Assessment Schedule – 2014

Economics: Analyse international trade using economic concepts and models (91223)

Assessment criteria

Achievement	Achievement with Merit	Achievement with Excellence
<p><i>Demonstrate understanding</i> involves:</p> <ul style="list-style-type: none"> • identifying, defining, or describing international trade concepts • providing an explanation of causes of changes in international trade, using economic models • providing an explanation of the impacts of changes in international trade on various groups in New Zealand society. 	<p><i>Demonstrate in-depth understanding</i> involves:</p> <ul style="list-style-type: none"> • providing a detailed explanation of causes of changes in international trade, using economic models • providing a detailed explanation of the impacts of changes in international trade on various groups in New Zealand society. 	<p><i>Demonstrate comprehensive understanding</i> involves analysing:</p> <ul style="list-style-type: none"> • causes of changes in international trade by comparing and/or contrasting their impact on international trade • the impacts of changes in international trade by comparing and/or contrasting the impact on various groups in New Zealand society • by integrating changes shown on economic models into detailed explanations.

Explanation involves giving a reason for the answer.

Detailed explanation involves giving an explanation with breadth (more than one reason for the answer) and/or depth (eg using flow-on effects to link the main cause to the main result).

Note: Each question should be read as a whole before awarding a grade.

Evidence Statement

Question One	Achievement	Achievement with Merit	Achievement with Excellence
(a)	<ul style="list-style-type: none"> Shows the impact of an appreciation of the New Zealand dollar (see Appendix One) $D_{\\$NZ}$ shifted to the right, or $S_{\\$NZ}$ shifted to the left. Explains ONE cause of the change to the market for \$NZ. Answer should match shift in graph. <p>Example for $D_{\\$NZ}$ shifted to the right, the appreciation of the \$NZ may be caused by an increase in interest rates in New Zealand. This will raise demand for \$NZ. The increase in demand will cause the \$NZ to appreciate.</p> <p>OR</p> <p>Example for $S_{\\$NZ}$ shifted to the left, the appreciation might be caused by a decrease in imports. This will decrease the supply of the \$NZ. The decrease in supply will cause the \$NZ to appreciate.</p>	<p>ONE cause of an appreciation of the New Zealand dollar is explained in detail by:</p> <ul style="list-style-type: none"> showing the impact of an appreciation of the New Zealand dollar (see Appendix One) $D_{\\$NZ}$ shifted to the right, or $S_{\\$NZ}$ shifted to the left <i>AND</i> explaining in detail the changes made on Graph One, eg For $D_{\\$NZ}$ shifted to the right, the appreciation of the \$NZ may be caused by an increase in interest rates in New Zealand. This will increase overseas investor deposits in New Zealand banks, which will raise demand for \$NZ from $D_{\\$NZ}$ to $D_{\\$NZ1}$. The increase in demand will cause the \$NZ to appreciate from P to P_1. 	

<p>(b)</p>	<ul style="list-style-type: none"> Identifies cost <i>AND/OR</i> benefit <i>OR</i> explains cost <i>AND/OR</i> benefit to New Zealand businesses (eg New Zealand exports fall) <i>OR</i> when the \$NZ appreciates, New Zealand export businesses become less price competitive. Identifies cost <i>AND/OR</i> benefit <i>OR</i> explains cost <i>AND/OR</i> benefit to New Zealand consumers (eg cheaper petrol) <i>OR</i> the appreciation makes imported goods cheaper because the \$NZ buys more). Explains the overall impact on New Zealand's current account (eg the overall impact of an appreciation is likely to be negative, as the appreciation is likely to lead to lower exports and raise, imports). 	<ul style="list-style-type: none"> Explains in detail cost <i>OR</i> benefit to New Zealand businesses (eg when the \$NZ appreciates, New Zealand export businesses become less price competitive, as goods priced in \$NZ are now more expensive in overseas currencies). Explains in detail cost <i>OR</i> benefit to New Zealand consumers (eg The appreciation makes imported goods cheaper, as goods priced in overseas currencies are now cheaper in \$NZ, so things like petrol will be cheaper). Explains in detail the overall impact on New Zealand's current account (eg the overall impact of an appreciation is likely to be negative, as the appreciation is likely to lead to lower export receipts and higher import payments, which will make the trade balance deteriorate). 	<p>Compares and contrasts the effect of an appreciation in the New Zealand dollar on businesses and consumers in New Zealand by:</p> <ul style="list-style-type: none"> explaining in detail ONE cost <i>AND</i> ONE benefit to New Zealand businesses (eg when the \$NZ appreciates, New Zealand export businesses become less price competitive, as goods priced in \$NZ are now more expensive in overseas currencies. This appreciation does, however, make imported raw materials cheaper, as goods priced in overseas currencies are now cheaper in \$NZ) explaining in detail ONE cost <i>AND</i> ONE benefit to New Zealand consumers explaining in detail the overall impact on New Zealand's current account (eg the overall impact of an appreciation is likely to be negative, as the appreciation is likely to lead to lower export receipts, and higher import payments, which will make the trade balance deteriorate). 				
N1	N2	A3	A4	M5	M6	E7	E8
Very little Achievement evidence.	Some Achievement evidence, partial explanation.	Most Achievement evidence, including at least one explanation.	Nearly all Achievement evidence, including at least one explanation.	Some Merit evidence.	Most Merit evidence.	Excellence evidence. Most points covered.	Excellence evidence. One part may be weaker.

N0 = No response; no relevant evidence.

Question Two	Achievement	Achievement with Merit	Achievement with Excellence
	<ul style="list-style-type: none"> • Identifies the new supply curve for orange juice concentrate in Brazil and the new level of exports (see Appendix Two). • Identifies the new level of orange juice concentrate imports to New Zealand and the new world price that would result from the increase in the Brazilian government subsidy for orange juice concentrate (see Appendix Two). • States or explains how New Zealand producers are worse off (eg because the price of orange juice has decreased, meaning cheaper juice, and this lower price reduces New Zealand producer revenue, so they are worse off OR they are better off because they now have lower costs of production). • States or explains how NZers employed in OJ production will be worse off (eg NZ workers could face lower incomes or unemployment making them worse off OR vice versa if producers are better off) • States or explains how New Zealand consumers are better off (eg New Zealand consumers are better off because the price of juice has decreased) • States or explains how the NZ Government will be worse off (eg The NZ Government will receive less tax or pay more in benefits. The NZ Government will be worse off OR vice versa if NZ producers are better off). 	<ul style="list-style-type: none"> • Shows the new supply curve for orange juice concentrate in Brazil and the new level of exports (see Appendix Two) AND shows the new level of orange juice concentrate imports to New Zealand and the new world price that would result from the increase in the Brazilian government subsidy for orange juice concentrate (see Appendix Two). • Explains in detail how producers will be worse off (eg the lower price will mean that New Zealand producers will reduce their Q_s, as orange juice becomes a relatively less attractive product to produce. Their revenue will fall, making them worse off). <p style="text-align: center;">OR</p> <ul style="list-style-type: none"> explains in detail how producers are better off (eg a decrease in the world price of concentrate will mean a decrease in the costs of production of NZ producers. This will therefore increase profits making them better off). • Explains in detail how New Zealanders employed in orange juice production will be worse off (eg to maintain profit margins and lower costs workers could face lower incomes or unemployment making them worse off OR vice versa if producers are better off) • Explains in detail how consumers will be better off (eg the price of orange juice will decrease. This will mean that New Zealand consumers will increase their Q_d, as orange juice becomes a relatively more attractive product to purchase, making them better off. • Explains in detail how the NZ Government will be worse off (eg The NZ Government will receive less income tax from NZ orange juice producers, less PAYE because workers will be earning less and pay more in benefits as some will 	<p>Compares and contrasts the impact that an increase in the Brazilian government subsidy could have on the following groups:</p> <ul style="list-style-type: none"> • New Zealand orange juice producers • New Zealanders employed in orange juice production • New Zealand consumers of orange juice • the New Zealand Government <p>by:</p> <ul style="list-style-type: none"> • showing the new supply curve for orange juice concentrate in Brazil and the new level of exports (see Appendix Two) AND showing the new level of orange juice concentrate imports to New Zealand, and the new world price that would result from the increase in the Brazilian government subsidy for orange juice concentrate (see Appendix Two) • explaining in detail how most, or all, of the groups will be worse off, or better off, from the increase in the Brazilian government subsidy on orange juice concentrate • appropriately referring to Graph Two in the explanation, eg the increase in the Brazilian subsidy will result in a shift to the right of the Brazilian supply curve from S to S_1. The increased supply increases exports from X to X_1. The increase in supply lowers the world price to P_{w1}. The lower world price encourages New Zealand importers to increase imports of Brazilian orange juice concentrate from M to M_1. The increase in imports and lower price will mean that New Zealand orange juice producers will need to lower their prices to

			lose their jobs. The NZ Government will be worse off OR vice versa if NZ producers are better off).			<p>remain competitive. The lower prices will result in lower New Zealand output and less revenue for the New Zealand orange juice producers, making them worse off. Lower output, and a desire to reduce costs, may result in those working in New Zealand orange juice production to earn lower incomes, or lose employment and become worse off.</p> <p>The lower price of orange juice will mean that New Zealand consumers will increase their Q_d, as orange juice becomes a relatively more attractive product to purchase, making them better off.</p> <p>The New Zealand government will receive less income tax from New Zealand orange juice producers, less PAYE because workers will be earning less, and pay more in benefits, as some will lose their jobs. The New Zealand government will be financially worse off.</p> <p>Graph Two must be integrated into the explanation.</p>	
N1	N2	A3	A4	M5	M6	E7	E8
Very little Achievement evidence.	Some Achievement evidence, partial explanation.	Most Achievement evidence, including at least one explanation.	Nearly all Achievement evidence, including at least one explanation.	Some Merit evidence.	Most Merit evidence.	Excellence evidence. Most points covered. Graph Two integrated into the answer.	Excellence evidence. One part may be weaker. Graph Two integrated into the answer.

N0 = No response; no relevant evidence.

Question Three	Achievement	Achievement with Merit	Achievement with Excellence
(a)	<ul style="list-style-type: none"> • Describes the Current Account, eg the Current Account of the BOP consists of the Balance on Goods, Balance on Services, Balance on Investment Income and Balance on Transfers <i>OR</i> identifies the Current Account balance in the stimulus material – ie Balance on Goods and Balance on Services. • States that the TPP will improve the Current Account balance <i>OR</i> explains the impact of the TPP on the Current Account, eg by opening up the trade in goods and services, the TPP will improve the Current Account balance. 	<p>The impact of the TPP on the New Zealand Balance of Payments Current Account is explained in detail by:</p> <ul style="list-style-type: none"> • referring to the items specified in the stimulus material to support the answer – eg the Current Account of the BOP consists of the Balance on Goods, Balance on Services, Balance on Investment Income and Balance on Transfers. By opening up the trade in goods and services, the TPP will increase the Balance on Goods and the Balance on Services surpluses, therefore improving the Current Account balance. 	

<p>(b)</p>	<ul style="list-style-type: none"> • Illustrates on Graph Three how an overseas tariff on New Zealand fish products impacts on the New Zealand squid market (refer to Appendix Three). • Explains how an overseas tariff on New Zealand fish products will impact on the New Zealand squid market – eg an overseas tariff will lower the price that New Zealand squid exporters receive in those countries. The lower price will cause exports to fall. • Explains that the overseas tariff on New Zealand fish products will result in a worse Current Account balance since exports will decrease <i>OR</i> that the Trans-Pacific Partnership will have a larger impact on the Current Account of the Balance of Payments than the international trade barriers on New Zealand fish products – eg the TPP will have a larger impact on the Current Account, because it covers more countries <i>OR</i> The TPP covers a wider range of goods and services. 	<ul style="list-style-type: none"> • Illustrates on Graph Three how an overseas tariff on New Zealand fish products impacts on the New Zealand squid market (refer to Appendix Three). • Explains in detail how an overseas tariff on New Zealand fish products will impact on the New Zealand squid market. Referring to Graph Three in the explanation – eg an overseas tariff will lower the price that New Zealand squid exporters receive in those countries, as some of the price paid by the overseas consumer will go to their government with a reduced amount flowing through to the New Zealand exporter. That will reduce $P_{W(\text{without tariff})}$ to $P_{W(\text{tariff})}$. The lower price will discourage squid production, so Q_s will fall. The lower price will encourage local consumption, so Q_d will rise. The impact is that exports will fall to $X_{(\text{tariff})}$. OR • Explanation can include the idea that as a result of the tariff the price exporters receive will fall <i>OR</i> revenue will decrease and that as a result exports will decrease. 	<p>Compares and contrasts the impact of the Trans-Pacific Partnership with the impact of international trade barriers on New Zealand fish products by:</p> <ul style="list-style-type: none"> • illustrating on Graph Three how an overseas tariff on New Zealand fish products impacts on the New Zealand squid market (refer to Appendix Three) • explaining in detail how an overseas tariff on New Zealand fish products will impact on the New Zealand squid market. Referring to Graph Three in the explanation – eg an overseas tariff will lower the price that New Zealand squid exporters receive in those countries. That will reduce $P_{W(\text{without tariff})}$ to $P_{W(\text{tariff})}$. The lower price will discourage squid production, so Q_s will fall. The lower price will encourage local consumption, so Q_d will rise. The impact is that exports will fall to $X_{(\text{tariff})}$. OR Explanation can include the idea that as a result of the tariff the price exporters receive will fall <i>OR</i> revenue will decrease and that as a result exports will decrease. • explaining in detail why the Trans-Pacific Partnership will have a different impact on the Current Account of the Balance of Payments than the international trade barriers on New Zealand fish products, by offering one or more of the ideas in the following example: The TPP will have a larger impact on the Current Account, because it covers 12 countries, whereas the tariffs mentioned only exist in two of those 12 countries. Also, the TPP covers a wide range of goods and services, whereas the tariff applies only to seafood – which is only one export goods category. The TPP has a positive effect on the Current Account, because it creates the opportunity for New Zealand to increase exports.
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						<p>The trade barriers restrict exports, and, therefore, have a negative effect on the Current Account.</p> <p>Candidates may also comment that the TPP may increase the value of imports, though the overall effect on Current Account is still positive.</p>	
N1	N2	A3	A4	M5	M6	E7	E8
Very little Achievement evidence.	Some Achievement evidence, partial explanation.	Most Achievement evidence, including at least one explanation.	Nearly all Achievement evidence, including at least one explanation.	Some Merit evidence.	Most Merit evidence.	Excellence evidence. Most points covered. Includes ONE idea of the contrasting effects of the TPP and the tariff on the BoP.	Excellence evidence. One part may be weaker. Includes at least ONE idea of the contrasting effects of the TPP and the tariff on the BoP. Graph must be correct.

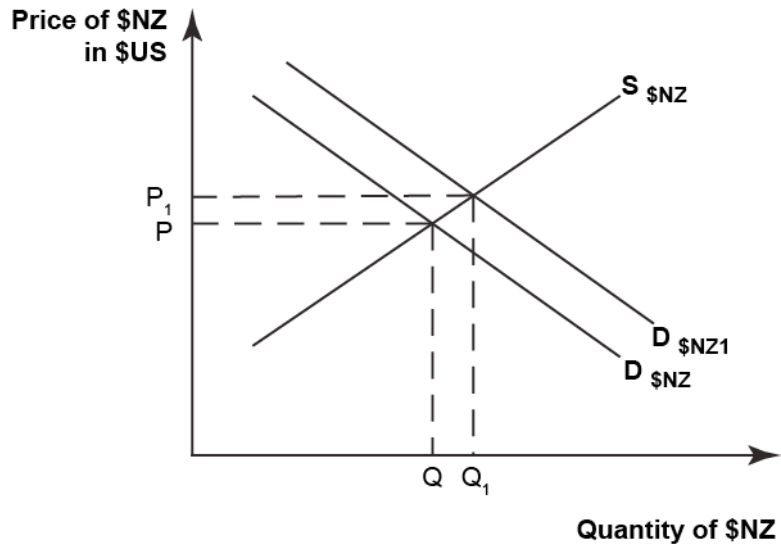
N0 = No response; no relevant evidence.

Cut Scores

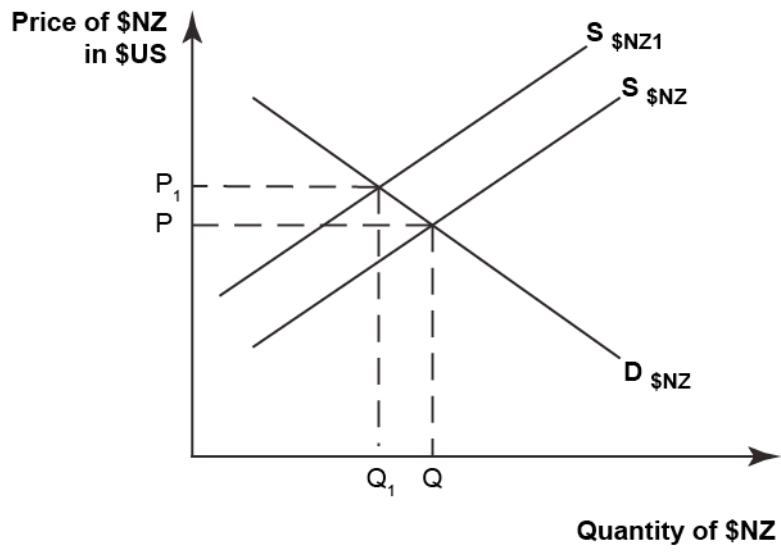
	Not Achieved	Achievement	Achievement with Merit	Achievement with Excellence
Score range	0 – 6	7 – 12	13 – 18	19 – 24

Appendix One
Question One (a)

Graph One: Market for the New Zealand dollar

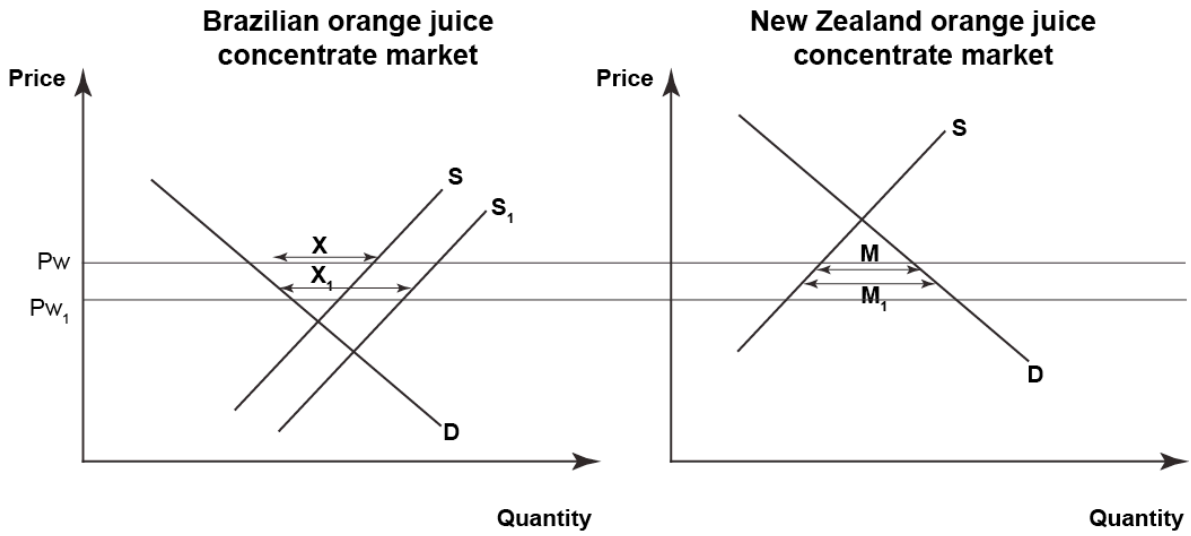


OR



Appendix Two
Question Two

Graph Two: Two-country model



Appendix Three
Question Three (b)

Graph Three: Market for New Zealand squid

