

Assessment Schedule – 2014**Economics: Analyse economic growth using economic concepts and models (91224)****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 economic growth concepts providing an explanation of causes of changes in economic growth, using economic models providing an explanation of the impacts of changes in economic growth on various groups in New Zealand society and / or the environment. | <p><i>Demonstrate in-depth understanding</i> involves:</p> <ul style="list-style-type: none"> providing a detailed explanation of causes of changes in economic growth, using economic models providing a detailed explanation of the impacts of changes in economic growth on various groups in New Zealand society and / or the environment. | <p><i>Demonstrate comprehensive understanding</i> involves analysing:</p> <ul style="list-style-type: none"> causes of changes in economic growth by comparing and / or contrasting their impact on economic growth the impacts of changes in economic growth by comparing and / or contrasting the impact on various groups in New Zealand society and / or the environment 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"> Nominal GDP defined (the current dollar value of the goods and services produced) <i>OR</i> explained (the measure of GDP that can rise when output or prices rise). Real GDP defined (the constant dollar value of the goods and services produced) <i>OR</i> explained (the measure of GDP that rises only when output rises / the impact of inflation has been removed). <i>OR</i> The difference between Nominal and Real GDP is stated (Real GDP is Nominal GDP after inflation has been removed). Nominal GDP increases faster than Real GDP as Nominal GDP includes increase in prices and in output / production (or vice versa) | <p>The relationship between Nominal and Real GDP is explained in detail, using data from the table.</p> <p>Sample answer: Nominal GDP is the current dollar value of all goods and services produced in the economy in one year. This amount can increase, because either production or prices have risen. Real GDP is the constant dollar value of all goods and services produced in the economy in one year. This amount has the impact of inflation removed, and therefore, rises only when production rises. (The difference between the percentage increase in Nominal GDP and Real GDP represents the GDP Deflator (Price Index / Inflation) – eg in 2012, Nominal GDP rose 4.2%, while Real GDP rose 2.3%. The 1.9% difference represents the inflation impact.</p> | |

| | | | |
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| <p>(b)</p> | <ul style="list-style-type: none"> • Explains a limitation of percentage changes in Real GDP as a measure of economic growth – eg it doesn't distinguish the type of goods and services produced. Producing guns is counted as equal to producing medicine. • Explains a limitation of using the HDI as a measure of economic growth – eg it uses a common currency, so it can change when exchange rates change. • Explains how HDI can be used to measure economic growth – combines economic and non-economic factors eg GNI, life expectancy etc. | <ul style="list-style-type: none"> • Explains in detail the limitations of percentage changes in Real GDP as a measure of economic growth (ONE limitation is identified and explained). • Explains in detail the limitations of using the HDI as a measure of economic growth (ONE limitation is identified and explained). • Appropriately uses the data provided in the question – eg the HDI uses the \$US as a common currency when measuring the Gross National Income (GNI) per capita. If the \$NZ appreciates, our GNI will rise above \$US24 358, and our HDI will rise, even though no more goods have been produced. Also, the HDI uses a limited range of non-income items (life expectancy and schooling), while other measures of well-being are not included. | <p>Compares and contrasts economic growth that results from changes in Real GDP with economic growth that results from changes in the Human Development Index (HDI) by:</p> <ul style="list-style-type: none"> • explaining in detail the limitations of percentage changes in Real GDP as a measure of economic growth. ONE limitation is identified and explained, to the point where it is clear why this is a limitation – this is the problem; this explains the problem. For example, real GDP does not distinguish the type of goods and services produced. Producing guns is counted as equal to producing medicine. Also, Real GDP does not consider the distribution of income. The Real GDP value is a total amount for the entire economy, and there is no indication of how that amount is distributed amongst the population. • explaining in detail the limitations of using the HDI as a measure of economic growth. ONE limitation is identified and explained to the point where it is clear why this is a limitation – this is the problem, this explains the problem. For example, the HDI uses the \$US as a common currency when measuring the GNI per capita. If the \$NZ appreciates, our GNI will rise above \$US24 358, and our HDI will rise, even though no more goods have been produced. Also, the HDI uses a limited range of non-income items (life expectancy and schooling), while other measures of well-being are not included. • explaining in detail why the HDI could be preferred as a measure of economic growth. ONE reason why it is preferred is given and explained – eg by including non-income factors like life expectancy, the HDI attempts to overcome the distribution |
|------------|--|---|--|

| | | | | | | <p>problems associated with the Real GDP, making it a better measure of economic well-being</p> <ul style="list-style-type: none"> • appropriately using the data provided in the question. | |
|-----------------------------------|---|--|--|----------------------|----------------------|--|--|
| 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 |
|--------------|---|--|---|
| (a) | <ul style="list-style-type: none"> Fully labels Graph One to show the impact of the \$1.35 billion that the government is spending on ultra-fast broadband (See Appendix One). Explains how this government expenditure could affect Real GDP – eg government spending increases AD, and therefore Real GDP increases. | <p>Explains in detail the impact of government ultra-fast broadband expenditure on Real GDP by explaining in detail how this government expenditure could affect Real GDP <i>AND</i> refers to the changes made on Graph One to support the answer – eg government spending on UFB will also lead to higher business investment, and these are components of AD; therefore, when they rise, AD will rise from AD to AD₁. This results in Real GDP rising from Y to Y₁.</p> | |
| (b) | <ul style="list-style-type: none"> Explains what type of businesses would have the largest positive impact during the installation phase of UFB – eg because the government spending is on infrastructure, firms that install the infrastructure will benefit the most, as they will have an increase in work. Explains what type of businesses would have the largest positive impact after the installation is completed – eg after the installation, firms that use UFB will get the most benefit, as their businesses will be more efficient. Fully label Graph 2 (must show PPF shift outwards). See Appendix Two. | <ul style="list-style-type: none"> Explains in detail what type of businesses would have the largest positive impact during the installation phase of UFB – eg because the government spending is on infrastructure, firms that are directly related to that will benefit the most. That could be firms that install the cables, or supply the cables or the machinery used by the installers, as they will have an increase in work and sales. Explains in detail what type of businesses would have the largest positive impact after the installation is completed. | <p>Compares and contrasts the impact of the change that the government expenditure will make on Real GDP over time by:</p> <ul style="list-style-type: none"> explaining in detail what type of businesses would have the largest positive impact during the installation phase of UFB explaining in detail what type of businesses would have the largest positive impact after the installation is completed integrating Graph Two into the explanation. See Appendix Two. <p>Sample answer: When the government spends money on UFB installation, there is an increase in capital goods production, which is shown as a movement on Graph Two from A to B. Initially, businesses that either install the cables, or supply these firms with capital items like cables or machinery, will receive the largest benefit. When the UFB is installed, firms that use the UFB will achieve efficiency gains, and increase their output of both capital and consumer goods. This will result in the PPF moving outwards to PPF₁, and making a new level of production possible at Point C.</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. Including integration of graph (shift along AND outwards) OR broader impact long term. | Excellence evidence. One part may be weaker. Including integration of graph (shift along AND outwards) AND broader impact long term. |

N0 = No response; no relevant evidence.

| Question Three | Achievement | Achievement with Merit | Achievement with Excellence |
|----------------|---|---|---|
| (a) | <ul style="list-style-type: none"> Fully labels Graph Three to show the impact of a recovery in the US economy on the New Zealand economy (refer to Appendix Three). Explains how a US recovery could affect Real GDP in New Zealand – eg a recovery in the US will increase New Zealand exports, which will raise AD and, therefore, increase Real GDP <i>OR</i> describe the impact of a US recovery on Real GDP in New Zealand – eg New Zealand real GDP will increase. | <p>The impact of a recovery in the US economy on Real GDP in New Zealand is explained in detail by:</p> <ul style="list-style-type: none"> explaining in detail how a US recovery could affect Real GDP in New Zealand. Referring to the changes made on Graph Three to support the answer – eg a recovery in the US economy is likely to lead to an increase in US demand for New Zealand goods and services. This will increase exports of New Zealand goods and services. A rise in X will result in greater AD, as X is a component in the AD equation. An increase in AD will lead to a rise in Real GDP from Y to Y₁. | |
| (b) | <ul style="list-style-type: none"> Illustrates on Graph Four how the rise in New Zealand business confidence would impact on Real GDP (refer to Appendix Four). Explains how the rise in business confidence would affect Real GDP – eg a rise in business confidence will result in businesses being more willing to invest. AD will increase and lead to a rise in Real GDP. | <ul style="list-style-type: none"> Explains in detail how the rise in business confidence would affect Real GDP. Referring to the changes made to Graph Four – eg a rise in business confidence will result in businesses being more willing to invest and increase productive capacity in order to meet this expected increase in sales / revenue / demand. An increase in investment (I) will result in an increase in AD, because I is a component in the AD equation. An increase in AD will lead to a rise in Real GDP from Y to Y₂. | <p>Compares and contrasts the impact of the rise in New Zealand business confidence with the recovery of the US economy by:</p> <ul style="list-style-type: none"> explaining in detail how a recovery in the US economy will affect Real GDP in New Zealand in (a) or (b) illustrating on Graph Four how the rise in New Zealand business confidence would impact on Real GDP (refer to Appendix Four) explaining in detail how the rise in business confidence would affect Real GDP. Referring to the changes made to Graph Four – eg a rise in business confidence will result in businesses being more willing to invest and increase productive capacity. An increase in I will result in an increase in AD, because I is a component in the AD equation. An increase in AD will lead to a rise in Real GDP from Y to Y₂ explaining in detail why the recovery in the US economy could have a larger impact on Real GDP in New Zealand than the rise in business confidence – eg a US recovery is likely to |

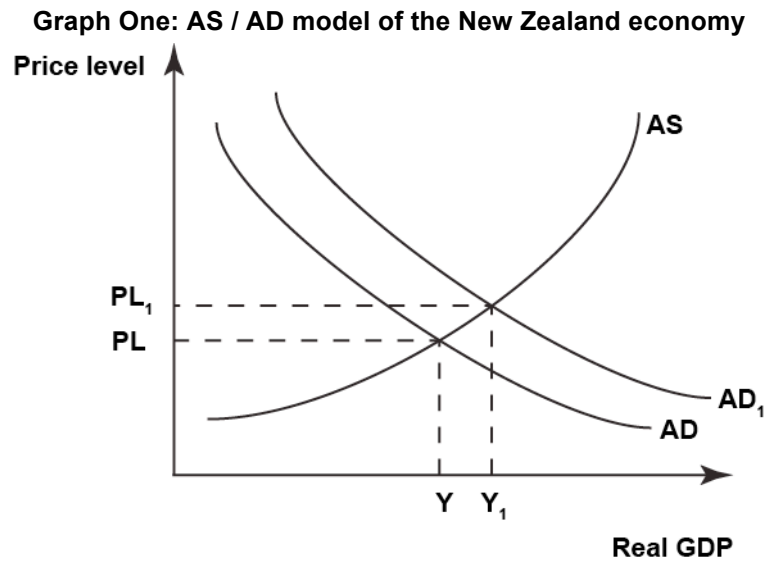
| | | | | | | <p>have an impact on almost all markets overseas, in the same way it impacts on the New Zealand economy. As a result, exports to other countries will also increase. This will impact on business confidence in New Zealand, which will also lead to increases in investment, which will impact on Real GDP. The rise in New Zealand business confidence is limited to the local market, and although it impacts most New Zealand businesses, it has a less widespread effect.</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. | Excellence evidence. One part may be weaker. E7 AND multiplied/flow on effects to other sector(s). |

N0 = No response; no relevant evidence.

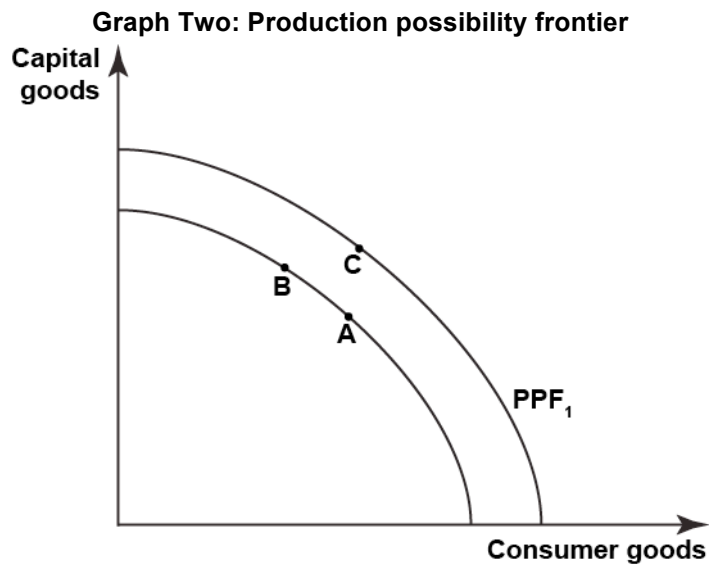
Cut Scores

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

Appendix One
Question Two (a)

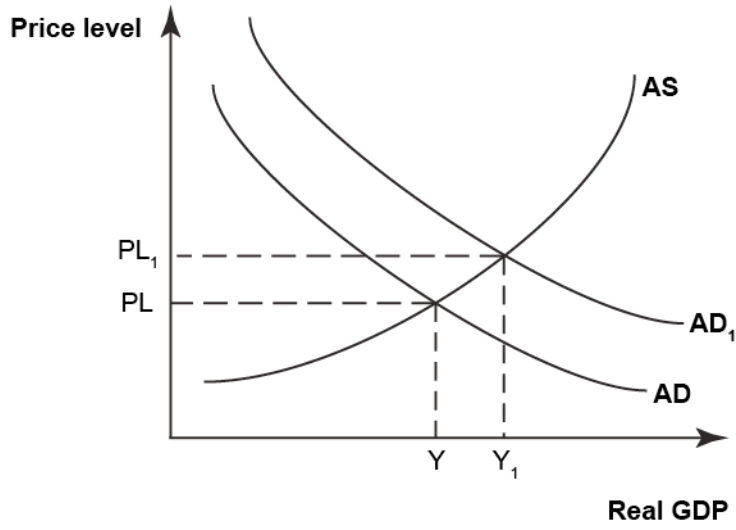


Appendix Two
Question Two (b)



Appendix Three
Question Three (a)

Graph Three: AS/AD model of the New Zealand economy



Appendix Four
Question Three (b)

Graph Four: AS/AD model of the New Zealand economy

