

Assessment Schedule – 2016**Economics: Analyse inflation using economic concepts and models (91222)****Assessment criteria**

Achievement	Achievement with Merit	Achievement with Excellence
<p><i>Analyse</i> involves:</p> <ul style="list-style-type: none"> • identifying, defining, or describing inflation concepts • providing an explanation of causes of changes in inflation, using economic models • providing an explanation of the impacts of changes in inflation on various groups in New Zealand society. 	<p><i>Analyse in depth</i> involves:</p> <ul style="list-style-type: none"> • providing a detailed explanation of causes of changes in inflation, using economic models • providing a detailed explanation of the impacts of changes in inflation on various groups in New Zealand society. 	<p><i>Analyse comprehensively</i> involves:</p> <ul style="list-style-type: none"> • analysing causes of changes in inflation by comparing and/or contrasting their impact on inflation • analysing the impacts of changes in inflation by comparing and/or contrasting the impact on various groups in New Zealand society • 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 (e.g. using flow-on effects to link the main cause to the main result).

Evidence

Question ONE		Evidence					
Achievement	(a)	<ul style="list-style-type: none"> Defines or describes inflation Explains why weaker oil prices may cause a change in inflation (e.g. The price of oil affects the costs of production of many firms, as oil is a source of energy for transport. Weaker oil prices will, therefore, put downward pressure on the price of many goods and services and, therefore, downward pressure on inflation.) Explains why an increase in the price of cigarettes is unlikely to affect inflation (e.g. a rise in the price of cigarettes is a rise for a single product. It is unlikely to affect the price of other goods and, therefore, is unlikely to alter the general level of prices). 					
	(b)	(i) Correctly draws on Graph One a shift to the right of the AS curve (See Appendix One .) (ii) Correctly draws on Graph Two a shift to the right of the AD curve (See Appendix Two .)					
	(c)	Explains the impact of the depreciation of the NZ\$ on inflation, using AD/AS model (e.g. a decrease in the value of the NZ\$ may lead to higher NZ\$ returns to exporters. AD will tend to rise (AD to AD ₁).					
Merit	(a) and (b) (i)	<ul style="list-style-type: none"> Fully explains why a change in the price of oil may result in changes to inflation but a change in the price of cigarettes may <i>not</i> result in inflation. (Change made in the AD/AS model of Graph One in (b)(i)) (e.g. The price of oil affects the costs of production of many firms, as oil is a source of energy for transport. Weaker oil prices will, therefore, put downward pressure on the price of many goods and services and, therefore, downward pressure on inflation. A rise in the price of cigarettes is a rise for a single product and is unlikely to affect the price of other goods and so is unlikely to alter the general level of prices.) 					
	(b) (ii) and (c)	<ul style="list-style-type: none"> Fully explains how the depreciation of the NZ\$ affects inflation, using AD/AS model of Graph Two (e.g. a decrease in the value of the New Zealand dollar may lead to higher NZ\$ returns to exporters for export goods priced in overseas currencies. Export receipts (X) may rise; and because X is a component of AD, AD will tend to rise (AD to AD₁). The shift to the right of AD shows the price level rising, which is demand-pull inflation). 					
Excellence	(a) and (c)	<ul style="list-style-type: none"> Merit explanations for impact on inflation of the change in the price of oil and the depreciation of the NZ\$ AND Integrates the AD/AS model into the full explanation (e.g. A decrease in the value of the New Zealand dollar may lead to higher NZ\$ returns to exporters for export goods priced in overseas currencies. Export receipts (X) may rise; and because X is a component of AD, AD will tend to rise (AD to AD₁). The shift to the right of AD shows the price level rising, which is demand-pull inflation. A decrease in the value of the NZ\$ may have a smaller effect on prices than weaker global oil prices because oil prices affect almost all producers in NZ, whereas higher export receipts directly affect only exporters. Therefore, the shift to the right of AD (AD to AD₁) is less than the shift to the right of the AS (AS to AS₁). <p>Note: Candidates who choose to shift both AS and AD should not be penalised.</p>					
N1	N2	A3	A4	M5	M6	E7	E8
Very little Achievement evidence.	Some Achievement evidence, partial explanation.	Some Achievement evidence, including ONE explanation.	Most Achievement evidence, including TWO explanations.	Some Merit evidence. (a) OR (c) with reference to graph. Minor errors.	Most Merit evidence. (a) OR (c) with reference to graph.	Excellence evidence, one part weaker.	All Excellence points covered.
N0 = No response; no relevant evidence.							

Question TWO		Evidence					
A	(a)	<ul style="list-style-type: none"> Identifies Point X on Graph Three. (See Appendix Three.) 					
	(b)	<ul style="list-style-type: none"> Correctly draws a shift to the left of the AD curve on Graph Four. (See Appendix Four.) Defines deflation Explains the shift to the left of the AD curve (e.g. A recession may lead to a period of lower income and spending in the economy. This decreases AD, which will cause prices to fall.). 					
	(c)	<ul style="list-style-type: none"> Correctly draws a shift to the left of the AD curve on Graph Five. (See Appendix Five.) 					
	(d)	<ul style="list-style-type: none"> Explains the impact of a downturn in China on deflation, on the AD curve (e.g. A downturn in China will reduce New Zealand exports to China. This will reduce AD, which, in turn, will cause prices to fall.). 					
M	(b)	<ul style="list-style-type: none"> Fully explains how recession may cause deflation, using AD/AS model (e.g. A recession may lead to a period of deflation because during a recession, consumers and businesses tend to be more conservative in their spending. As a result, consumption (C) and investment (I) tend to decrease and because C and I are components of AD, AD tends to decrease (AD to AD₁). The shift to the left of AD shows the price level falling (PL to PL₁), which is deflation.) 					
	(c) and (d)	<ul style="list-style-type: none"> Fully explains how the downturn in China may cause deflation, using AD/AS model of Graph Five (e.g. A downturn in China may also lead to a period of deflation because during the downturn, export receipts (X) will tend to decrease and because X is a component of AD, AD will tend to decrease (AD to AD₂). The shift to the left of AD shows the price level falling (PL to PL₂), which is deflation). Candidates may give the answer in terms of a fall in price level, without using the word deflation. 					
E	(b), (c) and (d)	<ul style="list-style-type: none"> Merit evidence of the different impacts on deflation in New Zealand of a recession in New Zealand and the downturn in China AND Integrates changes shown on economic models into the detailed explanation (e.g. A downturn in China may also lead to a period of deflation in New Zealand because during the downturn, export receipts (X) will tend to decrease and because X is a component of AD, AD will tend to decrease (AD to AD₂). The shift to the left of AD shows the price level falling (PL to PL₂), which is deflation. The downturn in China is likely to have a smaller effect on price levels because the downturn affects only NZ-export firms whereas the recession affects consumers and many more producers). 					
N1	N2	A3	A4	M5	M6	E7	E8
Very little Achievement evidence.	Some Achievement evidence, partial explanation.	Some Achievement evidence, including ONE explanation.	Most Achievement evidence including ONE explanation.	Some Merit evidence. (b) OR (c) and (d) with reference to graph. Minor errors.	Most Merit evidence. (b) OR (c) and (d) with reference to graph.	Excellence evidence, one part weaker.	All Excellence points covered.
N0 = No response; no relevant evidence.							

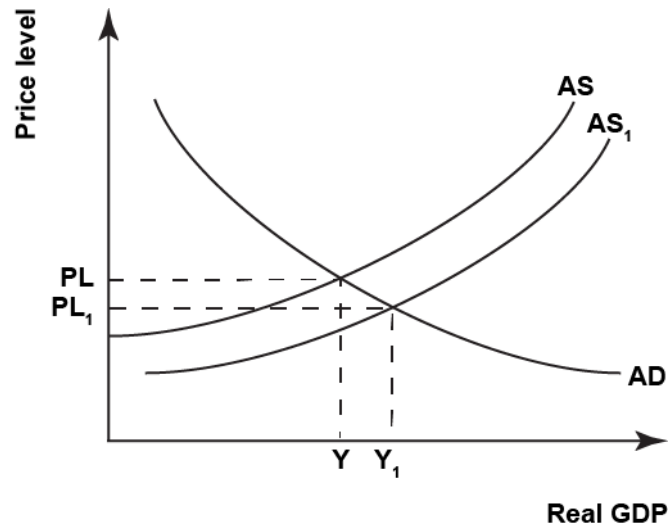
Question THREE	Evidence						
A	<ul style="list-style-type: none"> Explains the effects of deflation in New Zealand on younger people saving for their first home (e.g. Deflation will mean that people saving to buy their first home will have a lower cost of living and be able to save more). Explains the effects of deflation on older people in retirement who use their savings to provide them with income (e.g. Older people may find that they receive lower interest income if interest rates fall to offset deflation). Explains the effects of deflation on NZ businesses producing for the local market (e.g. New Zealand businesses producing for the local market will receive a lower price and earn less income.) Explains the effects of deflation on NZ businesses producing for export (e.g. New Zealand export firms will have lower costs but maintain a better price and, therefore, earn greater profits). 						
M	<ul style="list-style-type: none"> Fully explains the effects of deflation on younger people saving for their first home (e.g. Younger people saving for their first home may benefit from deflation because it might increase the purchasing power of their income. This may mean that they can save more of their income to put towards the purchase of their home. It may also mean that the home may become cheaper. Deflation may also lead to lower interest rates and, therefore, make loan repayments more affordable). Fully explains the effects of deflation on older people in retirement who use their savings to provide them with income (e.g. Older people in retirement who use their savings to provide them with income may find that the value of their assets falls, which means that selling those assets will result in less earnings. Also, if interest rates fall even though prices may have dropped, the people will receive less income and, therefore, may have falling purchasing power). Fully explains the effects of deflation on NZ businesses producing for the local market (e.g. NZ businesses producing for the local market will find that the prices that they receive for their product may fall. They may also find that their costs of production fall and, therefore, the outcome may be either slightly worse off or neutral). Fully explains the effects of deflation on NZ businesses producing for export (e.g. NZ businesses producing for export may also face falling costs of production; but if their markets do not have (or have less) deflation, then they may find that their profit margin rises and, therefore, they may be relatively better off). 						
E	<ul style="list-style-type: none"> Fully explains the effects of deflation on younger people saving for their first home AND the effects of deflation on older people in retirement who use their savings to provide them with income. Fully explains the effects of deflation on NZ businesses producing for the local market AND the effects of deflation on NZ businesses producing for export. 						
N1	N2	A3	A4	M5	M6	E7	E8
Very little Achievement evidence.	Some Achievement evidence, partial explanation.	Some Achievement evidence, including ONE explanation.	Most Achievement evidence, including TWO explanations.	Some Merit evidence.	Most Merit evidence.	Excellence evidence, some part weaker. BOTH of (a) or BOTH of (b).	All Excellence points covered.
N0 = No response; no relevant evidence.							

Cut Scores

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

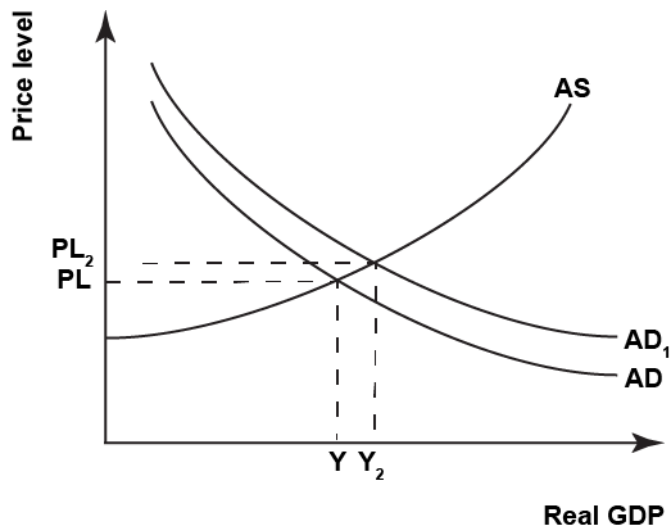
Appendix One – Question One (b) (i)

Graph One: AD / AS model of New Zealand economy



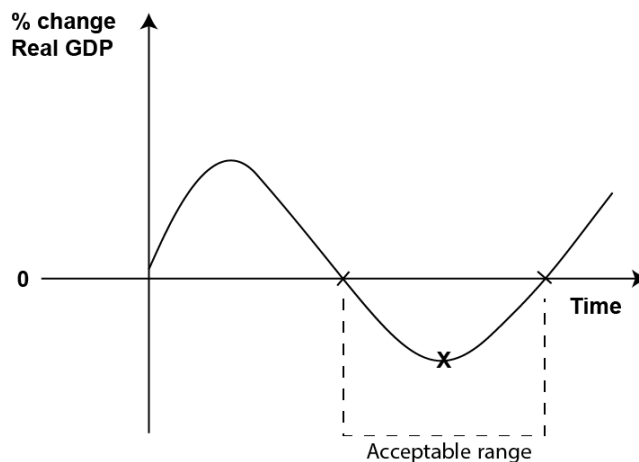
Appendix Two – Question One (b) (ii)

Graph Two: AD / AS model of New Zealand economy



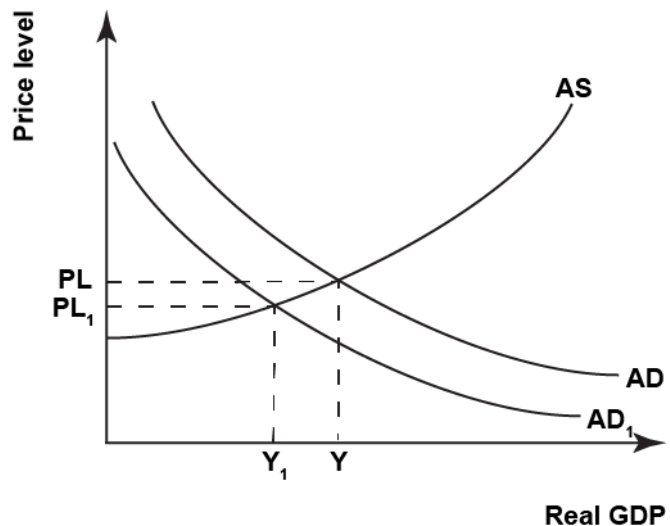
Appendix Three – Question Two (a)

Graph Three: The Business Cycle



Appendix Four – Question Two (b)

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



Appendix Five – Question Two (c)

Graph Five: AD/AS model of New Zealand economy

