

Assessment Schedule – 2017

Economics: Demonstrate understanding of macro-economic influences on the New Zealand economy (91403)

Assessment Criteria

Achievement	Achievement with Merit	Achievement with Excellence
<p><i>Demonstrate understanding</i> involves:</p> <ul style="list-style-type: none"> • providing an explanation of the current state of the New Zealand economy in relation to macro-economic goals • identifying, defining, calculating, and describing or providing an explanation of macro-economic influences on the New Zealand economy • using an economic model(s) to illustrate concepts relating to macro-economic influences on the New Zealand economy. <p><i>Explanation</i> involves giving a reason for the answer.</p>	<p><i>Demonstrate in-depth understanding</i> involves:</p> <ul style="list-style-type: none"> • providing a detailed explanation of macro-economic influences on the New Zealand economy • using an economic model(s) to illustrate complex concepts and/or support detailed explanations of macro-economic influences on the New Zealand economy. <p><i>Detailed explanation</i> 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).</p>	<p><i>Demonstrate comprehensive understanding</i> involves:</p> <ul style="list-style-type: none"> • comparing and/or contrasting: <ul style="list-style-type: none"> - the effectiveness of one government policy in achieving different macro-economic goals and/or the effectiveness of different government policies in achieving one macro-economic goal - the impacts of one macro-economic influence on the New Zealand economy in relation to different macro-economic goals and/or the impacts of different macro-economic influences on the New Zealand economy in relation to one macro-economic goal • integrating an economic model(s) into explanations of macro-economic influences on the New Zealand economy that compares and/or contrasts the impacts on macro-economic goal(s).

Cut Scores

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

Evidence

Question	Sample Evidence	Achievement	Achievement with Merit	Achievement with Excellence
ONE				
(a) (i)	<i>(See Appendix.)</i>	<ul style="list-style-type: none"> AD shifted to the right, and increase in real GDP labelled on Graph One. 		
(ii)	<p>Increased spending on roading projects and tourism infrastructure would increase aggregate demand from AD to AD₁ because the increase in government spending would also increase:</p> <ul style="list-style-type: none"> consumption due to the creation of jobs (as labour is needed to complete the projects) and hence greater incomes investment due to firms' spending more on capital goods needed to complete the projects net exports due to a possible increase in the number of tourists coming to NZ to spend money due to the improved tourist infrastructure. <p>Hence, Real GDP would increase from Y to Y₁, increasing growth in the economy.</p>	<ul style="list-style-type: none"> Explains TWO of: <ul style="list-style-type: none"> - AD increases because of increases in C - AD increases because of increases in I - AD increases because of increases in X Explains that growth will increase because of AD increasing 	<p>Explains in detail:</p> <ul style="list-style-type: none"> AD increases because one of the components of AD increases. Must explain why the component increases AD increases because one other of the components of AD increases. Must explain why the component increases. <p><i>(Must link increase in AD to increase in real GDP / growth.)</i></p>	
(b)	<i>(See Appendix.)</i>	AS and AD curves shifted to the right, and increase in real GDP labelled on Graph Two.		

Question	Sample Evidence	Achievement	Achievement with Merit	Achievement with Excellence
<p>Three (c)</p>	<p>Increased spending on tertiary education and apprenticeship programmes would increase economic growth because this policy would increase aggregate supply from AS to AS₁ and productivity of the economy would increase due to more young people receiving tertiary education and attending apprenticeship programmes, which will upskill the workforce. Hence, costs of production would decline in the economy, making production more profitable. Aggregate demand would also increase from AD to AD₂ because of the increase in government spending (and G is a component of AD). Hence, real GDP increases from Y to Y₂.</p>	<p>Explains:</p> <ul style="list-style-type: none"> • AS increases because of increases in productivity in the economy • AD increases because of the increase in government spending (or any other component of AD if it is correctly linked to increased spending on tertiary education and apprenticeship programmes) • Growth increases because of the increases in AS or AD. 	<p>Explains in detail:</p> <ul style="list-style-type: none"> • AS increases because of increases in productivity in the economy and hence lower costs of production. Must explain how increased spending on tertiary education and apprenticeship programmes will increase productivity. • AD increases because government spending is a component of AD, so increased spending on tertiary education and apprenticeship programmes will increase aggregate demand (or any other component of AD explained in detail and correctly linked to increased spending on tertiary education and apprenticeship programmes). <p><i>(Must link increases in AS / AD to increase in real GDP / growth.)</i></p>	<p>Explains in detail:</p> <ul style="list-style-type: none"> • AS increases because of increases in productivity in the economy and hence lower costs of production. Must explain how increased spending on tertiary education and apprenticeship programmes will increase productivity. • AD increases because government spending is a component of AD, so increased spending on tertiary education and apprenticeship programmes will increase aggregate demand (or any other component of AD explained in detail and correctly linked to increased spending on tertiary education and apprenticeship programmes). <p><i>(Must link increases in AS / AD to increase in real GDP / growth.)</i></p>

Question	Sample Evidence	Achievement	Achievement with Merit	Achievement with Excellence
One (c) cont'd	<p>Increased spending on regional roading projects and tourism infrastructure would have the greater impact on long-term economic growth because the impact of the multiplier would result in a greater increase in real GDP compared to the increase in real GDP for increased spending on tertiary education and apprenticeship programmes. This is because in the long term, the multiplier would increase growth even more because the increased spending by consumers and businesses would be income for others, which would be spent creating more demand, output, and income.</p> <p>Increased spending on tertiary education and apprenticeship programmes would have the greater impact on long-term economic growth because this policy would increase AS and AD (due to the increase in Government spending), so the increase in real GDP would be greater compared to increased spending on regional roading projects and tourism infrastructure, which would increase only AD. Also, in the long term, the workforce would have had sufficient time to be upskilled, so the increase in AS and real GDP would be more significant.</p> <p><i>Note: other valid reasons may be given for either policy having a greater impact on long term growth. The multiplier could also be referred to when discussing the second policy, and the increase in AS could be referred to when discussing the first policy.</i></p>			<p><i>AND EITHER</i></p> <ul style="list-style-type: none"> Explains in detail why the increase in long-term growth will be greater for increased spending on regional roading projects and tourism infrastructure because of the multiplier. <i>(Must explain how the multiplier will create extra increases in output)</i> <p><i>OR</i></p> <p>Explains why the increase in long-term growth will be greater for increased spending on tertiary education and apprenticeship programmes because this policy will increase AS and AD, whereas increased spending on regional roading projects and tourism infrastructure will increase only AD.</p>

N1	N2	A3	A4	M5	M6	E7	E8
Very little Achievement evidence.	Some Achievement evidence, partial explanations.	Most Achievement evidence.	Nearly all Achievement evidence.	Some Merit evidence AND refers to Graph One OR Graph Two.	Most Merit evidence AND refers to Graph One AND Graph Two.	Excellence evidence AND integrates relevant information from BOTH graphs into the explanation. One part may be weaker.	All points covered AND integrates relevant information from BOTH graphs into the explanation.

N0 = No response; no relevant evidence.

Question	Sample Evidence	Achievement	Achievement with Merit	Achievement with Excellence
TWO				
(a)	<p>The five new free trade agreements could improve the current account because the reduction in trade barriers by our trading partners would make exports of goods and services more price competitive, increasing the exports and, hence, export receipts flows in the circular flow model. This would increase New Zealand's balance on goods and balance on services and would, therefore, improve the current account.</p>	<p>Explains that the five new free trade agreements could improve the current account because of:</p> <ul style="list-style-type: none"> • increased exports and export receipts • the balance on goods / services improving. 	<p>Explains in detail:</p> <ul style="list-style-type: none"> • the five new free trade agreements could improve the current account because exports would be more price competitive because of the reduction / removal of trade barriers to New Zealand goods. This would increase exports and export receipts and, hence, increase the balance on goods and services. <i>(Must give a valid reason for exports increasing and refer to at least one component of the current account.)</i> 	
(b)	<p>The five new free trade agreements could increase employment because the increase in the exports and export receipt flows may result in an increase in the resources flow because New Zealand producers may need to employ more resources such as labour to produce more goods and services for export.</p>	<p>Explains that the five new free trade agreements could increase employment due to:</p> <ul style="list-style-type: none"> • more resources needed • more goods and services being produced. 	<p>Explains in detail:</p> <ul style="list-style-type: none"> • the five new free trade agreements could increase employment in the form of greater exports and export receipts so more goods and services are being produced and, hence, more labour resources are required. <i>(Must have the idea of greater derived demand for labour.)</i> 	

Question	Sample Evidence	Achievement	Achievement with Merit	Achievement with Excellence
Two (c)	<p>The five new free trade agreements would be more effective in achieving a balanced current account because, e.g.:</p> <ul style="list-style-type: none"> the increase in exports due to the reduction of trade barriers should outweigh any increase in imports, given that New Zealand is a small country and would have greater access to large overseas markets such as India. Hence, the current account deficit should decline and thus New Zealand moves significantly closer to the goal of a balanced current account where total exports = total imports. Any increases in employment may be minimal because of job losses in local industries competing against imports; thus, New Zealand would not move much closer to the goal of full employment. 	<p>Explains that the five new free trade agreements may be more effective at achieving a balanced current account because:</p> <ul style="list-style-type: none"> any increase in imports / import payments would be outweighed by increases in exports / export receipts employment may decrease because of increased imports. 	<p><i>EITHER</i></p> <p>Explains in detail that the five new free trade agreements may be more effective at achieving a balanced current account as:</p> <ul style="list-style-type: none"> any increase in imports / import payments would be outweighed by increases in exports / export receipts because New Zealand would have greater access to large overseas markets such as India (<i>Must give a reason for the increase in exports outweighing any increase in imports.</i>) <p><i>OR</i></p> <p>employment may decrease / not increase significantly because of job losses in local industries competing against imported goods, which are more price competitive because of lower tariffs. New Zealand firms are selling and producing less, and so they will require fewer workers. (<i>Must give a reason why increased imports will result in job losses.</i>)</p>	<p><i>EITHER</i></p> <p>Explains in detail that the five new free trade agreements may be more effective at achieving a balanced current account as:</p> <ul style="list-style-type: none"> any increase in imports / import payments would be outweighed by increases in exports / export receipts because New Zealand would have greater access to large overseas markets such as India. (<i>Must give a reason for the increase in exports outweighing any increase in imports.</i>) <p><i>AND</i></p> <p>employment may decrease / not increase significantly because of job losses in local industries competing against imported goods, which are more price competitive because of lower tariffs. New Zealand firms are selling and producing less, and so they will require fewer workers. (<i>Must give a reason why increased imports will result in job losses.</i>)</p>

Question	Sample Evidence	Achievement	Achievement with Merit	Achievement with Excellence
Two (c) cont'd	<p><i>OR</i></p> <p>The five new free trade agreements would be more effective in achieving full employment because, e.g.:</p> <ul style="list-style-type: none"> the increase in imports may result in more jobs in importing industries because importers might require more resources such as labour to process increased imports. This would reinforce the positive impact on employment of increased exports, and move New Zealand significantly closer to the goal of full employment. Any increase in imports and import payments because of New Zealand's reducing its trade barriers may be significant, and this would offset the impact of increased export receipts on the balance on goods and services, resulting in little or no reduction in the current account deficit. 	<p><i>OR</i></p> <p>Explains that five new free trade agreements would be more effective at achieving full employment because:</p> <ul style="list-style-type: none"> any job losses due to increased spending on imported goods would be outweighed by increased employment in exporting industries and importing industries increases in imports / import payments may offset increases in exports / export receipts, resulting in no reduction in the current account deficit (or the deficit gets worse). 	<p><i>OR</i></p> <p>Explains that five new free trade agreements would be more effective at achieving full employment because:</p> <ul style="list-style-type: none"> any job losses due to increased spending on imported goods will be outweighed by increased employment in exporting industries and importing industries. Exporting and importing firms are producing / selling more, and so they will require more workers. (<i>Must give a reason why increases in employment will outweigh job losses.</i>) <p><i>OR</i></p> <p>Increases in imports / import payments may offset increases in exports / export receipts, resulting in no reduction in the current account deficit (or the deficit gets worse).</p>	<p><i>OR</i></p> <p>Explains that five new free trade agreements would be more effective at achieving full employment because:</p> <ul style="list-style-type: none"> any job losses due to increased spending on imported goods will be outweighed by increased employment in exporting industries and importing industries. Exporting and importing firms are producing / selling more, and so they will require more workers. <p>Must give a reason why increases in employment will outweigh job losses.</p> <p><i>AND</i></p> <p>Increases in imports / import payments may offset increases in exports / export receipts, resulting in no reduction in the current account deficit (or the deficit gets worse).</p>

N1	N2	A3	A4	M5	M6	E7	E8
Very little Achievement evidence.	Some Achievement evidence, partial explanations.	Most Achievement evidence.	Nearly all Achievement evidence.	Some Merit evidence AND refers to Model One.	Most Merit evidence AND refers to Model One.	Excellence evidence AND integrates relevant information from Model One into the explanation. One part may be weaker.	All points covered AND integrates relevant information from Model One into the explanation.

N0 = No response; no relevant evidence.

Question	Sample Evidence	Achievement	Achievement with Merit	Achievement with Excellence
THREE				
(a)	<p>Savings is foregone consumption, and investment occurs when firms purchase/produce capital goods.</p> <p>Increased savings would result in a greater pool of funds that financial institutions can lend to firms so they can purchase more capital goods, which would result in more investment.</p> <p>Increased savings would mean that more resources would be available to produce capital goods because production of consumer goods would be lower, hence more capital goods would be produced in the economy and so investment would increase.</p>	<p>Defines savings AND investment.</p>	<p>Explains in detail that increased savings results in greater investment due to more funds OR resources becoming available for firms to purchase/produce more capital goods.</p>	
(b) (i)	<p><i>(See Appendix.)</i></p>	<p>Clearly indicates a point in the expansion phase of the business cycle, close to the peak.</p>		
(ii)	<p>If the economy is close to full employment, then the level of real GDP must be close to its maximum amount in the business cycle, since almost all of a nation's resources would be used to produce goods and services. Hence, the position of the New Zealand economy must be in the expansion phase of the business cycle and close to its peak.</p>	<p>Explains that New Zealand is in the expansion phase / close to its peak because real GDP is increasing / close to its peak.</p>	<p>Explains in detail that New Zealand is in the expansion phase of the business cycle, close to its peak, because real GDP is increasing and close to its peak as a result of most available resources in the economy being used to produce goods and services.</p>	
(c) (i)	<p><i>(See Appendix.)</i></p>	<p>AD shifted to the right, and PL₁ labelled where AD₁ intersects Y_f on Graph Three.</p>		

Question	Sample Evidence	Achievement	Achievement with Merit	Achievement with Excellence
<p>Three (c) (ii) cont'd</p>	<p>Increased investment would increase aggregate demand and shift the AD curve to the right because investment is a component of aggregate demand. This would result in an increase in the price level from PL to PL₁ and an increase in real GDP from Y to Y_f, as shown on Graph Three (assuming that the full employment level of output is reached).</p> <p>Increased investment would not be effective in achieving price stability if the economy were close to full employment because the increase in the inflation rate could be significant as a result of shortages of resources, pushing up their costs (e.g. wages increasing as a result of labour shortages), so any increase in output would require significant increases in the price level (PL to PL₁) to cover large increases in (marginal) costs. Hence, inflation may increase to beyond the range of 1 to 3 per cent.</p>	<p>Explains:</p> <ul style="list-style-type: none"> the price level AND real GDP would increase because of AD increasing increased investment would not be effective in achieving price stability because the price level would increase significantly increased investment will not be effective in achieving significant economic growth, as the increase in real GDP will not be large. 	<p>Explains in detail:</p> <ul style="list-style-type: none"> the price level AND real GDP would increase as AD increases because investment is a component of aggregate demand <p><i>AND EITHER</i></p> <ul style="list-style-type: none"> increased investment would not be effective in achieving price stability because the price level would increase significantly as a result of shortages of resources, which pushes up their costs. 	<p>Explains in detail:</p> <ul style="list-style-type: none"> the price level AND real GDP would increase as AD increases because investment is a component of aggregate demand increased investment would not be effective in achieving price stability because the price level would increase significantly as a result of shortages of resources, which pushes up their costs.

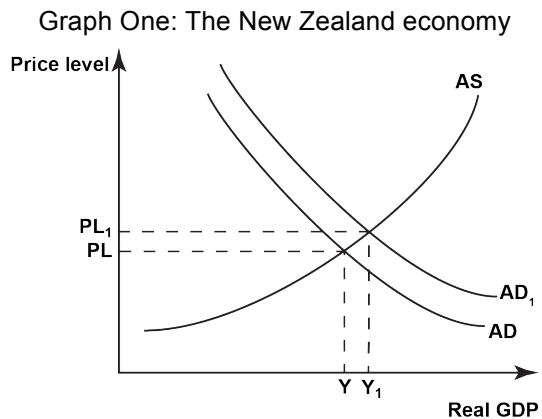
Question	Sample Evidence	Achievement	Achievement with Merit	Achievement with Excellence
Three (c) (ii) cont'd	Increased investment would increase growth; but because the economy would be close to full employment and close to the peak in the business cycle, the increase in real GDP would not be significant compared to the increase in the price level because of a limit on the capital resources available to increase output. This will limit the effectiveness of increased investment on growth, as evidenced by the small increase in real GDP from Y to Y_f on Graph Three.		OR Increased investment would not be effective in achieving significant economic growth because the increase in real GDP would not be great because of a limit on the amount of capital goods available to increase output.	<ul style="list-style-type: none"> Increased investment would not be effective in achieving significant economic growth because the increase in real GDP would not be great because of a limit on the amount of capital goods available to increase output.

N1	N2	A3	A4	M5	M6	E7	E8
Very little Achievement evidence.	Some Achievement evidence, partial explanations.	Most Achievement evidence.	Nearly all Achievement evidence.	Some Merit evidence AND refers to Model Two OR Graph Three.	Most Merit evidence AND refers to Model Two AND Graph Three.	Excellence evidence AND integrates relevant information from Model Two AND Graph Three into the explanation. One part may be weaker.	All points covered AND integrates relevant information from Model Two AND Graph Three into the explanation.

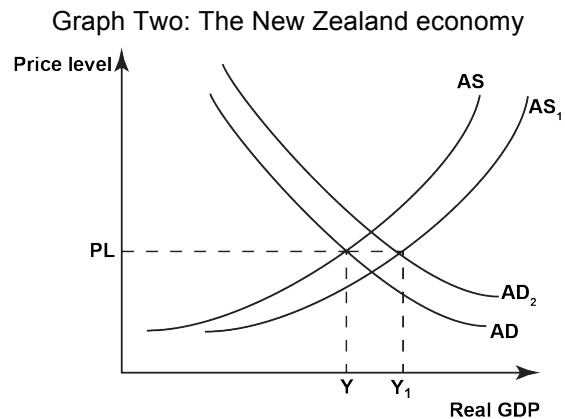
N0 = No response; no relevant evidence.

Appendix: Graphs

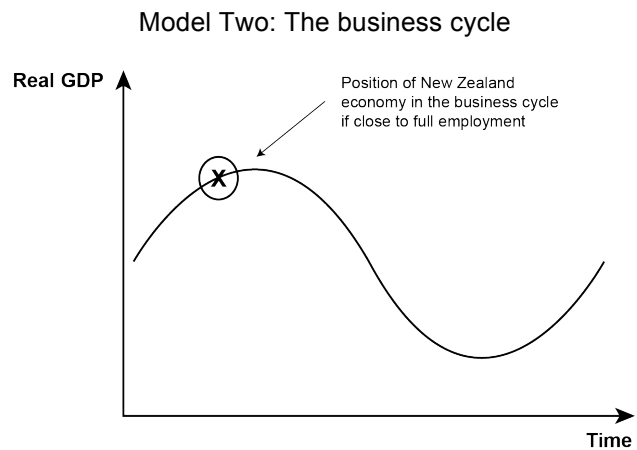
Question One (a)



Question One (b)



Question Three (b)



Question Three (c)

