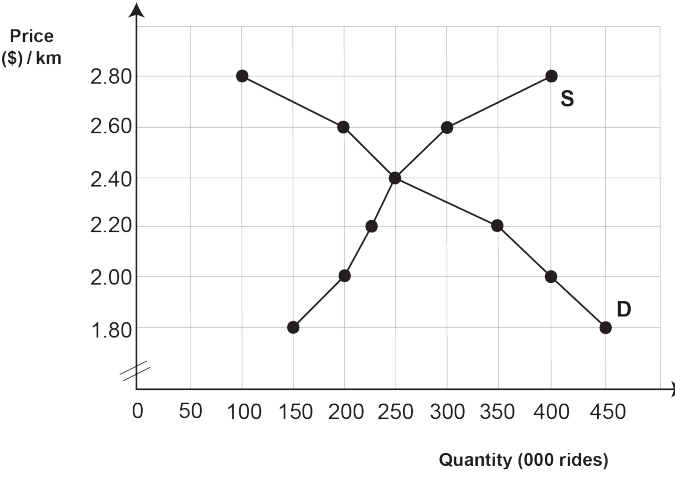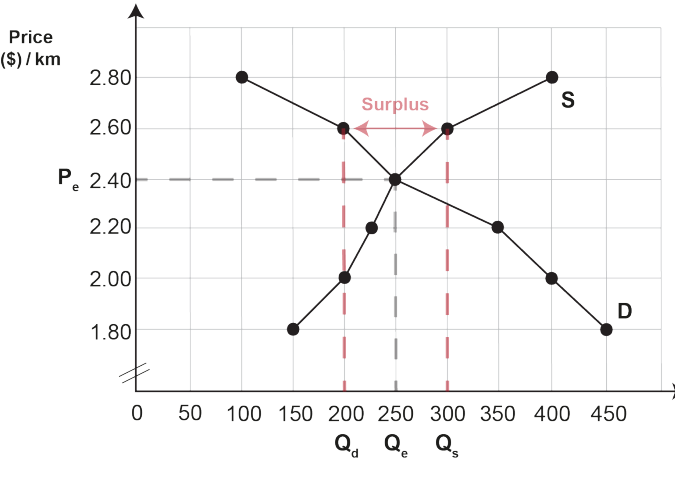## Assessment Schedule – 2019

Economics: Demonstrate understanding of how consumer, producer and / or government choices affect society, using market equilibrium (90986)

Assessment Criteria

Achievement	Achievement with Merit	Achievement with Excellence
Demonstrate understanding involves: • identifying, describing and / or providing an explanation of how producer, consumer, and / or government choices affect market equilibrium • identifying, describing and / or providing an explanation of how changes in market equilibrium affect different sectors • clearly illustrating changes using the supply and demand model.	*Demonstrate in-depth understanding* involves: • providing a detailed explanation, using the supply and demand model, of how producer, consumer and / or government choices affect market equilibrium • providing a detailed explanation, using the supply and demand model, of how changes in market equilibrium affect different sectors.	*Demonstrate comprehensive understanding* involves: • linking detailed explanations of how producer, consumer and / or government choices affect market equilibrium, with detailed explanations of how those changes affect different sectors • integrating changes in supply and demand into detailed explanations.

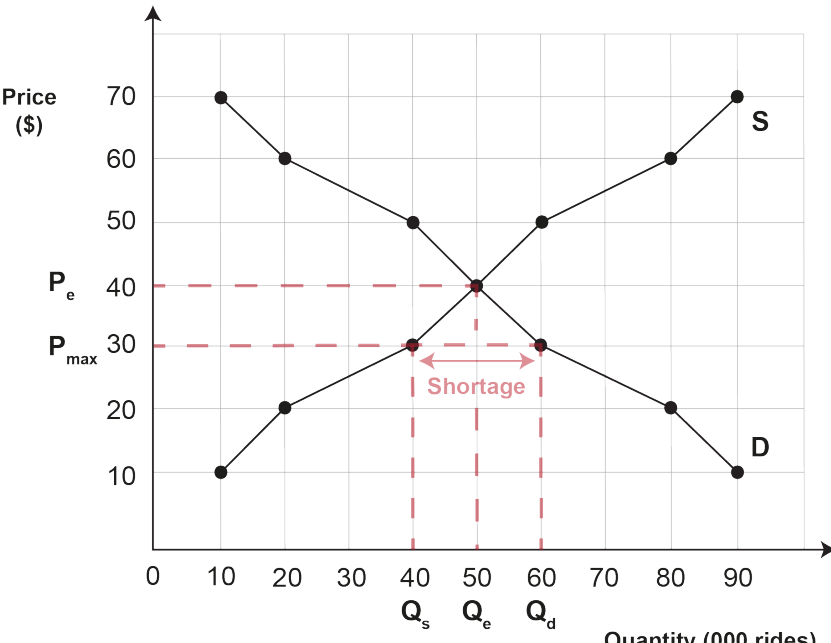| N0	N1	N2	A3	A4	M5	M6	E7	E8
No response; no relevant evidence.	Very little Achievement evidence.	Some Achievement evidence, partial explanations.	Most Achievement evidence, at least one explanation.	Nearly all Achievement evidence.	Some Merit evidence.	Most Merit evidence.	Excellence evidence. One part may be weaker.	All points covered.

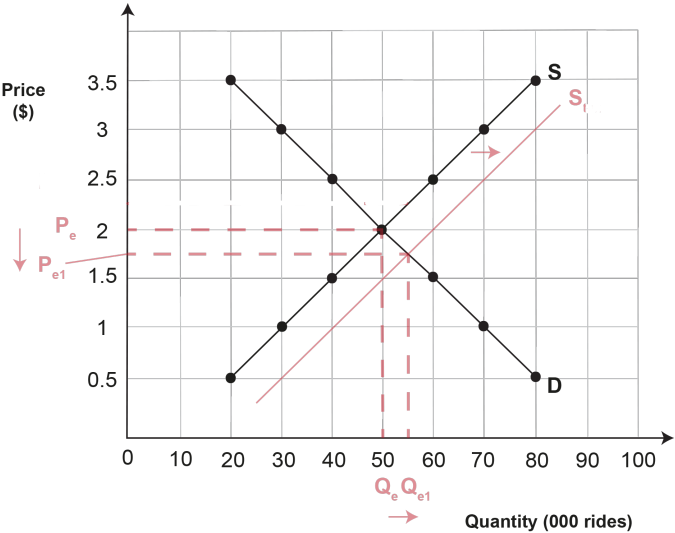**NB**: Each question should be read as a whole before awarding a grade.

Evidence

Question	Sample answers / Evidence
ONE (a)	Market for taxi fares in Auckland (weekly)
(b) & (c)	Market for taxi fares in Auckland (weekly)
ONE (cont'd) (d)	At $2.60 a ride, there is a surplus (i.e. where quantity supplied is greater than quantity demanded) of 100 000 rides. This is because there are 300 000 rides supplied, whereas only 200 000 rides are demanded.

(e)	In order to clear the surplus, taxi drivers (producers) will lower the price of their fares. This will eliminate the excess supply.
(f)	As the price for a taxi ride falls from $2.60 to $2.40: • Quantity demanded will increase from 200 000 rides to 250 000 rides as taxi fares become more affordable, assuming *ceteris paribus.* • Quantity supplied will decrease from 300 000 rides to 250 000 rides as taxi fares become less profitable, assuming *ceteris paribus.*
(g)	The price will continue to fall until it reaches $2.40 a ride, where equilibrium (i.e. where demand and supply are equal) is restored at 250 000 rides and the market is clear of its surplus.

Achievement	Achievement with Merit	Achievement with Excellence
Demonstrates understanding by: • completing table accurately • plotting points on the graph correctly • identifying the equilibrium • identifying a surplus • explaining a surplus • explaining a fall in price.	Detailed explanation that **includes**: • using data to identify a surplus • explaining the surplus as quantity supplied being greater than quantity demanded (i.e. $Q_s > Q_d$) • fully explaining why price will fall (i.e. taxi drivers/producers will reduce the price to clear the surplus) by referring to the surplus • using either law of demand or law of supply to fully explain the restoration of equilibrium. Candidate uses detailed explanations and mostly uses correct data and in context.	Comprehensive explanation that includes **fully explaining**: • the surplus, using correct data • integrating law of demand (i.e. **P** decreases, Q_d increases) and law of supply (i.e. **P** decreases, Q_s decreases), as well as data, into a full explanation of the price decrease. This decrease occurs when drivers / producers lower price in order to clear the surplus, restoring equilibrium at a price of $2.40 and quantity of 250,000 rides. Candidate uses integrated explanations in context and uses correct data and economic terminology.

Question	Sample answers / Evidence
TWO (a)	Market for Uber rides in New Zealand (weekly)
(b)	A shortage is created, which is when the quantity demanded is greater than the quantity supplied. Some suggested flow-on effects include: • Consumers will return to using taxis, so paying a higher price anyway and having less income for either other purchases or savings. • Consumers may decide against using taxis in favour of, for example, hitchhiking, which is arguably a less safe form of transport. • Consumers may decide to use public transport more often. This means there will be less pollution and single-vehicle users on the roads. • Consumers may use their own cars more, which may increase pollution.
(c)	The price of Uber rides will fall from $40 a ride to $30 a ride. This is because the government has set $30 as the maximum price that Uber drivers can charge passengers for a ride. The quantity supplied decreases from 50 000 to 40 000 rides a week. Uber drivers are less willing and less able to provide rides because they are now less profitable. This is because the difference between the cost and selling price will be smaller (i.e. less profitable). The quantity demanded increases from 50 000 to 60 000 rides a week. Consumers are now more willing and able to use Uber rides because they are now more affordable.
(d)	Consumer spending has decreased. Consumers originally spent $40 a ride on 50 000 rides, totalling $2 000 000. Now they spend $30 a ride on 40 000 rides (being all producers / Uber drivers are willing to supply), totalling $1 200 000. This is a decrease of $800 000.

Achievement	Achievement with Merit	Achievement with Excellence
Demonstrates understanding by: • labelling P_{max}, P_e, Q_e, Q_d and Q_s correctly • labelling the shortage correctly • stating price will decrease • explaining that quantity supplied will decrease • stating that actual quantity consumed will decrease • explaining that consumer spending will decrease.	Detailed explanation that **includes**: • correct labelling of P_{max}, P_e, Q_e, Q_d, Q_s and shortage. AND explaining some of: • why price will decrease • why quantity supplied will decrease • that consumer spending will decrease • a flow-on effect on society and that a P_{max} is an unsuccessful government intervention. Candidate makes some reference to the data from the graph.	Comprehensive explanation that includes **fully explaining**: • change in price • change in quantity supplied • change in quantity demanded • change in consumer spending • one flow-on effect to society. Candidate makes specific reference to correct data and economic terminology.

Question	Sample answers/Evidence
THREE (a)	Market for bus rides in Christchurch (daily)

(b)	(i) Quantity consumers buy before and after the subsidy
	       Before: 50 000 rides After: 55 000 rides
	
	(ii) Price consumers pay before and after the subsidy
	       Before: $2 a ride After: $1.75 a ride
	
	(iii) Price producers receive before and after the subsidy
	       Before: $2 a ride After: $2.25 a ride
	
	(iv) Total spending a day by the government as a result of this subsidy:
	       $0.50 × 55 000 = $27 500

(c)	Consumers initially paid $2 a ride, which decreased to $1.75 a ride. Consumer spending decreased from $100 000 (i.e. $2 x 50 000) to $96 250 (i.e. $1.75 x 55 000). A decrease of $3750. Producers initially received $2 a ride, which increased to $2.25 a ride. Producer revenue increased from $100 000 (i.e. $2 x 50 000) to $123 750 (i.e. $2.25 x 55 000). An increase of $23 750.
(d)	In the short term, the government will spend $27 500 per day (i.e. $0.50 x 55 000) to subsidise the bus rides. In the long term, because more people are using public transport, there will be less cars are on the road. This means: • There is less pollution, which means the government potentially does not need to worry about other road pollution-reducing initiatives. • The government potentially does not need to worry about widening roads and so forth (or other acceptable answers).

THREE (Cont'd) (e)	Due to the subsidy more people will use public transport. Some possible flow-on effects are: • People can exercise more as they walk to bus stops to catch a bus. • Less cars on the road, which means there are potentially less accidents, less pollution and less road-user charges collected by the government.

Achievement	Achievement with Merit	Achievement with Excellence
Demonstrates understanding by: • shifting the supply curve (**S**) to the right correctly. • labelling a lower price • labelling a higher quantity • identifying the quantity that consumers buy both before and after • identifying price consumers pay both before and after • identifying the price producers receive both before and after • identifying government revenue.	Detailed explanation that **includes**: • shifting the supply curve (**S**) to the right correctly, with labels and arrows AND correctly identifying: • quantity that consumers buy before and after • price that consumers pay before and after • price that producers receive before and after • government revenue. AND explaining: • explaining the change in price to consumers and the effect on consumer spending • explaining the change in price to producers and the effect on their revenue • explaining the financial effect on the government in the short term • explaining the financial effect on the government in the long term • explaining suitable flow-on effect to society as a result of the subsidy. Detailed explanation that is in context and uses some correct data.	Comprehensive explanation that includes **fully explaining**: • the change in price to consumers, and effects on consumer spending, with use of data • the changes in price to producers, and the effect on their revenue, with use of data • that subsidy is shared equally between producers and consumers • the financial effect on the government in the short term, with use of data • an effect on the government in the long term • a flow-on effect to society due to the subsidy. Figures and economic terms are correct and included in a paragraph that contains references to consumer spending and producer revenue.

Cut Scores

Not Achieved	Achievement	Achievement with Merit	Achievement with Excellence
0 – 06	07 – 12	13 – 18	19 – 24