

**Assessment Schedule – 2019****Economics: Analyse inflation using economic concepts and models (91222)****Assessment Criteria**

<b>Achievement</b>	<b>Achievement with Merit</b>	<b>Achievement with Excellence</b>
<p><i>Analyse inflation</i> involves:</p> <ul style="list-style-type: none"> <li>identifying, defining, or describing inflation concepts</li> <li>providing an explanation of causes of changes in inflation, using economic models</li> <li>providing an explanation of the impacts of changes in inflation on various groups in New Zealand society.</li> </ul> <p><i>Explanation</i> involves giving a reason for the answer.</p>	<p><i>Analyse inflation in depth</i> involves:</p> <ul style="list-style-type: none"> <li>providing a detailed explanation of causes of changes in inflation, using economic models</li> <li>providing a detailed explanation of the impacts of changes in inflation on various groups in New Zealand society.</li> </ul> <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>Analyse inflation comprehensively</i> involves analysing:</p> <ul style="list-style-type: none"> <li>causes of changes in inflation by comparing and / or contrasting their impact on inflation</li> <li>the impacts of changes in inflation by comparing and / or contrasting the impact on various groups in New Zealand society</li> <li>by integrating changes shown on economic models into detailed explanations.</li> </ul>

**NB:** Explanation involves giving a reason for the answer. Detailed explanation involves giving an explanation with breadth (e.g. 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).

<b>N1</b>	<b>N2</b>	<b>A3</b>	<b>A4</b>	<b>M5</b>	<b>M6</b>	<b>E7</b>	<b>E8</b>
Very little Achievement evidence.	Some Achievement evidence.	Most Achievement evidence.	Nearly all Achievement evidence.	Some Merit evidence.	Most Merit evidence.	Some Excellence evidence.	Most Excellence evidence.

**N0** = No response; no relevant evidence.

### Evidence

Question ONE	Achievement	Achievement with Merit	Achievement with Excellence
(a)(i)  (ii)	<ul style="list-style-type: none"> <li>• Identifies M: Money Supply, V: Velocity of Circulation, P: Price Level, Q: Real Output of Goods and Services.</li> <li>• Provides the equation and explains how price level increases (e.g. The Quantity Theory of Money equation is <math>MV = PQ</math>. When the money supply (M) increases, while V and Q are constant, the price level (P) will increase).</li> </ul>	<ul style="list-style-type: none"> <li>• Provides the equation and explains that the price level increases proportionately (e.g. The Quantity Theory of Money equation is <math>MV = PQ</math>. When the money supply (M) increases by 5%, while V and Q are constant, the price level (P) will increase by 5%). Or there will be a proportional increase in price level / inflation.</li> </ul>	<ul style="list-style-type: none"> <li>• Provides the equation and explains that the price level increases proportional to the 5% increase in Money Supply (e.g. The Quantity Theory of Money equation is <math>MV = PQ</math>). When the money supply (M) increases by 5%, while V and Q are constant, the price level (P) will increase by 5%. Otherwise there will be a proportional increase in price level / inflation.</li> </ul> <p><b>AND</b></p>
(b)(i) and (ii)	<ul style="list-style-type: none"> <li>• Links a reduced increase in price level to the decrease in velocity of circulation (e.g. when the money supply increases and velocity of circulation decreases (due to a fall in confidence / less consumption, the increase in the price level will be less).</li> </ul>	<ul style="list-style-type: none"> <li>• Links the proportionately smaller increase in price level to the decrease in consumer confidence / velocity of circulation (e.g. The weakening / fall in house prices will decrease consumer confidence / wealth effect / velocity of circulation as consumption falls). Therefore, when the money supply increases by 5%, and Q is constant, <math>M \times V</math> will increase by less than 5%. With real output remaining constant, the increase in price level / inflation will therefore be less than 5%.</li> </ul>	<ul style="list-style-type: none"> <li>• Links the proportionately smaller increase in price level to the decrease in consumer confidence / velocity of circulation (e.g. The weakening / fall in house prices will decrease consumer confidence / wealth effect / velocity of circulation as consumption falls). Therefore, when the Money Supply increases by 5%, and Q is constant, <math>M \times V</math> will increase by less than 5%. With real output remaining constant the increase in price level / inflation will therefore be less than 5%.</li> </ul> <p><b>AND</b></p> <ul style="list-style-type: none"> <li>• An increase in the Money Supply with a decrease in velocity of circulation (with real output held constant) will accordingly have a smaller impact on the price level than an increase in the Money Supply when real output and the velocity of circulation are constant.</li> </ul>

Question TWO	Achievement	Achievement with Merit	Achievement with Excellence
<p>(a)(i)</p> <p>(ii)</p>	<ul style="list-style-type: none"> <li>See <i>Appendix, Graph One</i>. Shifts AD to right.</li> <li>Explains that a sports event / Track Cycling World Cup will increase export receipts (or consumption, or investment, or government spending) and AD will increase (or Demand Pull inflation). The rise in AD will result in the price level rising.</li> </ul>	<ul style="list-style-type: none"> <li>Fully explains that a sports event / Track Cycling World Cup will increase export receipts (X), such as tickets to the event and accommodation. An increase in X will result in AD increasing from AD to AD1. This is because X is a component of AD. The rise in AD (from X) will result in the price level rising from PL to PL1. <i>(If alternative components from AD are used, they need to be justified relative to the resource material).</i></li> </ul>	<ul style="list-style-type: none"> <li>Fully explains that a sports event / Track Cycling World Cup will increase export receipts (X), such as tickets to the event and accommodation. An increase in X will result in AD increasing from AD to AD1. This is because X is a component of AD. The rise in AD (from X) will result in the price level rising from PL to PL1. <i>(If alternative components from AD are used, they need to be justified relative to the resource material).</i></li> </ul> <p><b>AND</b></p>
<p>(b)(i)</p> <p>(ii)</p>	<ul style="list-style-type: none"> <li>See <i>Appendix, Graph Two</i>. Shifts AS to left.</li> <li>Explains that an increase in import prices (5.1%) will increase the costs of production and the AS will decrease (or Cost Push inflation). The decrease in AS will result in the price level increasing.</li> <li>Explains that the event only impacts a single region for a short period of time (or capital goods impact many businesses)</li> </ul>	<ul style="list-style-type: none"> <li>Fully explains that an increase in import prices (5.1%) will increase the costs of production such as fuel, machinery and so forth and the AS will decrease (or Cost Push inflation). The decrease in AS will result in the price level increasing. AS decreases from AS to AS2. The decrease in AS will result in the price level increasing from PL to PL2.</li> </ul> <p><b>OR</b></p> <ul style="list-style-type: none"> <li>Fully explains that the increase in AD will have a relatively smaller impact on price level than the decrease in AS. This is because an increase in import prices will affect all capital goods imported on average into NZ and / or be a cost on average for every day of the identified year. The sports event / Track Cycling World Cup will only affect 550 officials /</li> </ul>	<ul style="list-style-type: none"> <li>Fully explains that an increase in import prices (5.1%) will increase the costs of production such as fuel, machinery and so forth, and the AS will decrease (or Cost Push inflation). The decrease in AS will result in the price level increasing. Producers will increase their prices on their output and to maintain their profit margins. AS decreases from AS to AS2. The decrease in AS will result in the price level increasing from PL to PL2.</li> </ul> <p><b>AND</b></p> <ul style="list-style-type: none"> <li>Fully explains the increase in AD will have a relatively smaller impact on price level than the decrease in AS. This is because an increase in import prices will affect the costs of all businesses that use capital goods imported into NZ and / or be a cost on average for every day of the identified year. The sports event / Track Cycling</li> </ul>

competitors, plus their international supporters.

World Cup will only affect 550 officials / competitors, plus their international supporters. Additionally, the event only impacts a single region of NZ for a limited time.

Question THREE	Achievement	Achievement with Merit	Achievement with Excellence
(a) (i)          (ii)	<ul style="list-style-type: none"> <li>Identifies a period of deflation from Graph Three AND defines / explains that deflation is a decrease in the general price level over a period of time.</li> </ul> <p><b>OR</b></p> <p>Identifies a period of inflation from Graph Three AND defines / explains that inflation is an increase in the general price level over a period of time.</p>	<ul style="list-style-type: none"> <li>Identifies a period of deflation from Graph Three AND defines / explains that deflation is a decrease in the general price level over a period of time.</li> </ul> <p><b>AND</b></p> <p>Identifies a period of inflation from Graph Three AND defines / explains that inflation is an increase in the general price level over a period of time.</p>	<ul style="list-style-type: none"> <li>Identifies a period of deflation from Graph Three AND defines / explains that deflation is a decrease in the general price level over a period of time.</li> </ul> <p><b>AND</b></p> <p>Identifies a period of inflation from Graph Three AND defines / explains that inflation is an increase in the general price level over a period of time.</p> <p>NOTE: Candidates who identify September 2016 as a period of inflation (disinflation) are not to be disadvantaged.</p> <p><b>AND</b></p>
(b)	<ul style="list-style-type: none"> <li>Explains <b>EITHER</b> that savers will be worse off in periods of inflation as the purchasing power of their saved money will decrease.</li> </ul> <p><b>OR</b></p> <ul style="list-style-type: none"> <li>That savers will be better off in periods of deflation as the purchasing power of their saved money will increase.</li> </ul> <p><b>OR</b></p> <ul style="list-style-type: none"> <li>Explains that borrowers will <b>EITHER</b> be better off in periods of inflation, as the real value of their debt will decrease / the value of their physical assets will increase relative to the debt incurred from purchasing it.</li> </ul>	<ul style="list-style-type: none"> <li>Fully explains that savers will be worse off in periods of inflation as the purchasing power of their saved money will decrease.</li> </ul> <p><b>AND</b></p> <ul style="list-style-type: none"> <li>That savers will be better off in periods of deflation as the purchasing power of their saved money will increase.</li> </ul> <p><b>OR</b></p> <ul style="list-style-type: none"> <li>Explains that borrowers will be better off in periods of inflation, as the real value of their debt will decrease / the value of their physical assets will increase relative to the debt incurred from purchasing it.</li> </ul> <p><b>AND</b></p> <ul style="list-style-type: none"> <li>That borrowers will be worse off in periods of deflation, as the real value of their debt will increase / the value of their physical assets will decrease in price relative to their debt.</li> </ul>	<ul style="list-style-type: none"> <li>Fully explains that savers will be worse off in periods of inflation as the purchasing power of their stored wealth / saved money will decrease due to a sustained increase in the general price level compared to borrowers who will be better off in periods of inflation as the real value of their debt will decrease / the value of their physical assets will increase relative to the debt incurred from purchasing it.</li> </ul> <p><b>AND</b></p> <ul style="list-style-type: none"> <li>Fully explains that savers will be better off in periods of deflation, as the purchasing power of their stored wealth / saved money will increase as future prices of the goods purchased by the saved money will decrease, compared with borrowers, who will be worse off in periods of deflation, as the real value of their debt will increase / the value of their physical assets will decrease in price relative to their debt.</li> </ul>

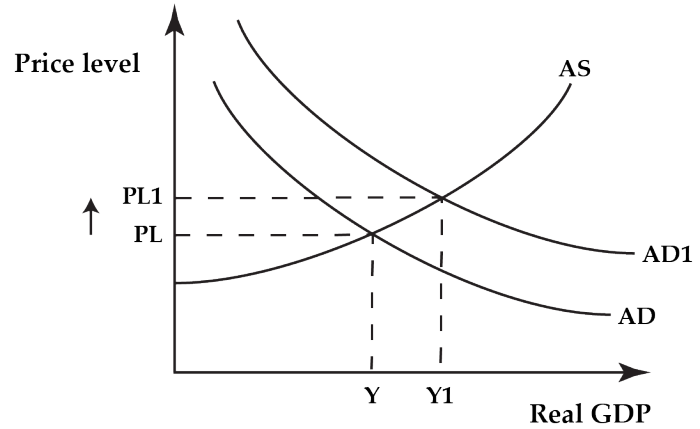
	<p><b>OR</b></p> <ul style="list-style-type: none"> <li>That borrowers will be worse off in periods of deflation, as the real value of their debt will increase / the value of their physical assets will decrease in price relative to their debt.</li> </ul>		
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**Cut Scores**

Not Achieved	Achievement	Achievement with Merit	Achievement with Excellence
00 – 06	07 - 12	13 - 18	19 – 24

**APPENDIX**

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



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

