

**Assessment Schedule – 2022****Economics: Demonstrate understanding of macro-economic influences on the New Zealand economy (91403)****Assessment Criteria**

<b>Achievement</b>	<b>Achievement with Merit</b>	<b>Achievement with Excellence</b>
<p><i>Demonstrating <b>understanding</b> of macro-economic influences on the New Zealand economy involves:</i></p> <ul style="list-style-type: none"> <li>• providing an explanation of the current state of the New Zealand economy in relation to macro-economic goals</li> <li>• identifying, defining, calculating, and describing or providing an explanation of macro-economic influences on the New Zealand economy</li> <li>• using an economic model(s) to illustrate concepts relating to macro-economic influences on the New Zealand economy.</li> </ul>	<p><i>Demonstrating <b>in-depth understanding</b> of macro-economic influences on the New Zealand economy involves:</i></p> <ul style="list-style-type: none"> <li>• providing a detailed explanation of macro-economic influences on the New Zealand economy</li> <li>• using an economic model(s) to illustrate complex concepts and / or support detailed explanations of macro-economic influences on the New Zealand economy.</li> </ul>	<p><i>Demonstrating <b>comprehensive understanding</b> of macro-economic influences on the New Zealand economy involves:</i></p> <ul style="list-style-type: none"> <li>• comparing and / or contrasting: <ul style="list-style-type: none"> <li>- 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</li> <li>- 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</li> </ul> </li> <li>• 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).</li> </ul>

**Evidence**

Q1	Sample evidence	Achievement	Achievement with Merit	Achievement with Excellence
(a)	<p>The COVID-19 pandemic has led to the highest inflation rate in over a decade due to both demand pull and cost push inflation.</p> <p>The New Zealand Government has attempted to limit impacts of lockdowns on the economy by rapidly increasing government spending, for example on wage subsidies, vaccine purchases, and infrastructure spending. This has caused aggregate demand to increase from AD to AD<sub>1</sub>. At the same time, COVID-19 has disrupted many supply chains with factories shut down and shipping delayed. This means the cost of many imported products has increased, reducing profitability for many firms, leading them to cut back production, which has led aggregate supply to decrease from AS to AS<sub>1</sub>. As a result of both AD increasing and AS decreasing, the price level increases from PL to PL<sub>1</sub>.</p>	<p>Explains:</p> <ul style="list-style-type: none"> <li>reason for shift in AD</li> <li>reason for shift in AS.</li> </ul> <p>E.g. combined shift of AD and AS or cost push and demand pull inflation idea</p> <p>OR prices are rising such as limited capacity in economy to meet demand, too much money chasing too few goods.</p> <p>OR idea of skill shortages, import costs rising, government borrowing to fund deficit.</p>	<p>Explains:</p> <ul style="list-style-type: none"> <li>reason for shift in AD and reason for shift in AS (context).</li> </ul> <p>E.g. combined shift AD and AS and one other point explained.</p> <p>Some reference is made to Graph One.</p>	
(b) (i) (ii)	<p>See Appendix.</p>	<ul style="list-style-type: none"> <li>Accurately shifts AS to show an increase on Graph 2, increase in Y and decrease in PL</li> <li>accurately shifts AD and AS to show an increase (in both) on Graph 3, increase in Y, PL – could stay the same or increase / decrease (a little).</li> </ul>		
(b) (iii) (iv)	<p>Resource management reform will act to reduce inefficiencies across the economy especially for businesses as development takes less time and compliance costs reduce. This will lead to productivity gains for many producers in the long run, resulting in reduced costs (as output increases or economies of scale) and increased profitability. As a result, many firms will increase output, leading to aggregate supply increasing from AS to AS<sub>1</sub>.</p> <p>(Possibly allow increased AD if explain idea of increased investment in the short term and might also point out time lag between law change and efficiency gains)</p>	<p>Explains:</p> <ul style="list-style-type: none"> <li>the increase in AS from RM reform, e.g. productivity gains or efficiency, cost savings.</li> </ul> <p>Could allow an increase in AD here also – due to idea of firms incentivised to increase investment.</p> <ul style="list-style-type: none"> <li>the increase in AD OR AS from tax credits.</li> </ul>	<p>Explains in detail:</p> <ul style="list-style-type: none"> <li>a detailed reason for the increase in AS from RM reform e.g. productivity gains lead to cost reductions and increased profitability</li> <li>the increase in AD and AS from tax credits e.g. increased investment, increased profitability / incentive idea, (AD) future</li> </ul>	<p>Explains:</p> <ul style="list-style-type: none"> <li>in detail the change to AD and AS for both policies.</li> <li>refers to time period for both policies / other factors.</li> </ul> <p>References PTA in explanation of impact on price stability.</p> <p>Reasons for impact of both policies and their effect on price stability uses correct economic terminology and makes</p>

<p>Research and development tax credits will help industries such as video gaming offset the cost of expensive investment (I) by giving them a percentage of their tax back for each dollar spent on R and D and increasing their profitability. This will increase their incentive to invest, increasing investment. Since <math>AD = C+I+G+(X-M)</math>, aggregate demand will increase from AD to AD<sub>1</sub>.</p> <p>Additionally in the long run as the investment from industries such as video games pays off, aggregate supply could increase due to increased productivity gains and more technology. Both would increase profitability further, leading to increased production and AS increasing to AS<sub>1</sub>.</p> <p>RM reform has a deflationary effect seen by the decrease in the price level from PL to PL<sub>1</sub> on Graph 2, which could help with achieving price stability as inflation is currently well outside the PTA (5.9% Dec 2021).</p> <p>Tax credits have a less certain impact on price stability. In the short term, the increase in aggregate demand from AD to AD<sub>1</sub> will be inflationary as it puts upward pressure on the price level with more spending in the economy. In the long run, the increase in aggregate demand should be offset, at least in part, by the increase in aggregate supply from AS to AS<sub>1</sub>. As a result, in the long term, the impact of tax credits is likely to be neutral with the price level remaining the same at PL.</p> <p>The effect of both policies on aggregate supply is long term and so any impact on price stability will not be immediate, so therefore could be offset by other internal and external pressures in the economy.</p> <p>In the long run RMA reform is more likely to help increase capacity in the economy and help ease inflationary pressure, therefore reducing inflation to within the 1–3% target band.</p> <p>(Accept other valid explanations.)</p>	<p>E.g. increased Investment, (AD) future productivity / technology gains (AS)</p> <ul style="list-style-type: none"> <li>• RM reform decreases PL</li> <li>• tax credits could:             <ul style="list-style-type: none"> <li>- increase inflation in the short run</li> <li>- reduce inflationary pressure in the long run.</li> </ul> </li> </ul>	<p>productivity / technology gains, cost reduction / profitability idea (AS)</p> <ul style="list-style-type: none"> <li>• RM reform decreases PL and explains tax credits could increase / decrease / maintain price stability with reference to short term AD effect and long run AS effect (or idea of neutral effect on PL).</li> </ul> <p>Some reference is made to the graph(s).</p>	<p>accurate references to the graph(s).</p>
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<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, partial explanations.	Most Achievement evidence. At least one explanation.	Nearly all Achievement evidence.	Some Merit evidence.  Uses detailed explanations, mostly in context.	Most Merit evidence.	Excellence evidence. One part may be weaker.  Uses integrated explanations in context and uses correct economic terminology.	All points covered.

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

Q2	Sample evidence	Achievement	Achievement with Merit	Achievement with Excellence
(a)(i)	See Appendix.			
(ii)	<p>An FTA with the United Kingdom will lead to an increase in export receipts, as trade barriers such as tariffs are removed for New Zealand exporters. Increased export receipts could lead to further increases in household consumption as firms in the export industry experience increased incomes and profitability leading to more job creation / employment and income for households. Additionally, the trade deal may boost business confidence, especially for firms in the export industry and as a result may lead to increase investment spending. Aggregate demand is likely to increase with X, and potentially C and I increasing, since <math>AD = C+I+G+(X-M)</math>. Shown by the increase from AD to AD<sub>1</sub>.</p> <p>The United Kingdom market is likely to deliver cost savings for imported materials via better and cheaper access to capital imports. Therefore, the FTA could also decrease costs of production (COP) and increase firms' profitability so aggregate supply may then also increase from AS to AS<sub>1</sub>.</p> <p>With an increase in AD, and potentially AS, there will be a large increase in real GDP represented by the large shift in Y to Y<sub>1</sub>, meaning economic growth increases.</p> <p>*Could also allow the increased market size may lead to greater efficiencies for New Zealand firms through economies of scale (EOS) as they upscale their production.</p>	<p>Explains:</p> <ul style="list-style-type: none"> <li>ADAS model showing an increase in AD with increase in Y</li> <li>an increase in AS, with increase in Y</li> <li>a shift in AD (X or C / I)</li> <li>a shift in AS (EOS / COP fall)</li> <li>economic growth increases.</li> </ul>	<p>Explains in detail:</p> <ul style="list-style-type: none"> <li>ADAS model showing an increase in both AD and AS. Fully labelled with an increase in Y</li> <li>shift in AD (X + C and / or I) + shift in AS (EOS / COP + profitability)</li> <li>large increase in economic growth.</li> </ul> <p>Some reference made to the graph.</p>	<p>Explains in detail:</p> <ul style="list-style-type: none"> <li>shift in AD (X + C and I) AND shift in AS (COP / EOS + profitability)</li> <li>FTA has potential to shift both AD and AS meaning a large shift in Y.</li> </ul> <p>Uses correct economic terminology and makes accurate references to the graph and resource material.</p>
(b)(i)	<p>The pandemic has led to a decline in the balance of trade as import payments have risen relative to export receipts. This is due to higher demand for imports as domestic demand increases, especially online shopping which decreases the balance of goods via increased import payments. Also, higher shipping costs lead to higher costs on imported services, decreasing the balance of services. Border restrictions continue to limit international tourism meaning reduced receipts from exported services. The decline in the balance of services is from lower export receipts and higher import payments and</p>	<p>Explains:</p> <ul style="list-style-type: none"> <li>decrease in balance of trade with reference to one reason.</li> </ul> <p>E.g. domestic demand for imports, higher shipping costs or limited tourism.</p>	<p>Explains in detail:</p> <ul style="list-style-type: none"> <li>fall in the balance of trade with two reasons.</li> </ul>	<p>Explains in detail:</p> <ul style="list-style-type: none"> <li>current account should deteriorate by referring to changes in both the balance of goods and services.</li> </ul>

	<p>leads to a further deterioration (decline / fall) in the balance of trade and the current account.</p> <p>Accept other valid explanations e.g., export receipts fall / decrease in demand for exports due to the impact of lockdowns / higher unemployment / other restrictions.</p>			
<p>(b) (ii)</p>	<p>The effect of the FTA on the current account is likely to be more limited as there may be a boost to the balance of trade via increased export receipts but it is more likely via exported goods than services.</p> <p>The FTA may lead to greater importation of British goods and services, which, while delivering cost savings to New Zealand firms, could also increase import payments potentially negatively affecting both the balance of goods and services.</p> <p>With a global pandemic any gains for our trade balance may continue to be mitigated by increased costs, especially from transport and production disruption which decrease the balance of services.</p> <p>Although the United Kingdom is a large market for New Zealand, the gains from more trade with the United Kingdom may not outweigh current losses from other markets, i.e. Australia, China, etc during the pandemic.</p> <p>Therefore, the impact on the current account is likely to be more limited and potentially negative.</p> <p>Accept other plausible answers:</p> <p>E.g. The FTA will not be effective in achieving either goal with a global pandemic as trade flows are disrupted due to production being disrupted because of lockdowns and shipping costs increasing so that profitability from trade is reduced. So, the current account may also not gain but continue to deteriorate.</p> <p>OR idea increased economic growth may result in greater import payments as the increased consumption and investment is spent on imports, leading to a decline in net exports and the current account.</p> <p>OR the FTA with the United Kingdom will be as effective, if not more, in achieving a balanced current account as New Zealand stands to gain significantly from reduced costs, such as tariff reductions, and greater market access. This means New Zealand will be able to export</p>	<p>Explains:</p> <ul style="list-style-type: none"> <li>• why the FTA might not improve the current account.</li> </ul>	<p>Explains in detail:</p> <ul style="list-style-type: none"> <li>• with more than one reason, why the FTA might be limited in improving the current account.</li> </ul> <p>Some reference is made to the graph and resource material.</p>	<p>Explains in detail:</p> <ul style="list-style-type: none"> <li>• with multiple reasons, why the current account may be less effective or worsened with link to global pandemic and / or gains in economic growth, offset by increased importing.</li> </ul> <p>Uses correct economic terminology and makes references to resource material.</p>

	<p>more high value products such as dairy, speciality cheeses, and lamb to the United Kingdom. This will lead to an increase in the value and volume of trade and increase export receipts significantly, which accounts for the significant increase in AD.</p> <p>Further, the cost reductions for New Zealand firms could lead to much higher profitability domestically.</p>			
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<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, partial explanations.	Most Achievement evidence.	Nearly all Achievement evidence.	Some Merit evidence.  Uses detailed explanations, mostly in context.	Most Merit evidence.	Excellence evidence. One part may be weaker.  Uses integrated explanations in context and uses correct economic terminology.	All points covered.

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Q3	Sample evidence	Achievement	Achievement with Merit	Achievement with Excellence
<p>(a)</p> <p>(i)</p> <p>(ii)</p>	<p>The multiplier refers to the idea that one person's spending is another's income. When households receive an extra dollar of income, a percentage will be spent (marginal propensity to consume) and a percentage will be saved (marginal propensity to save).</p> <p>When the MPC is greater than 0, i.e. some of the additional income is spent (or not all additional income is saved), further income can be created in the economy. This is because as jobs are created the extra spending creates extra demand and therefore further income flows back to households of which a percentage will be re-spent until all additional income has circulated around the economy.</p> <p>In this case lower export receipts from international tourism mean fewer injections into the economy via export receipts. This will cause a drop in income for households employed in this sector, which will then lead to a multiplied fall in spending across the economy and further fall in incomes until GDP falls by a greater amount than the initial loss in income.</p> <p>Higher rates of domestic spending indicate the MPS has decreased as households are spending more than before. This should increase the multiplier (multiplier = <math>\frac{1}{mps}</math>, as mps decreases, the multiplier increases). For every additional dollar gained by households the percentage they spend will increase, meaning less is saved. With a lower MPS less income will leak out of the economy via savings and increases in other injections like government spending will have a greater impact on final GDP than before, reducing the effect of the lower export receipts injected from the decline in international tourism.</p>	<p>Explains:</p> <ul style="list-style-type: none"> <li>• the multiplier as being one person's spending being another's income</li> <li>• correctly defines the MPS OR MPC</li> <li>• decrease in X will lead to fewer injections</li> <li>• that MPS is lower, gives a reason</li> <li>• the multiplier will increase.</li> </ul>	<p>Explains in detail:</p> <ul style="list-style-type: none"> <li>• the multiplier as being one person's spending being another's income <b>and</b> correctly defines the MPS and MPC</li> <li>• decrease in X flows on to decrease in employment, income, and spending</li> <li>• MPS is lower <b>and</b> multiplier will rise.</li> </ul>	<p>Explains in detail:</p> <ul style="list-style-type: none"> <li>• idea of less income to be spent and create further income by referring to international tourism means less X and fewer injections into circular flow model</li> <li>• idea of lower MPS, higher multiplier that increases in other injections will limit effect of fall in X from tourism.</li> </ul> <p>Uses correct economic terminology and multiplier formula makes accurate references to the model and resource material.</p>



<p>(b)</p> <p>(i)</p> <p>(ii)</p>	<p>A fall in international tourism will cause a fall in the injection of export receipts on Model One. This will then lead to a fall in production and then less demand for labour from firms in the tourism industry as less is needed (derived demand idea). This will lead to lower employment and income for some households, which leads to further falls in spending and income across the economy and therefore a greater overall fall in employment nationally.</p> <p>International tourism is only one sector in the export industry and while it can have a large impact on New Zealand employment the fall will not be as large if business confidence continues to slide.</p> <p>Declining business confidence means firms, in general, are less positive about future profitability (outlook) and so are less likely to carry out investment spending as they expect the costs of investment to outweigh potential profits. The fall in business confidence is likely to be across multiple sectors so the fall in money flow and injection of investment spending will be large. This will mean less funds are circulated back into the economy and therefore less expenditure and demand for goods and services generally. This will flow on to less demand for labour from households, decreasing employment. With the multiplier this general decline in investment will continue to reduce employment further as initial falls in income and spending create further falls in investment and spending.</p> <p>Additionally, declining investment will cause lower levels of productivity and technology as fewer capital goods are created. This will lead to further declines in production and demand for labour, leading to further declines in employment in the future, if investment does not increase again.</p> <p>Therefore, declining business confidence will have a greater effect on employment than a decline in international tourism.</p>	<p>Explains:</p> <ul style="list-style-type: none"> <li>• the idea of lower demand for labour, lower employment</li> <li>• one reason why business confidence will have a greater impact on employment.</li> </ul>	<p>Explains in detail:</p> <ul style="list-style-type: none"> <li>• lower production lowers derived demand for labour, less income and spending, lower employment</li> <li>• two reasons why business confidence will have a greater impact on employment.</li> </ul> <p>Some reference is made to Model One.</p>	<p>Explains in detail:</p> <ul style="list-style-type: none"> <li>• multiple reasons why business confidence will have a greater impact on employment.</li> </ul> <p>Uses correct economic terminology and makes accurate references to Model One and resource material.</p>
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(Might also suggest international tourism will pick up again once borders open while business confidence could remain flat for a while.)		
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N1	N2	A3	A4	M5	M6	E7	E8
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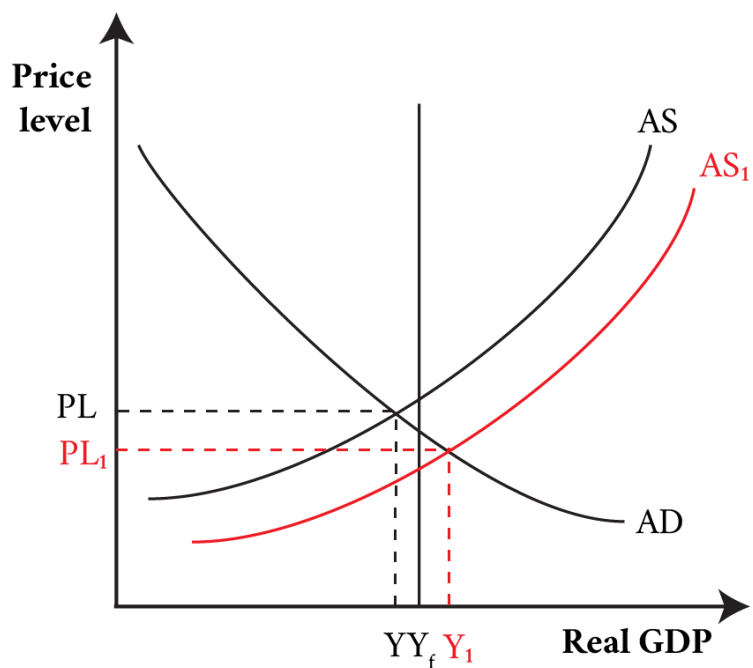
**Cut Scores**

Not Achieved	Achievement	Achievement with Merit	Achievement with Excellence
0 – 7	8 – 12	13 – 18	19 – 24

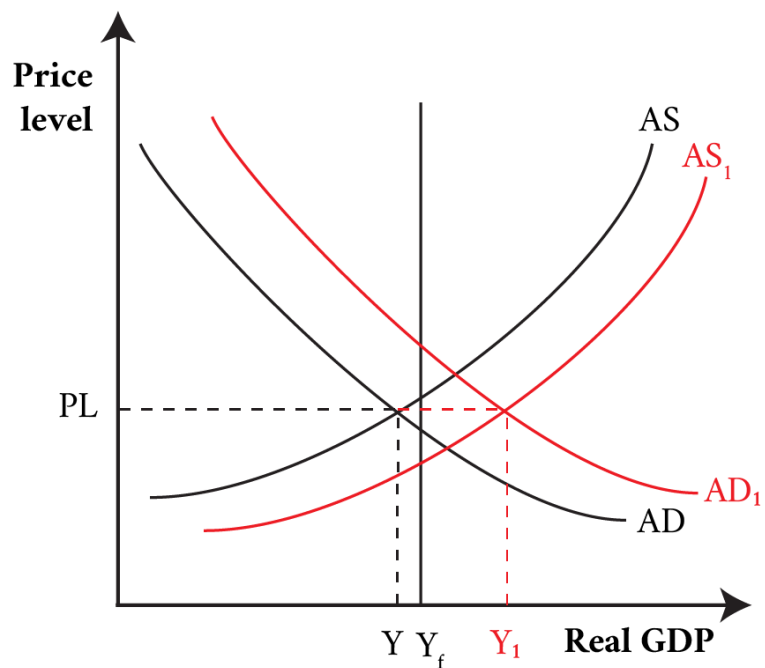
Appendix

Question One (b)(i) and (ii)

**Graph Two: Resource management reform**



**Graph Three: Research and development tax credits**



Question Two (a)(i)

Graph Four: The New Zealand economy

