

Title	Demonstrate knowledge of fiscal policy and evaluate its effectiveness		
Level	5	Credits	3

Purpose	People credited with this unit standard are able to: illustrate and explain the government budget in the application of fiscal policy using the aggregate demand/aggregate supply model; and evaluate the effectiveness of fiscal policy.
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Classification	Economic Theory and Practice > Macro Economics
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Available grade	Achieved
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Guidance Information

1 Definitions

Aggregate demand refers to the total demand for final goods and services in the economy at a given time and price level.

Aggregate supply refers to the short-run aggregate supply, and is the relationship between the aggregate quantity of goods and services supplied (real Gross Domestic Product) and the price levels.

A *contemporary budget* is one delivered to Parliament by the New Zealand Minister of Finance in the three years prior to assessment of this unit standard. Information relating to contemporary New Zealand budgets is available from The Treasury website <http://www.treasury.govt.nz/>.

2 Legislation relevant to this unit standard includes but is not limited to Part 2 of the Public Finance Act 1989.

3 Recommended skills and knowledge:

Unit 8418, *Investigate macroeconomic activity using the aggregate demand/aggregate supply model*, or demonstrate equivalent knowledge and skills.

Outcomes and performance criteria

Outcome 1

Illustrate and explain the government budget in the application of fiscal policy using the aggregate demand/aggregate supply model.

Performance criteria

- 1.1 The purpose of fiscal policy is explained.
Range equity and redistribution of income, stabilisation, provision of public/collective goods.
- 1.2 The components of the budget are described in terms of the fiscal policy.
Range two of each – government expenditure, government revenue.
- 1.3 The explanation establishes the net impact of government spending and taxes on equilibrium.
Range includes – balanced budget, budget surplus, budget deficit; impacts – contractionary, expansionary.

Outcome 2

Evaluate the effectiveness of fiscal policy.

Performance criteria

- 2.1 The evaluation describes possible outcomes of fiscal policy as illustrated by a contemporary New Zealand budget.
- 2.2 The evaluation describes the limitations and shortcomings of fiscal policy as a means of achieving economic stabilisation.
Range limitations and shortcomings may include – budgetary constraints, crowding out effect, lags, lack of economic indicators, political constraints, conflict between other economic objectives.

This unit standard is expiring. Assessment against the standard must take place by the last date for assessment set out below.

Status information and last date for assessment for superseded versions

Process	Version	Date	Last Date for Assessment
Registration	1	29 October 1996	31 December 2021
Revision	2	21 July 1999	31 December 2021
Revision	3	14 September 2005	31 December 2021
Review	4	16 October 2009	31 December 2021
Rollover and Revision	5	16 April 2015	31 December 2021
Review	6	27 June 2019	31 December 2021

Consent and Moderation Requirements (CMR) reference	0116
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This CMR can be accessed at <http://www.nzqa.govt.nz/framework/search/index.do>.

This unit standard is Expiring