

Title	Investigate the causes and discuss the consequences of economic instability		
Level	5	Credits	2

Purpose	People credited with this unit standard are able to analyse the causes of, and outline and discuss the consequences of, economic instability.
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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 *Classical view* considers that wages (and prices) are flexible downwards allowing for labour markets to clear during recessions.
- 2 *Keynesian view* considers that prices, and especially wages, are 'sticky' (inflexible) downwards, thus labour markets do not clear, and unemployment persists. During recessions demand is depressed and firms are reducing production and employment, and would not employ more workers, even if wages fell.

Outcomes and performance criteria

Outcome 1

Analyse the causes of economic instability.

Performance criteria

- 1.1 The analysis provides the causes of observed periods of economic instability consistent with the historical facts.

Range one of these periods – 1930's Great Depression, 1970's OPEC recession, 1980's economic restructuring, 2009 recession.

- 1.2 The analysis establishes the role of wage and price flexibility in relation to economic instability and its correction.

Range Classical view, Keynesian view.

Outcome 2

Outline and discuss the consequences of economic instability.

Performance criteria

2.1 The outline establishes the consequences of economic instability.

Range consequences include but are not limited to – employment, prices, wages, investment, interest rates, profits, capacity utilisation.

2.2 The discussion establishes the costs and benefits of economic instability in terms of economic objectives of government policy.

Range economic objectives – economic growth, full employment, price stability, balance of payment equilibrium, equitable distribution of income, sustainable development, quality of life; economic instability – recession, inflationary expansion ('economic boom').

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Status information and last date for assessment for superseded versions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

This CMR can be accessed at <http://www.nzqa.govt.nz/framework/search/index.do>.