

Assessment Schedule – 2012**Economics: Analyse economic growth using economic concepts and models (91224)****Evidence Statement**

Question One		Expected coverage	
Not Achieved	NØ	No response; no relevant evidence.	
	N1	1/5 requirements for Achievement is met.	<p>Evidence of analysis include:</p> <p>(a) PPF shifted inwards (see Appendix One).</p> <p>(b) Explaining that migration from New Zealand (NZ) to Australia will reduce productive capacity so less growth.</p> <p>Eg, migration from NZ to Australia will reduce the NZ labour force/ population/ labour resources, which shifts the PPF inwards.</p> <p>(c)</p> <p>(i) Explaining costs or benefits of the decrease in economic growth on NZ households, eg fewer goods/ fewer jobs/ less inflation/ less competition for jobs/ less traffic congestion/ lower house prices.</p> <p>(ii) Explaining how the costs or benefits impact on NZ businesses or government eg, lower labour costs for firms/ less revenue for firms/ less skilled workers available/ less direct/ indirect tax revenue for government.</p> <p>(iii) Explaining the likely impact on NZ's future economic growth eg less growth in the future due to lower productive capacity.</p>
	N2	2/5 requirements for Achievement are met.	
Achievement	A3	3/5 requirements for Achievement are met.	
	A4	4/5 requirements for Achievement are met.	

Merit	M5	1/3 requirements for Merit is met.	<p>Evidence of in-depth analysis include:</p> <p>(a) and (b)</p> <p>Detailed explanation that migration from NZ to Australia will reduce productive capacity and growth, including reference to Graph One.</p> <p>Eg, migration from NZ to Australia will reduce the size of the NZ labour force/ population. This reduces the labour resources available for production/ makes labour resources more scarce. A reduction in available resources reduces productive capacity and results in the inward shift of the PPF, so less economic growth.</p> <p>(c)</p> <p>(i) Detailed explanation of the costs AND benefits of the decrease in economic growth resulting from migration from NZ to Australia for NZ households OR the impacts on NZ businesses AND the NZ government.</p>
	M6	2/3 requirements for Merit are met.	<p>Eg, fewer jobs for households as less is being produced. Households will have the benefit of less competition for employment/ accommodation from a smaller labour force/ population. Inflation may also decline due to the drop in consumption spending and AD. The cost for households is likely to be reduced product choice because of falling production or higher costs for imports because smaller import volumes will put up the unit price. Businesses will have less income due to less consumer spending and less output but will have lower labour costs due to reduced competition in the labour market. Government will not have as much revenue due to less income tax as fewer workers will be employed and less GST as there is less spending. They may or may not be paying out less in social welfare.</p> <p>(ii) Detailed explanation of the impact on future economic growth.</p> <p>Eg, due to businesses having less revenue they may invest less, reducing productive capacity so less future growth.</p>
Excellence	E7	ONE of (c) (i) or (c) (ii).	<p>Evidence of comprehensive analysis include:</p> <p>(c)</p> <p>A comprehensive discussion of the impacts of the decrease in economic growth resulting from migration from NZ to Australia for NZ households, businesses and government. The discussion must include:</p> <p>(i) A valid explanation of the costs AND benefits of the changes in economic growth resulting from the emigration for NZ households and how these impact on businesses AND government.</p>
	E8	BOTH of (c) (i) and (c) (ii).	<p>Eg, NZ households may face less competition in the labour and property markets. This could make it easier for them to get employment and cheaper for them to get accommodation. Less competition can also mean that less is made available to purchase, as less production is needed. This can mean that businesses require fewer employees and reduce staff to maintain their profitability. Fewer wages paid means less income tax and less spending means less GST for government. Government may or may not be paying out less in social welfare.</p> <p>(ii) A valid explanation of the combined impact on future economic growth.</p> <p>Eg, due to businesses having less income they may invest less reducing productive capacity so less future growth. PLUS with the Government having less tax revenue they may have to reduce their future spending which would reduce AD and future growth.</p>

Question Two		Expected coverage	
Not Achieved	NØ	No response; no relevant evidence.	
	N1	1/4 requirements for Achievement are met.	<p>Evidence of analysis include:</p> <p>(a) AD shifted to the right. Increase in Real GDP fully labelled (see Appendix Two)</p> <p>(b) Explaining that a decrease in NZ\$ exchange rate will increase exports/export receipts/exporter's revenue</p> <p>(c)</p> <p>(i) – AD shifted to the right. Increase in Real GDP fully labelled (see Appendix Three)</p> <p>(ii) Explaining how greater business confidence and certainty about costs of imports and export income would affect economic growth.</p> <p>Eg, growth would increase due to more investment.</p>
	N2	2/4 requirements for Achievement are met.	
Achievement	A3	3/4 requirements for Achievement are met.	
	A4	4/4 requirements for Achievement are met.	
Merit	M5	1/2 requirements for Merit are met.	<p>Evidence of in-depth analysis include:</p> <p>(a) and (b)</p> <p>AD shifted to the right. Increase in Real GDP fully labelled (see Appendix Two) with a detailed explanation for why Real GDP will increase.</p> <p>Eg, as the exchange rate decreases, export receipts increase as goods become more price competitive or gain a higher return in \$NZ. Higher export incomes will increase Real GDP as net exports are a component of AD.</p> <p>(c)</p> <p>AD shifted to the right plus detailed a explanation of how a stable exchange rate would affect economic growth. Must refer to I increasing, resulting in an increase in AD.</p> <p>Eg, a stable exchange rate will make incomes and costs for businesses that deal with overseas markets, more predictable. This will increase their confidence in future profit and increase their willingness to invest. Greater investment leads to higher AD and an increase in economic growth.</p>
	M6	2/2 requirements for Merit are met.	

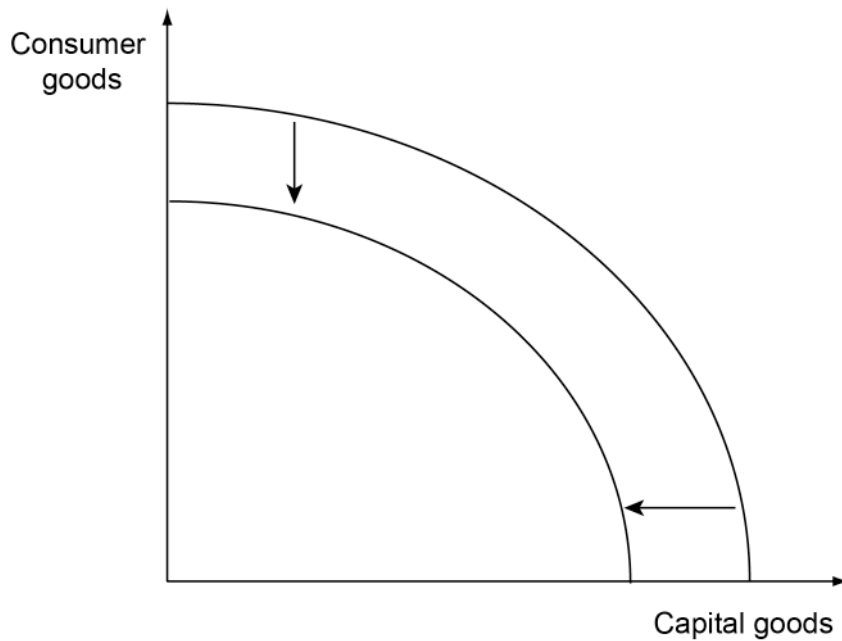
Excellence	E7	Compares and contrasts with a valid reason: (c) (i) or (c) (ii)	<p>Evidence of comprehensive analysis include:</p> <p>(c)</p> <p>Comparing and contrasting the effect on economic growth of a stable exchange rate with a lower exchange rate. Must give a comprehensive explanation of why a stable exchange rate may have a greater effect on economic growth than a lower exchange rate. The explanation must include:</p> <p>(i) a valid reason why a stable exchange rate will have a greater impact on Real GDP than a lower exchange rate.</p> <p>Eg, a stable exchange rate will increase I and therefore increase AD by more than a lower exchange rate because this will affect X and M.</p> <p>(ii) a stable exchange rate will increase AD and therefore have a greater positive effect on economic growth than a lower exchange rate because the increase in the cost of imported raw materials will decrease AS and this will negate/dampen some of the increase in AD.</p>
	E8	Compares and contrasts with a valid reason PLUS the use of the AS/AD model in the explanation: (c) (i) AND (c) (ii).	

Question Three		Expected coverage	
Not Achieved	NØ	No response; no relevant evidence.	
	N1	1/4 requirements for Achievement is met.	<p>Evidence of analysis include:</p> <p>(a) AD shifted to the right. Increase in Real GDP fully labelled (see Appendix Four).</p> <p>(b) - Explaining that an increase in capital expenditure on farm irrigation will increase investment /growth.</p> <p>(c)</p> <p>(i) Explaining how falling water quality will reduce output/ revenue of tourist operators.</p> <p>(ii) AD shifted to the left. Decrease in Real GDP fully labelled (see Appendix Five).</p>
	N2	2/4 requirements for Achievement are met.	
Achievement	A3	3/4 requirements for Achievement are met.	
	A4	4/4 requirements for Achievement are met.	
Merit	M5	1/2 requirements for Merit are met.	<p>Evidence of in-depth analysis include:</p> <p>(a) and (b)</p> <p>AD shifted to the right plus detailed explanation of how an increase in capital expenditure on farm irrigation will increase growth, as the increased investment will increase AD, hence more real GDP and increased growth.</p> <p>(c) AD shifted to the left plus detailed explanation of how the impact on tourist operators will be negative.</p> <p>Eg, Poorer quality water will make the rivers/lakes less attractive for users and would result in tourist operators having less demand for their river/lake-based operations. This means X or C and AD and real GDP will fall.</p>
	M6	2/2 requirements for Merit are met.	

Excellence	E7	Compares and contrasts with reference to the stimulus material: (c) (i).	<p>Evidence of comprehensive analysis include:</p> <p>(c) Comparing and contrasting the effects on economic growth of irrigation on farming and tourism production. The explanation must include:</p> <p>(i) a comprehensive explanation of how the impact of irrigation will be a positive effect on farming and the economy, but a negative effect on the tourism industry; with references to the stimulus material.</p> <p>Eg, the investment in irrigation will increase farm production, which means that I and X are likely to rise. C may also rise as an effect of higher incomes for business employees and therefore AD and growth increase.</p>
	E8	Compares and contrasts with reference to the stimulus material: (c) (i) AND (ii).	<p>On the other hand, poorer quality water will make the rivers less attractive for users and would result in tourist operators having less demand for their river-based operations. Falling demand will result in lower X and C and AD will shift to the left as a consequence. This will have a negative impact on economic growth. Overall the increase in growth from investment will outweigh the decrease in growth from tourism.</p> <p>(ii) a comprehensive explanation of how the overall impact of the irrigation is likely to be an increase in economic growth.</p> <p>Eg, given that agriculture and dairying in particular are major contributors to GDP, investments in them and their associated industries are likely to gain significant returns in the form of higher I, X and C. Although the impact on tourism is not desirable it is likely to be less significant as tourism is a smaller contributor to GDP, and it is possible that tourists will transfer their demand to other attractions within the industry rather than avoid New Zealand-based activities. This means that the negative impacts on X and C are likely to be less and the overall impact on GDP will be positive.</p>

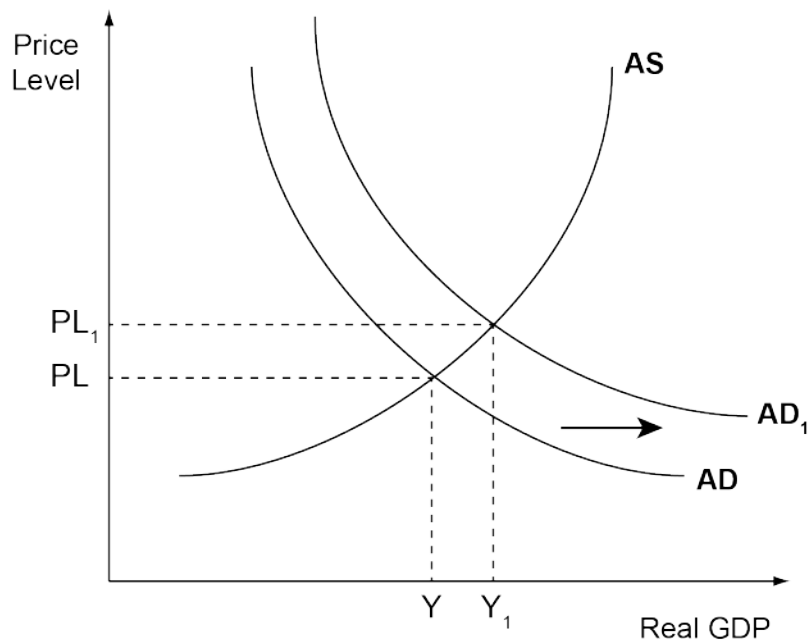
Appendix One – Question One (a)

Graph One: Production possibility frontier for New Zealand



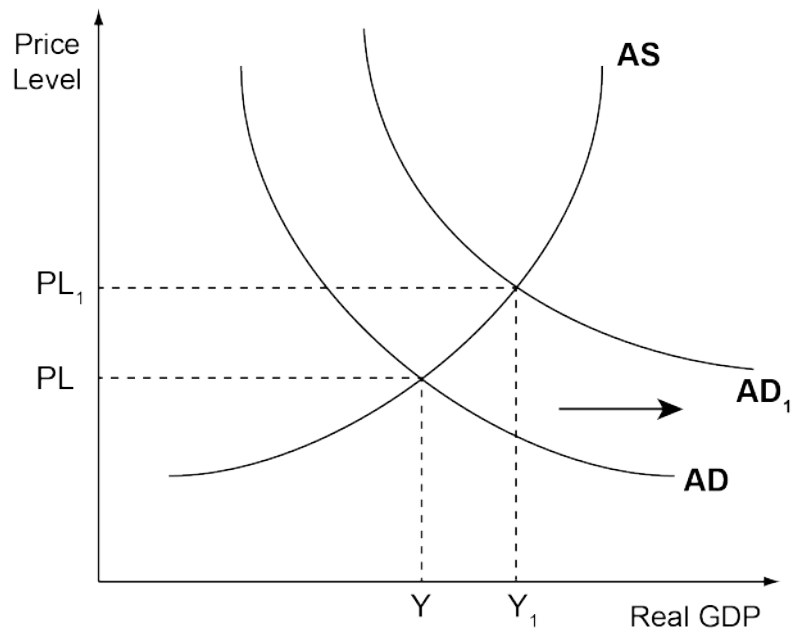
Appendix Two – Question Two (a) and (b)

Graph Two: AS and AD of an economy



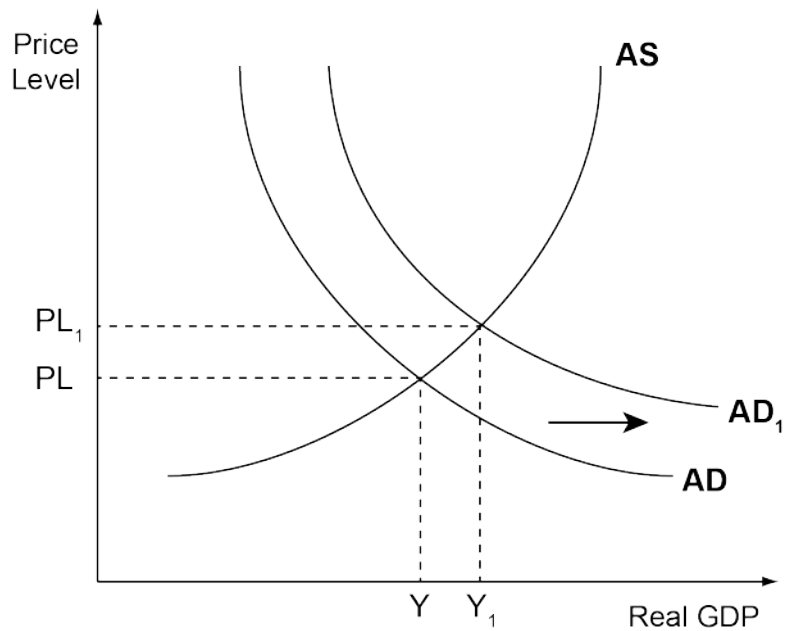
Appendix Three – Question Two (c)

Graph Three: AS and AD of an economy



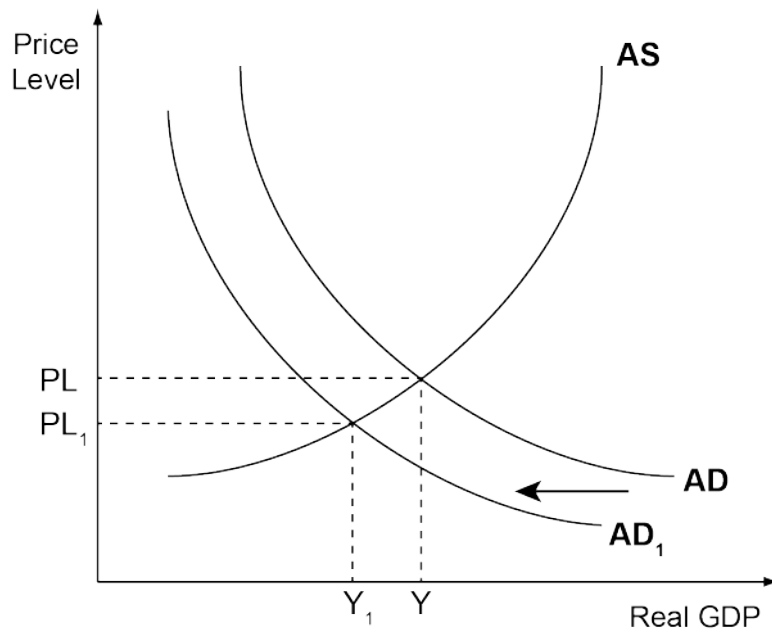
Appendix Four – Question Three (a)

Graph Four: AS and AD of an economy



Appendix Five – Question Three (c)

Graph Five: AS and AD of an economy



Judgement Statement

	Not Achieved	Achievement	Achievement with Merit	Achievement with Excellence
Score range	0 – 6	7 – 12	13 – 18	19 – 24