Assessment Schedule – 2016

Economics: Analyse economic growth using economic concepts and models (91224)

Assessment criteria

Achievement	Achievement with Merit	Achievement with Excellence
Analyse involves: • identifying, defining or describing economic growth concepts • providing an explanation of causes of changes in economic growth using economic models • providing an explanation of the impacts of changes in economic growth on various groups in New Zealand society and / or the environment.	*Analyse in depth* involves: • providing a detailed explanation of causes of changes in economic growth using economic models • providing a detailed explanation of the impacts of changes in economic growth on various groups in New Zealand society and / or the environment.	*Analyse comprehensively* involves analysing: • causes of changes in economic growth by comparing and / or contrasting their impact on economic growth • the impacts of changes in economic growth by comparing and / or contrasting the impact on various groups in New Zealand society and / or the environment • by integrating changes shown on economic models into detailed explanations.

Explanation involves giving a reason for the answer.

Detailed explanation 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).

Question ONE		Evidence
Achievement	(a)	• Identifies Money Flow A as savings. Defined as income not spent / consumed. • Identifies Money Flow B as investment. Defined as the purchase of capital goods to make other goods and services. • Explains that as savings (a withdrawal) increases, consumption decreases, reducing jobs and income levels (which are two money flows given at top of Model One), and growth falls. • Explains that as investment (an injection) increases, there are more capital goods or more jobs or more income. Economic growth increases.
	(b)	• Reducing income taxes will increase consumption in the economy, leading to economic growth. • Government spending on education, health, and infrastructure (an injection) leads to increased production / purchase of capital goods, and this leads to economic growth.
Merit	(a)	• Fully explains that savings is a withdrawal from the circular flow diagram, leading to a fall in consumption and, therefore, jobs and income and economic growth decreasing AND that an increase in investment (an injection) increases purchases of capital goods that increase output, generating an increase in jobs and / or income levels in the economy, which increases economic growth.
	(b)	• Fully explains that reducing income taxes increases (disposable / net / after tax) income, resulting in an increase in consumption spending. The increased consumption results in increased jobs / higher income / expansion of existing output to satisfy increased (aggregate) demand, causing an increase in economic growth. • Fully explains that increases in government spending (an injection) on goods such as education, health, and infrastructure increases output (often by increasing productivity); this leads to greater incomes and / or job opportunities, which lead to economic growth in the circular flow diagram. **Alternatively**, investment restores productivity above past levels by removing output losses due to depreciation / wear and tear and by providing additional capital capacity for increased economic growth.

Excellence	(b)	• Fully explains that reducing income taxes increases (disposable / net / after tax) income, resulting in an increase in consumption spending. The increased consumption results in increased jobs / higher income / expansion of existing output to satisfy increased (aggregate) demand, causing an increase in economic growth. However, not all the increase in disposable income results in consumption of goods made in New Zealand, as some will be saved and some will leave the economy as import payments on foreign-made products. AND • Fully explains that increases in government spending (an injection) on goods such as education, health, and infrastructure increase output (often by increasing productivity, which may lead to future economic growth being easier to achieve). This leads to greater incomes and / or job opportunities, which lead to economic growth in the circular flow diagram. Compared to reduced income tax rates, a higher percentage will be injected into the economy. **Alternatively**, investment restores productivity above past levels by removing output losses due to depreciation and by providing additional capital capacity for increased economic growth AND • concludes that the impact on economic growth due to increased government spending on education, health, and infrastructure will have a greater impact on economic growth than reducing income tax rates, based on detailed explanations.

N1	N2	A3	A4	M5	M6	E7	E8
Very little Achievement evidence.	Some Achievement evidence, partial explanation.	Most Achievement evidence. ONE explanation.	Most Achievement evidence. TWO explanations	Some Merit evidence. 1/3 M full explanation.	Most Merit evidence. (a) and ONE of (b), full explanations	Some Excellence evidence. Both full explanations from part (b) (one part may be weaker) OR valid conclusion with one full explanation from part (b) and other full explanation from part (b) partially attempted.	Most Excellence evidence. Both full explanations from part (b) AND valid conclusion based on these explanations.
N0 = No response; no relevant evidence.							

Question TWO		Evidence
A	(a)	• Correctly draws and labels the point **X** shifting towards PPF in Graph One. (See **Appendix One**.) • Correctly draws and labels the shift of the whole PPF outwards in Graph Two. (See **Appendix Two.**) May also shift **X** outwards in conjunction with the PPF shift.
	(b)	• Explains how job search or relocation assistance shifts the point inside PPF towards frontier, as unemployed resources decrease OR output / income increases. • Explains how increased immigration (productive capacity) will affect economic growth. (e.g. An increase in productive capacity is when the PPF moves outwards. More could be produced, which may result in economic growth in the future.) May also explain skilled migrants taking up employment and increasing Real Output alongside productive capacity.
M	(a) and (b)	• Fully explains how increasing assistance in job search or relocation of unemployed resources will shift a point inside PPF towards the frontier, including reference to Graph One. (See **Appendix One**.) This will represent a drop in unemployed or underemployed resources (example of increase in real GDP / income), which means more output / income in the economy and, therefore, an increase in economic growth. • Fully explains how an increase in immigration (productive capacity) will affect economic growth, including a reference to Graph Two. (See **Appendix Two**). (e.g. An increase in immigration shifts PPF outwards. More resources (labour) are available, and so more could be produced. The PPF moves out, as is shown by the arrow. A higher PPF indicates that economic growth can occur in the future.)
E	(a) and (b)	• Fully explains how an increase in Real GDP (represented by job search or relocation assistance) AND an increase in productive capacity (represented by increased immigration) affect economic growth, integrating Graphs One and Two into the answer. (e.g. An increase in employment of existing labour / Real GDP means that the output of capital and / or consumer goods in the economy has risen. This is shown by the arrow pointing out to a higher level of output of these types of goods without new technology and resources being available. Because output is growing along the axes, there is economic growth, whereas an increase in productive capacity is when the PPF moves outwards. More resources (immigrants) and so more could be produced, but that does not mean that output has actually risen because X has not shifted. The PPF moves out, as is shown by the arrow. A higher PPF indicates that economic growth can occur in the future.)

<table>
<tr><th>N1</th><th>N2</th><th>A3</th><th>A4</th><th>M5</th><th>M6</th><th>E7</th><th>E8</th></tr>
<tr><td>Very little Achievement evidence.</td><td>Some Achievement evidence, partial explanation.</td><td rowspan="2">Most Achievement evidence.
ONE explanation.</td><td rowspan="2">Nearly all Achievement evidence.

TWO explanations.</td><td rowspan="2">Some Merit evidence.
ONE full explanation with some reference to corresponding graph. Minor errors.</td><td rowspan="2">Most Merit evidence.
ONE full explanation with reference to corresponding graph.</td><td rowspan="2">Some Excellence evidence.
Full explanations of impact of BOTH increase in government assistance to unemployed / Real GDP and increase in immigration / Productive Capacity.</td><td rowspan="2">Most Excellence evidence.
Full explanations of BOTH with comment that increase in immigration / productive capacity does not necessarily mean economic growth now, but assistance causes real GDP / actual economic growth through lower unemployment.</td></tr>
<tr><td colspan="2">N0 = No response;
no relevant evidence.</td></tr>
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Question THREE		Evidence
A	(a)	• Draws and labels shift in AS curve to the left in Graph Three. (See **Appendix Three**.) • Explains that damage or over-exploitation of resources reduces resources in the future and, therefore, potential output could fall and economic growth falls.
	(b)	• Explains how some workers are worse off (e.g. New costs such as requiring new skills / training, as region grows costs of living increase and standard of living may fall). • Explains how some workers are better off (e.g. New employment opportunities / higher wages). • Explains how Government is worse off (e.g. Greater economic activity means that government spending may be required for infrastructure, more training facilities so community can acquire new skills / training. Enforcement costs of Forestry Act requirements and / or enforcing / monitoring environmental impacts of processing industries / general increased economic activity). • Explains how Government is better off (e.g. More jobs and higher incomes will lead to increased tax revenue or less transfer payments / benefits required).
M	(a)	• If resources are damaged or decreased, then aggregate supply will fall, resulting in a decrease in real output, as existing quantity of output can't be produced with existing level of technology and lower quantity of resources, referenced in Graph Three. This results in less jobs and income with a decrease in corresponding consumption. OR Future output assumes existing resources are sustainable / exist in the future for future businesses. If technology remains constant, the fall in quantity or quality of resources means that output falls. This means less income generated as output / jobs fall and, therefore, economic growth falls in the future. Referenced to Graph Three (See **Appendix Three**).
	(b)	• Fully explains the costs for workers in Northland. Some workers are worse off (e.g. Higher value production in processing industries such as furniture manufacturing using the kauri wood will require higher / added value skill levels that need to be learned. Economic growth will attract new workers to region, and higher wages will increase costs of living in the region. Workers not employed in higher-value-added occupations may be relatively worse off). • Fully explains the benefits for workers in Northland. Some workers are better off (e.g. Higher value production in processing industries such as furniture manufacturing using the kauri wood will generate higher income levels for workers. This increases consumption in the region, which increases job opportunities and income for existing businesses and their workers). • Fully explains costs to Government / how Government may be worse off. Increased value-added processing industries may require greater investment spending on infrastructure and / or accelerated depreciation of existing public capital goods, as greater use occurs, will require greater government spending. Increased economic activity including extracting and processing the kauri wood may increase monitoring and enforcement costs of the Forestry Act and / or other environmental obligations for the Government. • Fully explains benefits to Government / how Government is better off. Higher incomes from value-added processing industries will increase direct tax revenue. Increased general economic activity through increased consumption will increase job opportunities and incomes in other industries, increasing both direct and indirect tax revenue. Increased incomes and job opportunities mean that lower unemployment will decrease benefits / transfer payments in the Northland region.
E	(b)	• Explains in detail costs AND benefits to workers in Northland (see Merit evidence). • Explains in detail costs AND benefits to the government (see Merit evidence).

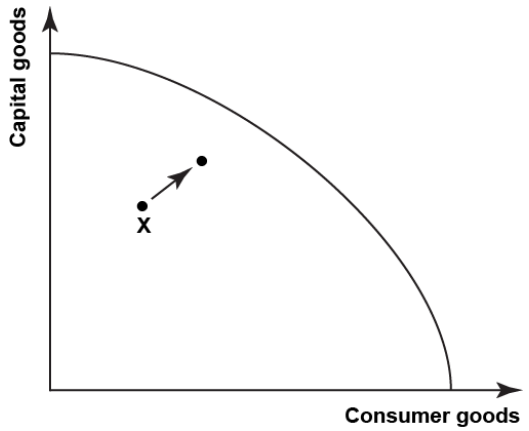
N1	N2	A3	A4	M5	M6	E7	E8
Very little Achievement evidence.	Some Achievement evidence, partial explanation.	Most Achievement evidence. ONE explanation.	Most Achievement evidence. THREE explanations	Some Merit evidence. 2/5 M detailed explanations.	Most Merit evidence. (a) and (b) with workers OR government.	Some Excellence evidence. Both detailed explanations for workers OR both full explanations for Government.	Most Excellence evidence. Three detailed explanations from part (b) with some link to value added industries or occupations.
N0 = No response; no relevant evidence.							

Cut Scores

Not Achieved	Achievement	Achievement with Merit	Achievement with Excellence
0 – xx	xx – xx	xx – xx	xx – 24

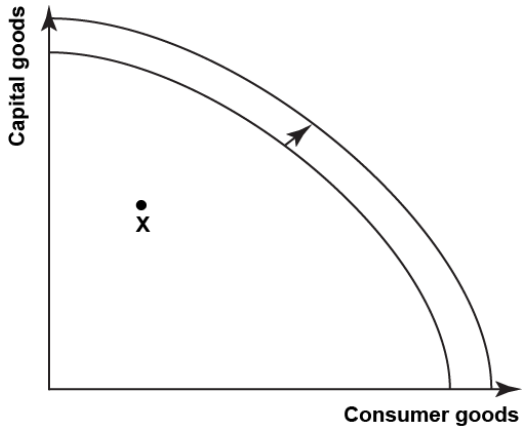
Appendix One – Question Two (a) (i)

Graph One: Production Possibility Frontier



Appendix Two – Question Two (a) (ii)

Graph Two: Production Possibility Frontier



Appendix Three – Question Three (a)

Graph Three: AD/AS model of the NZ economy