

Assessment Schedule – 2015

Economics: Demonstrate understanding of macro-economic influences on the New Zealand economy (91403)

Assessment criteria

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

Each question should be read as a whole before awarding a grade.

Note: *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).

Evidence

Question One	Sample answers / Evidence	Achievement	Achievement with Merit	Achievement with Excellence
(a)	See Appendix One .	AS curve shifted to the right, and PL₁ illustrated as a decrease from PL , and Y₁ increased from Y .		
(b)	<p>Firms will face decreased cost and increased productivity from reform of the RMA. The productivity gain is from reduced time delays in gaining consent. Both of these factors increase AS to AS₁. The increase in AS indicates increased production of houses and other goods requiring resource consent. The shift in AS is a movement down the AD curve, and indicates increased expenditure on the increased production. Increased spending and production are components of economic growth. The reform will increase Real GDP, the measure of economic growth that is indicated by the shift of Y to Y₁.</p> <p>Production of housing will also become more profitable with the reduced costs and increased productivity. Because there is an increase in production and/or spending on housing, more resources are required to produce those houses. The demand for labour is derived demand, based on the demand for the good or service the labour produces. As more houses are produced, more labour is required (tradespeople and jobs in related industries). Overall employment (jobs) should increase as a consequence.</p>	<p>Explains:</p> <ul style="list-style-type: none"> • Costs decreases are a component of aggregate supply. • Reduced time delays and reduced costs are linked to productivity, which is a component of aggregate supply. • AS increasing shifts Y to Y₁, which illustrates economic growth. • Jobs will increase as more tradespeople and / or jobs in related industries are required. 	<p>Explains in detail:</p> <ul style="list-style-type: none"> • Costs AND/OR time delays (linked to productivity) are components of aggregate supply, and the reform decreases cost of producing housing (and increases the productivity of supply of housing.) • Costs and productivity are components of AS, and the shift in AS from Graph One included in the explanation. • Real GDP increases, as increased production and / or spending on housing are components of economic growth. • Reform should be effective in creating economic growth, as the building industry is a significant part of the economy. <p>OR</p> <ul style="list-style-type: none"> • Demand for labour is 	<p>Explains in detail:</p> <ul style="list-style-type: none"> • Costs AND/OR time delays (linked to productivity) are components of aggregate supply, and the reform decreases cost of producing housing and increases the productivity of supply of housing. • Costs and productivity are components of AS, and the shift in AS from Graph One included in the explanation. • Real GDP increases, as increased production and / or spending on housing are components of economic growth. <p>AND</p> <ul style="list-style-type: none"> • Demand for labour is derived from the demand for goods and services. • As more houses are produced, more labour is required, which creates

			<p>derived from the demand for goods and services.</p> <ul style="list-style-type: none"> As more houses are produced, more labour is required, which creates jobs. Should be effective in creating jobs and a significant part of the workforce is employed in building industries. 	<p>jobs.</p> <p><i>AND</i></p> <ul style="list-style-type: none"> RMA reform should be effective in achieving BOTH economic growth and jobs because the building industry is a significant part of the economy <i>AND</i> a significant part of the workforce is employed in the building industry. <p><i>AND</i></p> <p>Integrates Graph One into explanations.</p>
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N1	N2	A3	A4	M5	M6	E7	E8
Very little Achievement evidence, partial explanations.	Some Achievement evidence.	Most Achievement evidence.	Nearly all Achievement evidence.	<p>Some Merit evidence.</p> <p>Some detailed explanations related to economic growth.</p> <p><i>OR</i></p> <p>Some detailed explanations related to increased employment.</p> <p><i>AND</i></p> <p>Refers to Graph One.</p>	<p>Most Merit evidence.</p> <p>Most detailed explanations related to economic growth.</p> <p><i>OR</i></p> <p>Most detailed explanations related to increased employment.</p> <p><i>AND</i></p> <p>Refers to Graph One.</p>	<p>Excellence evidence. One part may be weaker.</p> <p><i>AND</i></p> <p>Integrates relevant information from Graph One into the explanation.</p>	<p>All points covered.</p> <p><i>AND</i></p> <p>Integrates relevant information from Graph One into the explanation</p>

N0 = No response; no relevant evidence.

Question Two	Sample answers / Evidence	Achievement	Achievement with Merit	Achievement with Excellence
(a)	<p>Falling oil prices will lower import payments for producers who import oil, and hence reduce the cost of resources such as petrol and diesel for other producers. Transportation costs could decrease for producers, so raw materials and inventory would be cheaper with lower freight charges.</p> <p>As costs of production become cheaper, there is less pressure on prices that producers charge. Some producers may lower prices of goods and services to increase quantity demanded without losing profitability. This will lead to downward pressure on prices / deflation</p>	<p>Costs of production decrease for producers because of cheaper imported fuel.</p> <p>Firms may lower prices due to lower input costs leading to deflation.</p>	<p>Fuel cost for producers decrease and cost for raw materials (and/or) inventory decreases from cheaper transportation costs because of cheaper imported fuel.</p> <p>Producers can lower prices for goods and services to increase quantity demanded without losing profitability from lower costs of production leading to deflation.</p>	
(b)	<p>Export receipts of goods could decrease because the oil price falling means NZ oil exporters receive less for the oil that they export. Import payments of goods could also decrease because oil importers will pay less for the oil they import. Because NZ imports much more oil than it exports, the balance on goods will be positively affected, as imports should decrease by a greater amount than exports. The balance on services would be affected through decreased cost on shipping of both imports and exports. Importers will pay less for shipping through cheaper costs that shipping companies face. Imports of services should decrease.</p> <p>AND/OR Exports of Tourism may be able to be supplied at cheaper price as costs of production decrease, so increase in Export Receipts as Tourism likely to have elastic demand (luxury).</p> <p>Overall, the current account balance should improve, as imports of both goods and services will decrease by more than exports.</p> <p>A slowdown in the world economy will affect both</p>	<p>Explains:</p> <ul style="list-style-type: none"> • Export receipts (Goods or services) will decrease from falling oil price. • Import payments (goods or services) will decrease from falling oil price; OR M increases as oil is cheaper • Current account balance will improve from falling oil price. • Slowdown will decrease export receipts. • Slowdown will decrease import payments. • Current account balance will deteriorate. 	<p>Explains in detail:</p> <ul style="list-style-type: none"> • Export receipts from goods will decrease from the value of oil exports decreasing. • Import payments from goods will decrease through value of oil imports decreasing; OR M increases as oil cheaper and quantity demanded increases • Import payments will decrease more than export receipts so Balance on Goods increases • Balance on services will be affected as lower prices paid for shipping of imports / exports 	<p>Explains in detail:</p> <ul style="list-style-type: none"> • Export receipts from goods will decrease from the value of oil exports decreasing. • Import payments from goods will decrease through value of oil imports decreasing. • Import payments will decrease more than export receipts so Balance on Goods increases • Balance on services will be affected as lower prices paid for shipping of imports / exports. • Current account balance will improve because imports decrease by more

	<p>imports and exports of goods and services. Demand for exports will decrease as world incomes fall, meaning our total exports will decrease. Some imports will also decrease, as production of exports decrease and less imported raw materials will be required.</p> <p>In the services area, there will be less demand for our exported services, such as tourism.</p> <p>Some imports of services may decrease for services such as tourism if the slowdown in the world economy causes a slowdown in the NZ economy, reducing incomes.</p> <p>The current account balance will deteriorate through exports falling by more than imports. Most likely, we would see a bigger impact on exports than on imports.</p> <p>The slowdown will have a greater effect on the current account, as a greater range of goods and services will be affected by a world decrease in incomes and demand.</p>		<ul style="list-style-type: none"> • Current account balance will improve because imports decrease by more than exports. <p><i>OR</i></p> <ul style="list-style-type: none"> • Export receipts decrease through falling demand, as slowdown decreases demand. • Import payments decrease, as less demand for imported raw materials. • Export receipts for services such as tourism will decrease. • Slowdown could cause a decrease in import payments for services through decreasing incomes in NZ. • Current account will deteriorate from export receipts falling by more than import payments. 	<p>than exports.</p> <p><i>AND</i></p> <ul style="list-style-type: none"> • Export receipts decrease through falling demand, as slowdown decreases demand. • Import payments decrease, as less demand for imported raw materials. • Export receipts for services such as tourism will decrease. • Slowdown could cause a decrease in import payments for services through decreasing incomes in NZ. • Current account will deteriorate from export receipts falling by more than import payments. <p><i>AND</i></p> <ul style="list-style-type: none"> • The slowdown will have a greater effect on the current account, as a greater range of goods and services will be affected by a world decrease in incomes and demand.
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N1	N2	A3	A4	M5	M6	E7	E8
Very little Achievement evidence, partial explanations.	Some Achievement evidence.	Most Achievement evidence.	Nearly all Achievement evidence.	Some Merit evidence. <i>AND</i> Refers to flows from the circular flow diagram.	Most Merit evidence. <i>AND</i> Refers to flows from the circular flow diagram.	Excellence evidence. One part may be weaker. <i>AND</i> Integrates money and real flow from the circular flow diagram.	All points covered. <i>AND</i> Integrates money and real flow from the circular flow diagram.

N0 = No response; no relevant evidence.

Question Three	Sample answers / Evidence	Achievement	Achievement with Merit	Achievement with Excellence
(a)	$\frac{1}{1-0.94} = 16.67$ <p>\$200 million increase spending will net a \$3.333 billion increase in Real GDP.</p>	<p>Calculates 16.67</p> <p>Calculates \$3.333 billion</p>		
(b)	<p>The extra \$200 million in spending becomes additional income of shop owners etc. Because MPC is 0.94, \$188 million of the \$200 million will be re-spent, which becomes extra income and so on, resulting in an increase in Real GDP of \$3.333 billion.</p>	<p>Idea that extra spending becomes extra income of retailers etc, which is then re-spent.</p>	<p>An additional \$200 million becomes \$188 million extra income for retailers etc, which is re-spent, creating extra income and resulting in \$3.333 billion increase in Real GDP. (use of relevant figures to illustrate idea eg: $16.67 \times \\$200M$)</p>	
(c)	<p>See Appendix Two.</p> <p>During a recession, spending is decreasing, production and incomes are falling, and the use of resources is also falling. All of these factors decrease pressure on prices.</p> <p>During a recovery, spending is increasing, the production and incomes is rising, and the use of resources is also rising. All of these factors put upward pressure on price levels.</p> <p>For a recession, if consumer spending started increasing, then its upward impact on prices would be offset by other factors putting downward pressure on prices, so there may be little overall impact on price levels.</p> <p>For a recovery, any further increases in consumer spending will have a greater impact on price levels, as more resources are being used and becoming scarce, so an increase in spending will add more cost to firms, as firms need to purchase scarce resources to increase output to match increased</p>	<p>Recession and recovery correctly identified on business cycle.</p> <p>Explains:</p> <ul style="list-style-type: none"> • In recession, spending (and production) are falling, (so less pressure on resources) so less pressure on price level • In recovery, spending (and production) are increasing, (so more pressure on resources) so more pressure on price level. 	<p>Explains in detail:</p> <ul style="list-style-type: none"> • In recession, spending and production are falling and resources are less in demand, which decreases pressure on prices. <p>OR</p> <ul style="list-style-type: none"> • In recovery, spending is increasing as well as production, and resources are more in demand, which creates upward pressure on prices. 	<p>Explains in detail:</p> <ul style="list-style-type: none"> • In recession, spending and production are falling and resources are less in demand, which decreases pressure on prices. <p>AND</p> <ul style="list-style-type: none"> • In recovery, spending is increasing as well as production, and resources are more in demand, which creates upward pressure on prices. <p>AND</p>

	<p>spending.</p>			<ul style="list-style-type: none"> • During a recovery, increasing scarcity adds to cost of resources as well as increased spending and incomes, which will contribute to pressure on prices. <p>OR</p> <ul style="list-style-type: none"> • During a recession, increases in consumer spending will offset other factors that are reducing prices, so there may be relatively small changes in prices, compared to during a recovery, where increases in consumer spending will reinforce other factors that are increasing prices. <p>OR</p> <ul style="list-style-type: none"> • Thorough explanation of differing impact of consumer confidence on spending multiplier in recession and recovery.
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N1	N2	A3	A4	M5	M6	E7	E8
<p>Very little Achievement evidence, partial explanations.</p>	<p>Some Achievement evidence.</p>	<p>Most Achievement evidence.</p>	<p>Nearly all Achievement evidence.</p>	<p>Some Merit evidence.</p>	<p>Most Merit evidence.</p>	<p>Excellence evidence. One part may be weaker.</p>	<p>All points covered.</p>

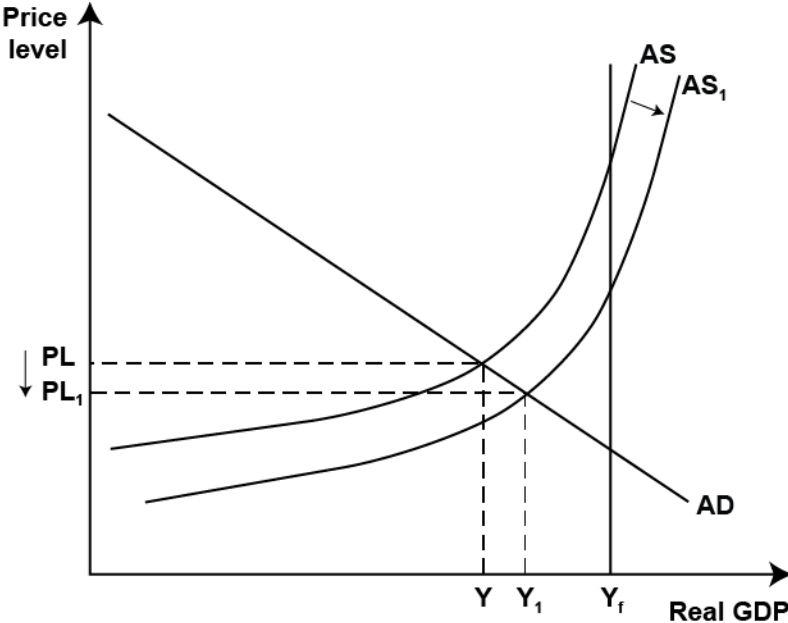
N0 = No response; no relevant evidence.

Cut Scores

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

Appendix One – Question One (a)

Graph One: The New Zealand economy



Appendix Two – Question Three (c)

Graph Two: The business cycle of economic activity

