Assessment Schedule – 2019

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

Assessment Criteria

Achievement	Achievement with Merit	Achievement with Excellence
Demonstrating **understanding** of macro-economic influences on the New Zealand economy involves: • 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.	Demonstrating **in-depth understanding** of macro-economic influences on the New Zealand economy involves: • 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.	Demonstrating **comprehensive understanding** of macro-economic influences on the New Zealand economy involves: • comparing and / or contrasting: - 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).

Evidence

Q1	Evidence	Achievement	Achievement with Merit	Achievement with Excellence
(a)	Investment in Research and Development (R&D) could be considered an example of a supply side policy as it will increase Aggregate Supply in the economy, shifting the AS curve to the right. This is because new technology could be developed, which would increase productivity and lower costs of production in the economy, making production more profitable and therefore more is produced at each price.	• Explains that investment in R&D is a supply side policy, as it would increase aggregate supply due to new technology.	• Explains in detail that investment in R&D is a supply side policy, as it would increase aggregate supply due to new technology, which increases productivity and lowers costs of production / increases profitability.	• Explains in detail that investment in R&D is a supply side policy, as it would increase aggregate supply due to new technology, which increases productivity and lowers costs of production / increases profitability.
(b)	**See Appendix.** The investment in regional economic development would increase aggregate demand, due to increases in government spending, and consumption and investment as workers are employed and firms spend more on capital goods to complete the projects, such as planting one billion trees and developing tourism infrastructure (e.g. roads in tourist areas). Net exports may also increase as more tourists visit New Zealand. As G, C, I and X–M are all components of AD, AD will increase and the curve will shift to the right; AD to AD_1 on Graph Two.	• AS shifted to the right for Graph One with lower price level and higher real GDP labelled. (Okay if AD also shifted to the right). • AD shifted to the right for Graph TWO with higher price and higher real GDP labelled (OK if AS curve is also shifted to the right).		
	The investment in regional economic development will be more effective in helping achieve full employment as it will be increasing employment for specific projects (e.g. planting one billion trees and developing tourism infrastructure) as well as creating jobs in the wider economy due to increased aggregate demand. This is because real GDP will increase (Y to Y_1 on Graph Two), which leads to more people being employed as more workers are needed to increase output in the economy (increased derived demand for labour). It may also lead to an increase in aggregate supply due to increased productivity in the regions and the tourist industry, which will further increase real GDP.	Explains: • The investment in regional economic development will increase AD due to increases in any two of G, C, I and X–M.	Explains in detail • The investment in regional economic development will increase AD due to increases in any three of G, C, I and X–M. Valid reasons must be given for why two components of AD increase.	Explains in detail • The investment in regional economic development will increase AD due to increases in any three of G, C, I and X–M. Valid reasons must be given for why two components of AD increase.
	An R&D tax incentive may be less effective in helping achieve full employment as even though jobs may be created in the economy due to the increase in Real	• The investment in regional economic development will be more effective in helping	• The investment in regional economic development will be more effective in helping	• The investment in regional economic development will be more effective in helping

	GDP resulting from the increase in AS (AS to AS_1 on Graph One), this increase may be offset by job losses in some industries if the new technology developed results in less workers being needed.	achieve full employment as workers are needed to complete projects OR due to the increase in real GDP. OR • An R&D tax incentive will be less effective in helping achieve the goal of full employment, with a valid reason given.	achieve full employment as workers are needed to complete specific projects AND due to the increase in real GDP so more workers needed to produce more (or due to increase in AS). OR • An R&D tax incentive will be less effective in helping achieve the goal of full employment, as the increase in employment due to AS and hence real GDP increasing will be offset by loss of jobs due to new technology replacing workers in some industries.	achieve full employment as workers are needed to complete specific projects AND due to the increase in real GDP so more workers needed to produce more (or due to increase in AS). AND • An R&D tax incentive will be less effective in helping achieve the goal of full employment, as the increase in employment due to AS and hence real GDP increasing will be offset by loss of jobs due to new technology replacing workers in some industries.

N1	N2	A3	A4	M5	M6	E7	E8
Very little Achievement evidence.	Some Achievement evidence, partial explanations.	Most Achievement evidence.	Nearly all Achievement evidence.	Some Merit evidence.	Most Merit evidence.	Excellence evidence. One part may be weaker. AND Integrates relevant information from BOTH graphs into the explanation.	All points covered. AND Integrates relevant information from BOTH graphs into the explanation.

N0 = No response; no relevant evidence.

Q2	Evidence	Achievement	Achievement with Merit	Achievement with Excellence
(a)	**See Appendix.**	• Point X_1 shown to the right of point X but to the left of the peak of the business cycle.		
(b)	Extra spending of $600 million would result in an eventual increase in real GDP of $3.75 billion. This is because the value of the multiplier = 1 / (1-MPC), which in this case is 1 / 0.16, which equals 6.25. So, 600 x 6.25 = $3.75 billion. The $600 million spent becomes income for others, which is then spent creating more demand, output, and income etc.	• Explains that extra spending will result in an eventual increase in real GDP of $3.75 billion OR states the formula for the multiplier.	• Explains in detail that extra spending will result in an eventual increase in real GDP of $3.75 billion AND states the formula for the multiplier. Must include idea of the money spent being income for others.	• Explains in detail that extra spending will result in an eventual increase in real GDP of $3.75 billion AND states the formula for the multiplier. Must include idea of the money spent being income for others.
(c)	**See Appendix.**	• AD shifted to the right, with the new equilibrium being to the left of Y_f. The higher price level and real GDP are labelled		
(d)	An expansionary fiscal policy will increase aggregate demand as it will involve either an increase in government spending or a reduction in income taxes, which will increase consumption. Since G and C are both components of AD, the AD curve will shift to the right (AD to AD_1 on Graph Three), which will increase the price level from PL_1 to PL_2 and increase real GDP from Y to Y_1.	Explains: • An expansionary fiscal policy will increase the price level and real GDP due to an increase in AD.	Explains in detail: • An expansionary fiscal policy will increase the price level and real GDP due to an increase in AD. Must explain why AD increases by referring to G or C increasing.	Explains in detail: • An expansionary fiscal policy will increase the price level and real GDP due to an increase in AD. Must explain why AD increases by referring to G or C increasing.
	When the economy is operating at low levels of output, then the increase in the price level will not be significant as shown by the relatively small increase in PL in Graph Three compared with the relatively larger increase in real GDP. This is because at low levels of output there is spare capacity in the economy and resources are not scarce, so increases in output can be obtained without large increases in (marginal) costs. Hence only small increases in price are required to encourage producers to significantly increase output.	• The change in the price level is relatively smaller than the change in real GDP due to excess capacity or spare / unused / under-utilised resources in the economy.	• The change in the price level is relatively smaller than the change in real GDP due to excess capacity or spare / unused / under-utilised resources in the economy. So large increases in output can be obtained without significant increases in (marginal) costs and the price level.	• The change in the price level is relatively smaller than the change in real GDP due to excess capacity or spare / unused / under-utilised resources in the economy. So large increases in output can be obtained without significant increases in (marginal) costs and the price level.
	If the current rate of inflation is not close to the top of the 1–3% range then an expansionary fiscal policy at	• An expansionary fiscal policy is OR is not effective in	• An expansionary fiscal policy is OR is not effective in	• An expansionary fiscal policy is OR is not effective in

	low levels of output may be effective in achieving both price stability and economic growth, as long as the increase in the price level does not result in inflation that is more than 3%. However, if the current rate of inflation is close to 3% then an expansionary fiscal policy at low levels of output may be effective in achieving economic growth only, as even a small increase in the price level may push the rate of inflation to more than 3%. The multiplier will add to the effectiveness of this policy in terms of growth, as the increase in real GDP in the long term will be significantly more than the initial increase in spending. (Can also have a valid explanation with the current rate of inflation below the 1–3% range, or an explanation focussing on obtaining the 2% mid-point of the 1–3% range).	helping achieve price stability with a valid reason given. • An expansionary fiscal policy is effective in helping achieve economic growth as the increase in real GDP will be significant.	helping achieve price stability with a valid reason given which must be linked to the government's price stability goal. OR • An expansionary fiscal policy is effective in helping achieve economic growth as the increase in real GDP will be significant AND due to the effect of the multiplier.	helping achieve price stability with a valid reason given which must be linked to the government's price stability goal. AND • An expansionary fiscal policy is effective in helping achieve economic growth as the increase in real GDP will be significant AND due to the effect of the multiplier.

N1	N2	A3	A4	M5	M6	E7	E8
Very little Achievement evidence.	Some Achievement evidence, partial explanations.	Most Achievement evidence.	Nearly all Achievement evidence.	Some Merit evidence.	Most Merit evidence.	Excellence evidence. One part may be weaker. AND Integrates relevant information from Graph Three and the multiplier into the explanation.	All points covered. AND Integrates relevant information from Graph Three and the multiplier into the explanation.

N0 = No response; no relevant evidence.

Q3	Evidence	Achievement	Achievement with Merit	Achievement with Excellence
(a)	The US steel and aluminium tariffs would worsen New Zealand's current-account balance as New Zealand steel and aluminium exports to the US would be less	• Explains that US steel and aluminium tariffs would worsen New Zealand's	• Explains in detail that US steel and aluminium tariffs would worsen New Zealand's	• Explains in detail that US steel and aluminium tariffs would worsen New Zealand's

	price competitive, reducing the value of steel and aluminium exports as the demand for these products decreases. This would reduce the exports and hence export receipts flow in the circular model and reduce the balance on goods. As the balance on goods is a component of the current account, New Zealand's current-account deficit would increase.	current account due to a decline in exports / export receipts as they are less price competitive (or more expensive) OR due to a decline in the balance on goods.	current account balance due to a decline in exports as they are less price competitive. Hence the export and export receipts flows would decrease	current account balance due to a decline in exports as they are less price competitive. Hence the export and export receipts flows would decrease, reducing the balance on goods, which is a component of the current account.
(b)	**See Appendix.**	• AD curve shifted to the left with lower price level and real GDP labelled.		
(c)	The US steel and aluminium tariffs could reduce employment in the New Zealand steel and aluminium industry as fewer steel and aluminium workers would be needed to produce these products as less is being produced for export. This would reduce the resources flow in the circular flow model. Also, the decline in exports would reduce aggregate demand, shifting the AD curve to the left to AD_1 as shown in Graph Four. This would result in a decline in real GDP (Y to Y_1), which will result in job losses in other industries as fewer workers are needed as less is being produced in the economy.	• Explains that US steel and aluminium tariffs would reduce employment due to job losses in the steel and aluminium industries OR due to a decline in real GDP resulting from the decrease in AD.	• Explains in detail that US steel and aluminium tariffs would reduce employment due to job losses in the steel and aluminium industries AND due to a decline in real GDP, resulting from the decrease in AD. Must have the idea of less derived demand for labour (less being produced so fewer resources / workers needed).	• Explains in detail that US steel and aluminium tariffs would reduce employment due to job losses in the steel and aluminium industries AND due to a decline in real GDP, resulting from the decrease in AD. Must have the idea of less derived demand for labour (less being produced so fewer resources / workers needed).
(d)	US steel and aluminium tariffs would have a greater impact on the current account as people who lose their jobs in the steel and aluminium industries will be able to pick up work in other industries due to skills shortages and a strong New Zealand economy. Hence the overall decline in employment may be minimal. In comparison, the US is a major world market, so the fall in demand for New Zealand steel and aluminium could result in a significant reduction of the export and export receipts flows, and therefore a significant increase in the current-account deficit. **OR** US steel and aluminium tariffs would have a greater impact on employment as there will be a loss of jobs in the wider economy, not just in the New Zealand steel and aluminium industries. Whereas the increase in the current-account deficit may be minimal as only New	• Explains that US steel and aluminium tariffs will have a greater impact on the current account with a valid reason given. **OR** • Explains that US steel and aluminium tariffs will have a greater impact on	• Explains in detail that US steel and aluminium tariffs will have a greater impact on the current account as the US is a major export market, OR as workers who have lost their job will gain employment elsewhere due to skill shortages and a strong economy. **OR** • Explains in detail that US steel and aluminium tariffs will have a greater impact on employment as there will be job losses in the wider	• Explains in detail that US steel and aluminium tariffs will have a greater impact on the current account as the US is a major export market, AND as workers who have lost their job will gain employment elsewhere due to skill shortages and a strong economy. **OR** • US steel and aluminium tariffs will have a greater impact on employment as there will be job losses in the wider economy as well as the

	Zealand steel and aluminium exports to the US will be affected (representing a small fraction of New Zealand's total steel and aluminium exports, as indicated in the resource material) and these products are not one of New Zealand's top-ranked goods for exports.	employment with a valid reason given.	economy as well as the steel and aluminium industries OR as only New Zealand steel and aluminium exports to the US will be affected / steel and aluminium exports are not one of our top ranked goods exports.	steel and aluminium industries AND as only New Zealand steel and aluminium exports to the US will be affected / steel and aluminium exports are not one of our top ranked good exports.

N1	N2	A3	A4	M5	M6	E7	E8
Very little Achievement evidence.	Some Achievement evidence, partial explanations.	Most Achievement evidence.	Nearly all Achievement evidence.	Some Merit evidence.	Most Merit evidence.	Excellence evidence. One part may be weaker. AND Integrates relevant information from Graph Four and Model Two into the explanation.	All points covered. AND Integrates relevant information from Graph Four and Model Two into the explanation.

N0 = No response; no relevant evidence.

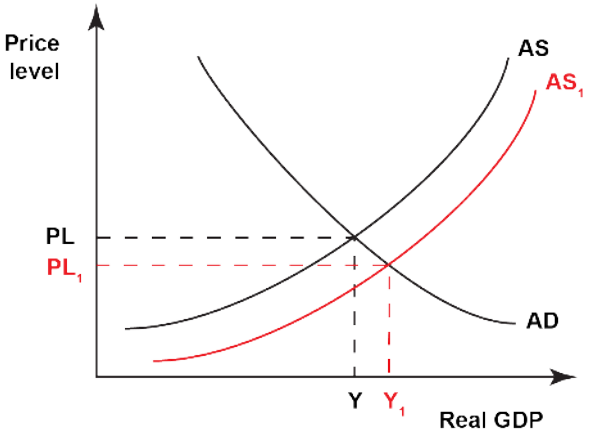
Cut Scores

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

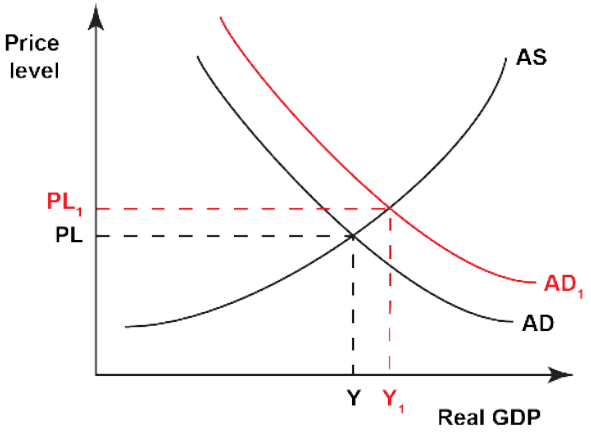
Appendix

Question One (b)

Graph One: The New Zealand economy

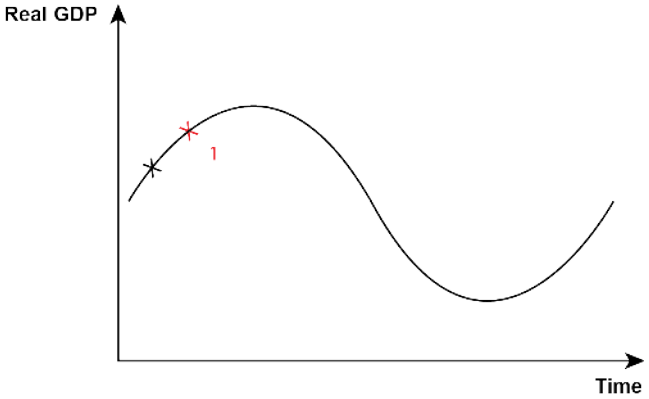


Graph Two: The New Zealand economy



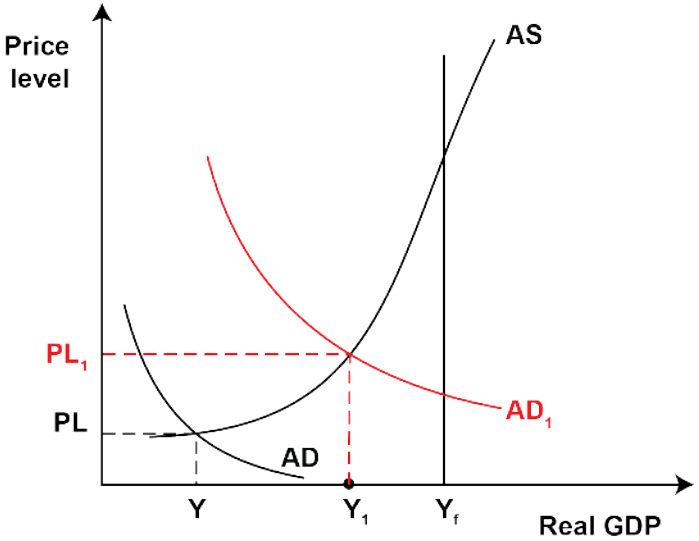
Question Two (a)

Model One: The business cycle



Question Two (c)

Graph Three: The New Zealand economy operating at low levels of output



Question Three (b)

Graph Four: The New Zealand economy