

NEW ZEALAND QUALIFICATIONS AUTHORITY MANA TOHU MĀTAURANGA O AOTEAROA

Level 2, 2003

Economics: Demonstrate an awareness of government policies related to economic issues (90238)

National Statistics

Assessment Report

Assessment Schedule

Economics: Demonstrate an awareness of government policies related to economic issues (90238)

National Statistics

| Number of | Percentage achieved | | | | |
|-----------|---------------------|----------|-------|------------|--|
| Results | Not Achieved | Achieved | Merit | Excellence | |
| 4,475 | 56.3% | 30.0% | 12.8% | 0.9% | |

Assessment Report

Every candidate for a National Certificate of Educational Achievement examination paper is expected to:

- read the question and do what the question asks
- allow adequate time to complete answers
- be accurate: check and/or proofread
- use appropriate technical terms
- bring the correct equipment
- write and/or draw clearly
- use pen if work is to be eligible for reconsideration.

General Comments

Many candidates did not gain Achievement because they did not demonstrate sufficient economic knowledge. Some candidates did not answer enough of the paper to achieve the standard.

For Merit it was expected that candidates finish their explanation by linking their answer back to the objective or effect referred to in the question using their own words. For example if a question is about inequality increasing then candidates must finish their explanation by stating 'the gap between rich and poor will get wider' or 'there will be relatively more poor people'. It was not good enough to just state that inequality will increase as a concluding comment as this was already stated as an effect.

In general, to gain Achievement with Merit, candidates should be linking three ideas together. For example, in Question 1(b) where candidates were asked how the use of a policy to reduce unemployment will affect inequality, the candidate needed to link three ideas together, e.g. (1) the idea of more people working leading to (2) lower income people now earning higher incomes which means (3) there will be fewer poor people.

To gain Achievement with Excellence, candidates must make a justified conclusion. For this examination a conclusion had to state whether the positive effect was bigger than the negative effect and a valid reason why. For example in Question 6(a)(ii) candidates needed to state that employment will benefit as the positive effect on employment due to increased exports outweighs the negative effect of increased imports because the free trade deal opens up a much larger USA market for exporters than the NZ market will offer for importers of US goods. Many candidates just repeated points made in part (i) without offering any reason why one effect outweighed the other.

Many candidates still refer to households as investing rather than saving.

For questions/answers about income tax candidates must refer to disposable income. For example if income tax rates become more progressive then higher income earners will have less disposable income NOT less income as many candidates stated.

It is recommended that candidates become familiar with current economic policy. For example, the key objective of monetary policy is to keep inflation between 1% and 3% NOT 0% and 3% as many candidates stated. Also many candidates failed to mention that the Reserve Bank raises the official cash rate to reduce inflation, but rather talked about the Reserve Bank buying and selling bonds.

Assessment Schedule

Economics: Demonstrate an awareness of government policies related to economic issues (90238)

Evidence Statement

| A, M, E | Question | Evidence | Evidence contributing to Achievement | Evidence contributing to Achievement with Merit | Evidence contributing to Achievement with Excellence |
|---------------------------------|--------------------|--|---|--|---|
| A ₀ | 1(a) | eg Measure: Training programmes for the unemployed | One measure identified | | |
| A ₁ , M ₁ | | Explanation: Training programmes will improve the skills of the unemployed(= Achieved) so will increase their chances of being employed and therefore decrease unemployment. (= Merit) | Describes how the measure reduces unemployment | Explains how the measure reduces unemployment | |
| A ₂ | (b) | Effect: improve Explanation: eg [1] If more unemployed people find jobs as a result of having better skills then their incomes will be higher and there will be fewer poor people. | Effect identified. | Reasoned explanation given. | |
| | | Merit answers needed to refer to the 'idea' of fewer poor people, or more people earning higher income, or a smaller gap between earnings of the rich and poor. | | | |
| | | [Note: an increase in inequality was accepted if a reasoned explanation was given.] | | | |
| A_0 | 2(a) (b) (c) | Tax/Revenue/Income Expansionary Fiscal Responsibility Act | 2 of 3 identified. | | |
| A ₁ | (d)(i) | Any of (Govt) must budget for a surplus (on average) reduce/control/minimise/keep prudent levels of (Govt) debt achieve and maintain levels of net worth manage the risks facing the crown pursue policies that ensure a reasonable degree of predictability about the level and stability of future tax rates. | One objective identified. | | |

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|---------------------------------|-----------------|---|---|---|---|
| M ₁ | (ii) | A conflict may arise as the increase in Govt spending may mean the Govt ends up [any of] making a budget deficit increasing Govt debt size of the surplus is reduced so more difficult to reduce Govt debt. etc [other answers consistent with students answer to d(i). which is contrary to the objective of the Fiscal Responsibility Act. | | Reasoned explanation given | |
| A ₀ { | 3(a)(i) (ii) | Eg [1] CER/Closer Economic Relations or [2] Closer Economic Partnership/ ANZSCEP eg [1] Australia [2] Singapore | Both (i) and (ii) identified. | | |
| A ₀ | (b)(i) | Idea of Govt barriers/restrictions/ controls on trade | Correctly described. | | |
| A ₁ | (ii) | eg [1] to protect NZ businesses from cheap overseas competition [2] increase NZ production/employment | Correctly described. | | |
| A ₁ , M ₁ | (iii) | eg [1] Tariffs will raise the price of imports so consumers will buy/switch to more NZ goods so NZ firms will produce more OR eg [2] Tariffs will raise the price of imports so infant industries can develop without the threat of cheap overseas competition. | States a protectionist policy and an effect it has on trade [consistent with the stated objective in b(ii)] | Explains how a policy achieves the stated objective in b(ii). | |

| A, M, E | Question | Evidence | Evidence contributing to Achievement | Evidence contributing to Achievement with Merit | Evidence contributing to Achievement with Excellence |
|------------------------------------|----------|--|---|--|---|
| | 4(a)(i) | Monetary policy | 2 of 3 identified. | | |
| A_0 | (ii) | Reserve Bank | | | |
| | (iii) | Reserve Bank Act | | | |
| A ₁ | (iv) | Any of maintain inflation between 1–3% keep increases in CPI between 1–3% maintain price stability. | Any one described. | | |
| A ₁ , M ₁ | (b) | → Reserve Bank increase the OCR // increase interest rates → people will borrow less// save more// pay more interest on existing loans//firms will borrow less //firms invest less → decrease in consumer/firms spending//less demand for goods and services → less upward pressure on prices Or → Reserve Bank increase the OCR / / increase interest rates → exchange rates will appreciate → exporters' incomes will fall so less demand pull inflation / / imports cheaper so less cost push inflation → less upward pressure on prices. | Identifies raising OCR/ interest rates and one other point as indicated by arrows | Explanation uses all 4 steps in the process as indicated by arrows | |
| A ₂ | (c) | Employment Effect: decrease | Effect identified | | |
| M ₂ | | Explanation: → 'idea' of less consumer spending // less demand for goods and services // less investment → 'idea' of less production/output → 'idea' of less demand for labour//less employment. or → High interest rates may cause the exchange rate to appreciate → exports will be less (price) competitive so sell less /imports more (price) competitive so less NZ goods bought → less NZ production → so less employment Note: answers that stated increase in employment were acceptable if a reasoned explanation was given. | | Explanation uses each point as indicated by arrows . | |

| A, M, E | Question | Evidence | Evidence contributing to Achievement | Evidence contributing to Achievement with Merit | Evidence contributing to Achievement with Excellence |
|------------------------------------|----------|--|--|--|---|
| A ₂ | | Balance of Trade Effect: decrease Explanation: → High interest rates cause the exchange rate to appreciate → exports will be less (price) competitive/dearer / /imports more price competitive/cheaper → export receipts falls / / imports payments rise | Effect correct | Explanation has all 3 points given | |
| A ₀ | 5(a) | eg Measure Increase benefits to people on low incomes | Measure described. | | |
| A ₁ , M ₁ | | Explanation: Increase benefits to people on low incomes will increase their disposable income (= Achieved) and make income distribution more equal //reduces gap between rich and poor//poor relatively better off (= Merit) | Describes how inequality is reduced. [must refer to effect on (disposable) income] | Explains how inequality is reduced. | |
| | (b) | Flow on from 5(a) | | | |
| A ₂ | | eg Growth Effect: increase | Effect identified | | |
| M ₂ | | Explanation: → people on low incomes will have more disposable income | | Explanation has all 3 points given. | |
| | | → spend more on // increase demand for goods and services | | | |
| | | → increase in production [idea of] | | | |
| | | Note: answers that stated growth will decrease were acceptable if a reasoned explanation was given. | | | |

| A, M, E | Question | Evidence | Evidence contributing to Achievement | Evidence contributing to Achievement with Merit | Evidence contributing to Achievement with Excellence |
|----------------------------------|----------|---|--|--|--|
| | (c) | eg Increase benefits to people on low incomes | | Explains the effectiveness of | Evaluates the effectiveness of |
| E ₁ | (i) | Effective at reducing income inequality because all low income families will receive the extra money from the benefit, so all low income families will have relatively more income compared to higher income earners, therefore the gap between rich and poor will definitely be reduced. | | a policy by explaining the positives and the negatives of the policy measure. | a policy by discussing the positives and the negatives and an overall judgment/ conclusion is made on the effectiveness of |
| M₁ or E₁ | | Effective at reducing income inequality because if there are increased benefits to low-income families, this will result in more spending and production, which will creates more jobs. More unemployed people will now be working and earning higher income than before, thus reducing the gap between rich and poor. | | | the policy measure. |
| M₁ or E₁ | (ii) | Ineffective at reducing income inequality because if increased benefits lead to increased spending then this may cause inflation, so the real income of beneficiaries may actually go down if inflation increases relatively more than the increase in benefits. | | | |
| M ₁ or E ₁ | | If increased benefits result in increased spending on goods and services then there will be more profits for business owners, who tend to be the higher income earners. Therefore high-income earners may be relatively better off than low-income earners, due to their increased income through greater profits, so this policy is ineffective at reducing income inequality. | | | |
| E ₁ | (iii) | Conclusion Not effective – because beneficiaries make up a relatively low percentage of income earners so increasing benefits will only have a minimal effect on income inequality. | 3 poi appli How | ever E ₁ can be | |
| | | Effective – The beneficiaries increase in income will be proportionately more than any increase in income that higher income earners get due to the effect of more spending. Beneficiaries will therefore be relatively better off. | ansu | eded for excellent vers/ideas that do neet this 3 point ria. | |

| A, M, E | Question | Evidence | Evidence contributing to Achievement | Evidence contributing to Achievement with Merit | Evidence contributing to Achievement with Excellence |
|----------------------------------|----------------|--|--|---|--|
| M_2 or E_2 | 6(a)(i) | Positive – exporters will sell more goods to USA and will need to employ more people to produce more. Negative – some NZ businesses will face more competition from US imports and will be forced out of business or to cut back production so employment will fall | | Explains one positive/ negative impact on either employment or inflation. | Excellence requires the student to evaluate the impact on employment or inflation, and to make a concluding comment. |
| E ₂ | (a)(ii) | Conclusion e.g. Beneficial - the positive effect of exports on employment will outweigh the negative effect of imports because the USA is a huge market compared to NZ and therefore the increase in sales of exports to the USA will be considerably more than the increase in imports from USA. Or Beneficial - the positive effect of exports on employment will outweigh the negative effect of imports because NZ already has free trade with other countries so businesses are already competing with cheap imports therefore the impact of more competition from US imports on NZ producers is minimal. | | | |
| M ₂ or E ₂ | (b)(i) (b)(ii) | Inflation eg Positive – cheaper imports from USA means local producers will have to drop price to compete with the imports. This will put downward pressure on inflation Negative – increased incomes for exporters will result in increased spending in the economy and increased demand so this will put upward pressure on prices. Conclusion eg Negative impact because exports will increase considerably more than imports [for reason cited in 6(a)(ii)]. Therefore the inflationary impact of exporters spending more will outweigh the effect of cheaper imports so overall inflation will rise. | | | |

Judgement Statement

Judgement statements (formerly referred to as sufficiency statements) help candidates understand how their overall results for each standard were arrived at.

| Achievement | Achievement with Merit | Achievement with Excellence |
|--|--|---|
| Identify government policies relating to the given issues | | |
| Any 3 × A₀ or better | | |
| Describe how the policies achieve objectives related to the given issues Any 3 × A ₁ or better | Explain how the policies achieve their objective in relation to the given issues Achievement (for A_1) plus any $3 \times M_1$ | Evaluate the effectiveness of the policies in achieving their objectives Merit (for M ₁) plus any 2 × E ₁ |
| Identify effects of policies on other economic issues Any 3 × A ₂ or better | Explain the linkages between the policies and the effects on other economic issues Achievement (for A ₂) plus any 2 × M ₂ | Evaluate the differing impacts of the policies on the other issues Merit (for M ₂) plus 2 × E ₂ |