



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 Results	Percentage achieved			
	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 <sub>0</sub>  A <sub>1</sub> , M <sub>1</sub>	1(a)	<p>eg <b>Measure:</b> Training programmes for the unemployed</p> <p><b>Explanation:</b> Training programmes will improve the skills of the unemployed(= <i>Achieved</i>) so will increase their chances of being employed and therefore decrease unemployment. (= <i>Merit</i>)</p>	<p>One measure identified</p> <p>Describes how the measure reduces unemployment</p>	<p>Explains how the measure reduces unemployment</p>	
A <sub>2</sub>  M <sub>2</sub>	(b)	<p><b>Effect:</b> improve</p> <p><b>Explanation:</b> eg [1] If <b>more</b> unemployed people find jobs as a result of having better skills then their incomes will be higher and there will be fewer poor people.</p> <p><i>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.</i></p> <p>[Note: an increase in inequality was accepted if a reasoned explanation was given.]</p>	<p>Effect identified.</p>	<p>Reasoned explanation given.</p>	
A <sub>0</sub> {  A <sub>1</sub>	<p>2(a)</p> <p>(b)</p> <p>(c)</p> <p>(d)(i)</p>	<p>Tax/Revenue/Income</p> <p>Expansionary</p> <p>Fiscal Responsibility Act</p> <p>Any of</p> <ul style="list-style-type: none"> <li>• (Govt) must budget for a surplus (on average)</li> <li>• reduce/control/minimise/keep prudent levels of (Govt) debt</li> <li>• achieve and maintain levels of net worth</li> <li>• manage the risks facing the crown</li> <li>• pursue policies that ensure a reasonable degree of predictability about the level and stability of future tax rates.</li> </ul>	<p>2 of 3 identified.</p> <p>One objective identified.</p>		







A, M, E	Question	Evidence	Evidence contributing to Achievement	Evidence contributing to Achievement with Merit	Evidence contributing to Achievement with Excellence
E <sub>1</sub>	(c)	eg Increase benefits to people on low incomes		Explains the effectiveness of a policy by explaining the positives and the negatives of the policy measure.	Evaluates the effectiveness of a policy by discussing the positives and the negatives and an overall judgment/ conclusion is made on the effectiveness of the policy measure.
M <sub>1</sub> or E <sub>1</sub>	(i)	<p>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.</p> <p>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 create more jobs. More unemployed people will now be working and earning higher income than before, thus reducing the gap between rich and poor.</p>			
M <sub>1</sub> or E <sub>1</sub>	(ii)	<p>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.</p>			
M <sub>1</sub> or E <sub>1</sub>		<p>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.</p>			
E <sub>1</sub>	(iii)	<p>Conclusion</p> <p><b>Not effective</b> – because beneficiaries make up a relatively low percentage of income earners so increasing benefits will only have a minimal effect on income inequality.</p> <p><b>Effective</b> – 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.</p>		<p><i>For Excellence the 3 point rule generally applies.</i></p> <p><i>However E<sub>1</sub> can be awarded for excellent answers/ideas that do not meet this 3 point criteria.</i></p>	



A, M, E	Question	Evidence	Evidence contributing to Achievement	Evidence contributing to Achievement with Merit	Evidence contributing to Achievement with Excellence
<p>M<sub>2</sub> or E<sub>2</sub></p> <p>E<sub>2</sub></p> <p>M<sub>2</sub> or E<sub>2</sub></p> <p>E<sub>2</sub></p>	6(a)(i)	<p><b>Employment</b> eg</p> <p><b>Positive</b> – exporters will sell more goods to USA and will need to employ more people to produce more.</p> <p><b>Negative</b> – 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</p>		Explains one positive/negative impact on either employment or inflation.	Excellence requires the student to evaluate the impact on employment or inflation, <b>and</b> to make a concluding comment.
	(a)(ii)	<p><b>Conclusion</b> e.g.</p> <p>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.</p> <p><b>Or</b></p> <p>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.</p>			
	(b)(i)	<p><b>Inflation</b> eg</p> <p><b>Positive</b> – cheaper imports from USA means local producers will have to drop price to compete with the imports. This will put downward pressure on inflation</p> <p><b>Negative</b> – increased incomes for exporters will result in increased spending in the economy and increased demand so this will put upward pressure on prices.</p>			
	(b)(ii)	<p><b>Conclusion</b> eg</p> <p>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.</p>			

## Judgement Statement

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

<b>Achievement</b>	<b>Achievement with Merit</b>	<b>Achievement with Excellence</b>
<p><i>Identify government policies relating to the given issues</i></p> <p>Any 3 × <b>A<sub>0</sub></b> or better</p>		
<p><i>Describe how the policies achieve objectives related to the given issues</i></p> <p>Any 3 × <b>A<sub>1</sub></b> or better</p>	<p><i>Explain how the policies achieve their objective in relation to the given issues</i></p> <p>Achievement (for <b>A<sub>1</sub></b>) <b>plus</b> any 3 × <b>M<sub>1</sub></b></p>	<p><i>Evaluate the effectiveness of the policies in achieving their objectives</i></p> <p>Merit (for <b>M<sub>1</sub></b>) <b>plus</b> any 2 × <b>E<sub>1</sub></b></p>
<p><i>Identify effects of policies on other economic issues</i></p> <p>Any 3 × <b>A<sub>2</sub></b> or better</p>	<p><i>Explain the linkages between the policies and the effects on other economic issues</i></p> <p>Achievement (for <b>A<sub>2</sub></b>) <b>plus</b> any 2 × <b>M<sub>2</sub></b></p>	<p><i>Evaluate the differing impacts of the policies on the other issues</i></p> <p>Merit (for <b>M<sub>2</sub></b>) <b>plus</b> 2 × <b>E<sub>2</sub></b></p>