NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

Level 2, 2004

Economics

Explore issues using economic concepts and statistical data (90236)

Examine economic issues (90237)

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

National Statistics

Assessment Report

Assessment Schedule

Economics, Level 2, 2004

General Comments

Successful candidates were familiar with the key words of the standards that were used in the questions, read questions carefully, and answered what was asked. They were able to make links between economic terms, and link explanations to relevant economic models.

It is important for candidates to attempt all questions, because evidence towards Achievement may be found throughout the papers.

Economics: Explore issues using economic concepts and statistical data (90236)

National Statistics

Number of	Percentage			
Results	Not Achieved	Achieved	Merit	Excellence
5,148	39.9%	46.2%	12.3%	1.6%

Assessment Report

Candidates gaining Achievement were able to define and describe economic terms and to *identify* examples of these terms. They were also able to read statistical information from tables, perform economic calculations using data provided, interpret the results of these calculations, and identify examples of the terms used in the tables.

Those who gained Achievement with Merit and Achievement with Excellence were able to explain economic concepts and terms in more detail, and provide valid reasons when required. They were able to perform more difficult calculations and clearly analyse the results of these calculations. They were also able to synthesise material and identify limitations of the data. They generally attempted every question and avoided repeating themselves.

Assessment Schedule

Economics: Explore issues using economic concepts and statistical data (90236)

Evidence Statement

Code	Question	Evidence	Achievement	Achievement with Merit	Achievement with Excellence
PART A					
A1	**ONE (a)(i)**	An onshore service is provided by the exporting country to **foreign buyers on its own shores**. An offshore service is provided by the exporting country to **users overseas.**	Both onshore and offshore service are described.		
A1	**(a)(ii)**	(1) eg tourism, education to foreign students, overseas people staying in a hotel. (2) eg international air travel, banking, Insurance.	An example of each.		
A1	**(b)(i)**	A restriction on the quantity of imports. Limit on amount, maximum amount.	Quota defined.		
M1	**(b)(ii)**	Eg to protect domestic producers, or to improve a current account deficit. Maintain jobs locally, retaliation, political, strategic.		One reason given.	
A1	**(c)(i)**	A tax on imported goods. (must say tax)	Tariff defined.		
M1	**(c)(ii)**	Eg no restriction on the quantity imported, so consumers have more choice. Revenue for the government. Supply equals demand, but just at a higher price.		One reason given.	
A1	**TWO (a)(i)**	Eg wages, interest, dividends.	Two examples of income. Two examples of wealth. 3/4 for A1.		
	(a)(ii)	Eg savings, house, shares. (must be more specific than just assets)			
A1	**(b)**	Equity means people are treated fairly, while equality means they are treated the same.	Both equity and equality are described.		
M1	**(c)(i)**	Eg two people are paid the same amount but one has more experience and qualifications / risk / productivity. Insufficient to say works harder – this answer must be justified with output information.		One situation explained.	
M1	**(c)(ii)**	Eg a person with higher income pays a greater proportion / rate / percentage in tax than a person on lower income. (cannot say 'amount' of tax)		One situation explained.	
A1	**THREE (a)(i)**	Eg any example of a decrease in supply or increase in demand of a particular good. Possible answers include increase in costs of production, depletion of resources, increase in preference, for a particular good,	Both examples correct.		
	(a)(ii)	Eg any example of a cause of cost-push or demand-pull inflation. Possible answers include fuel prices rises, expansionary fiscal policy tax cuts, interest rate decreases, increase in the demand for goods and services.			
A1	**(b)**	A decrease in the general price level.	Correct definition.		

Code	Question	Evidence	Achievement	Achievement with Merit	Achievement with Excellence
M1	**THREE** **(c)**			4/5 lines correct.	
M1	**FOUR** **(a)(i)**	**Strength**: eg shows if the whole country is earning more income : if more goods and services have been produced : shows that more goods and services can be bought : objective : measurable. **Weakness:** eg does not show: how income is distributed; the composition of output; impact on environment; illegal, under the table transactions; average not individual. Does not include wealth.		Both a strength and a weakness identified.	
M1	**(a)(ii)**	**Strength**: eg shows if the country is able to increase the production of goods and services. **Weakness**: eg does not indicate if more goods and services have been produced; if standard of living has improved; DIY and craft activities not included; do not know the purchasing power of the household; does not indicate efficiency.		Both a strength and a weakness identified.	
M1	**(a)(iii)**	**Strength:** eg includes non-economic welfare to indicate the country's overall well-being; takes into account environmental impact, availability of public facilities etc. **Weakness**: eg the difficulty in measuring some factors that contribute to 'happiness' or well-being may distort the overall measure, or may show an increase, even though fewer goods and services are being produced; international comparability.		Both a strength and a weakness identified.	
E1	**(b)**	Eg changes in real income is the best indicator. It is the easiest to measure because it shows if more goods and services have actually been produced. • must introduce a new piece of information • give a valid reason for choice.			TWO of the sections from Q4 (a) are correct, ONE measure is selected with valid justification.

For THREE (c), the Evidence cell contains:

Time Period (year ended)	% change in general price level	Inflation Deflation Disinflation
Jun 2003	0	
Sep 2003	2.3	Inflation
Dec 2003	1.6	Inflation, disinflation
Mar 2004	2.4	Inflation
Jun 2004	0.2	Inflation, disinflation
Sep 2004	–0.7	Deflation

Code	Question	Evidence	Achievement	Achievement with Merit	Achievement with Excellence
PART B					
A2	**ONE (a)(i)**	411 surplus	Correct figure identified as surplus.		
A2	**(a)(ii)**	156 deficit	Correct figure identified as deficit.		
M2	**(a)(iii)**	1 434 deficit		Correct figure identified as deficit.	
A2	**(b)(i)** **(ii)**	Eg a bus tour for overseas tourists, education for fee-paying students, health, transport. Eg interest, profit, dividends earned by New Zealanders on investments overseas.	Both examples correct.		
M2	**(c)**	Because of the high amount of dividends paid to overseas owners of New Zealand businesses, or because of the interest payments on New Zealand's large overseas debt. (Cannot discuss money going into bank accounts, exchange rate benefits etc – must have clear evidence that the student understands that it is investment not just saving money.)		One reason given.	
M2	**(d)**	Eg much of the data are collected by survey or estimates, which may be inaccurate; trade in illegal goods, errors and omissions.		One limitation identified.	
A2	**TWO (a)**		Correct rate of inflation is calculated for both Year 2 and Year 3.		

Year	Total Spending ($)	Price Index	Rate of Inflation (%)
1	**27.40**	1000	**-**
2	**29.40**	**1073**	**7.3**
3	**31.40**	**1146**	**6.8**

Code	Question	Evidence	Achievement	Achievement with Merit	Achievement with Excellence
A2	**(b)**	The general price level rose by 7.3% in Year 2. Prices rose by 7.3%.	Correct description of the rate of inflation for Year 2.		
A2	**(c)**	Idea that price changes of those goods that make up a greater proportion of **household spending** have more impact on the CPI.	Correct description of 'weighted'.		
M2	**(d)**	Idea that the CPI measures changes in the prices of goods that households buy, whereas the goods a business buys are different (and so a business should refer to the relevant PPI).		Valid explanation given.	

Code	Question	Evidence	Achievement	Achievement with Merit	Achievement with Excellence
A2	**THREE (a)**	$21 221 (or $21 220)	Correct figure calculated.		
A2	**(b)**	Idea that the average income per person was $21 221 (or $21 220), Average production per person was $21 221. Value of goods and services produced per person was $21 221.	Correct description.		
A2	**(c)**	The value of goods and services produced in a country in one year.	Correct description of GDP.		
M2	**(d)**	Eg GDP does not show composition of output, distribution of income, pollution, environmental impact, non-economic factors, inflation, non-market factors.		Two limitations identified.	
A2	**FOUR (a)**	(i) $66 (ii) European / Päkehä	Both parts correct.		
M2	**(b)**	Idea that most females in this group may begin working at a younger age (rather than participating in further education), but the lack of qualifications (or concentration in lower-skilled or lower income jobs) limits the average future earnings of the group. (must explain the change)		One valid economic reason given.	
M2	**(c)**	Eg average might be distorted by a few high-income earners, most might earn less than the average. Different cultural values, difference in wealth, non-economic factors.		One valid reason given.	

Code	Question	Evidence	Achievement	Achievement with Merit	Achievement with Excellence
PART C					
M2 E2	(a)	Relationship: When the OCR increases (decreases), consumption slows (accelerates). Reason: Idea that, at higher interest rates, the cost of borrowing is higher, so consumers will not have as much to spend OR that, as interests rates increase, consumers may prefer to save their money.		2/4 parts answered sufficiently.	A comprehensive analysis requires that 3/4 parts are completed accurately **AND** part (e) is answered sufficiently.
	(b)	Relationship: When the OCR increases (decreases), investment spending slows (accelerates). Reason: Idea that, at higher interest rates, the cost of borrowing is higher, so firms will not borrow as much because some projects will no longer be profitable.			
	(c)	Relationship: When the TWI increases (decreases) exports slow / fall (rise). Reason: A higher exchange rate makes exports relatively more expensive to overseas buyers.			
	(d)	Relationship: When the TWI increases (decreases) imports rise (slow / fall). Reason: A higher exchange rate makes imports relatively cheaper to NZ buyers.			
	(e)	(Although consumption and investment both increased at a faster rate), the fall in exports combined with increased growth in imports contributed to the fall in the rate of growth. At the same time as imports became cheaper the consumers preferred to buy these, and less domestic production was required.			

Judgement Statement

Achievement	Achievement with Merit	Achievement with Excellence
PART A		
Any 4 × **A1** or better	Achievement PLUS any 4 × **M1** or better	Merit PLUS any 1 × **E1**
PART B		
Any 5 × **A2** or better	Achievement PLUS 4 × **M2** or better	Merit PLUS any 1 × **E2**

Economics: Examine economic issues (90237)

National Statistics

Number of	Percentage			
Results	Not Achieved	Achieved	Merit	Excellence
5,130	39.1%	36.6%	15.8%	8.5%

Assessment Report

Candidates gaining Achievement were able to use models to illustrate changes caused by economic events. They used appropriate lines, labels, and arrows and were able to identify both causes of changes in the models, and the effects of those changes. They were also able to describe economic terms related to the models.
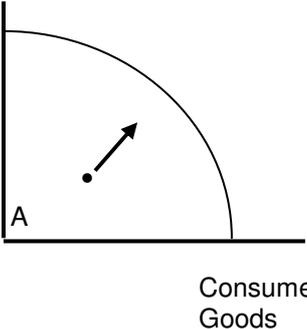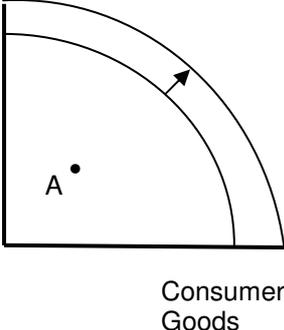
Candidates gaining Achievement presented evidence effectively and appropriately. Graphs were well presented (in pen) with axes, curves, and changes in price / quantity clearly labelled. New lines / curves were drawn with a ruler. They used the allocated space appropriately to provide a clear answer to the prescribed question(s) and were precise in their answers, rather than making general statements that only loosely related to the issue.

Candidates who gained Achievement with Merit and Achievement with Excellence were able to use models to explain changes caused by economic events. They were able to provide reasons for the changes they showed, and linked their explanations to the models by referring to the labels they had used when illustrating those changes. They were able to identify limitations of the models used, were familiar with the assumptions underlying the models, and were able to draw conclusions that were both valid and justified.

Assessment Schedule

Economics: Examine economic issues (90237)

Evidence Statement

Code	Question	Evidence	Achievement	Achievement with Merit	Achievement with Excellence
A1	**ONE Part A (a)**	Consumer good: goods used to satisfy needs and wants. Capital good: (manufactured) good used to make other goods / used by producers.	Both terms described.		
A1	**(b)(i)**	 Capital Goods A Consumer Goods	An arrow indicates an increase in production closer to the PPC.		
A1	**(b)(ii)**	 Capital Goods A Consumer Goods	The PPC shifts out to show an increase in productive capacity.		
M1	**(c)**	Idea that if more resources are used to satisfy present consumption, it will limit future growth, while if more resources are put into the production of capital goods now, or investment, future growth will be much greater.		Correct explanation.	
A2 M2	**Part B (d)(i)**	Environmental Impact: Positive effect: eg increased tax payments may allow local / central government to spend more on environmental protection, or increased profits may allow firms to invest in developing more environmentally friendly products or processes. Negative effect: eg as production increases resources are depleted / more pollution is created.	ONE positive effect **or** ONE negative effect described.	ONE positive effect **and** ONE negative effect explained.	

Code	Question	Evidence	Achievement	Achievement with Merit	Achievement with Excellence
A2 M2	**(d)(ii)**	Distribution of Income: Positive effect: eg more production will create more jobs, reducing unemployment and increasing incomes of those workers previously unemployed. Negative effect: eg growth and increased incomes may be restricted to some industries / regions creating further inequality. Rich and poor / inflation must be clearly explained.	ONE positive effect **or** ONE negative effect described.	ONE positive effect **and** ONE negative effect explained.	
A2 M2	**(d) (iii)**	Regional Growth: Positive effect: eg increased tax take allows more to be spent on infrastructure such as roads and other services, or on development grants to disadvantaged regions. Increases in production / employment / therefore incomes answers are acceptable. Negative effect: eg inequality may increase if increased production and incomes are concentrated in some regions. Social ills / migration effects must be clearly explained and linked to growth.	ONE positive effect **or** ONE negative effect described.	ONE positive effect **and** ONE negative effect explained.	
A1	**TWO Part A (a)(i)**	V is the velocity of circulation, the rate at which money is spent. Q is the level of output in the economy.	Both terms described.		
A1	**(a)(ii)**	As the money supply increases (decreases), the rate of inflation also increases (decreases).	Correct relationship.		
M1	**(a)(iii)**	Eg the velocity of circulation might increase, or output in the economy might fall.		One cause of inflation identified.	
A1	**(b)(i)**		Demand curve shifted right with change in price, indicated with labels (eg P2) or an arrow, and identified as demand-pull inflation. Note that a cost-push answer linked to wage increases is acceptable.		
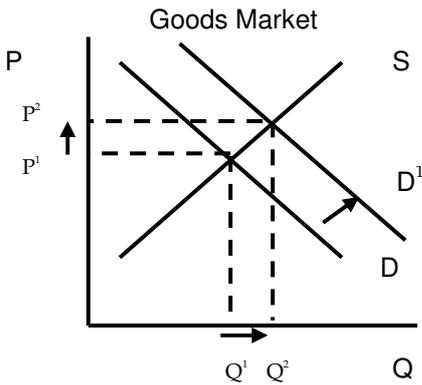
Code	Question	Evidence	Achievement	Achievement with Merit	Achievement with Excellence
A1	**(b)(ii)**	Goods Market *[diagram: supply and demand graph with axes P and Q, curves S, S¹, D, prices P² and P¹, quantities Q² and Q¹, labelled "Cost-push"]*	Supply curve shifted left with change in price, indicated with labels (eg P2) or an arrow, and identified as cost-push inflation.		(b)(i), (b)(ii), and (c) all correct with a valid limitation explained in (d).
M1	**(c)**	Idea that if consumers expect prices to rise, they will spend more, causing prices to rise, and this is illustrated by the increase in demand on the graph. (an explained answer linked to wage increases may also be valid)		Valid explanation with reference to the diagram.	
E	**(d)**	Idea that a supply and demand model is more suited to illustrating changes in a particular market rather than changes to the general price level, as changes in the conditions of supply or demand are different to the causes of cost-push or demand-pull inflation. Explained *ceteris paribus* (other things being equal) answers are valid but do not necessarily have to be linked to inflation.			
A2 M2	**Part B** **(e)(i)**	Exports are relatively more expensive to overseas buyers, and so fall; imports are relatively cheaper, and so rise, and net exports worsens; inflation will increase producer costs and therefore supply.	Identifies that net exports worsen.	Explains effect on X **or** M, and identifies that net exports worsen.	
A2 M2	**(e)(ii)**	Eg those on fixed incomes become relatively worse off, compared to those who are able to get wage rises, or if a higher income earner gets the same percentage increase as a lower income earner, the higher earner is relatively better off.	Identifies that income distribution becomes less even.	Provides a reason why income distribution becomes less even.	

Code	Question	Evidence	Achievement	Achievement with Merit	Achievement with Excellence
A1	**THREE Part A**	(a) Lorenz curve plotted accurately and labelled L1. (b) The further the Lorenz curve is from the line of complete equality, the less evenly income is distributed.	Both parts correct.		
M1	**(c)**	Higher-income earners pay less tax, so disposable income increases, while beneficiaries' disposable income falls, so income distribution becomes less equal.		Identifies that income will be less evenly distributed, and gives a reason.	
M1	**(d)**	Lorenz curve is moved further away from the line of complete equality and labelled L2. (An unlabelled curve moved out correctly should not be penalised nor disqualify an otherwise excellent answer.)		Correct shift of curve.	THREE parts of (a)–(d), correct and in (e)(i) ONE limitation identified, and in (e)(ii) a justified conclusion is drawn.
E	**(e)**	(i) Eg methods of data collection may change over time, or definitions of 'income' and 'household' may vary. Problems of income measurement are acceptable. (ii) Eg it is a worthwhile tool to use because it gives a visual picture of income distribution, or can be used to illustrate how income distribution changes over time, if methods of collection and definitions of income are consistent OR it is not a useful tool when comparing data between countries, because methods of data collection and definitions of income may vary between countries.			
A2	**Part B (f)(i)**	Having different resources or skills or technology.	Correct description.		
M2	**(f)(ii)**	Idea that countries OR individuals with fewer resources or skills (not MONEY) will have fewer opportunities to earn income, creating unequal incomes.		Valid reason given.	
M2	**(g)**	Idea that industries with falling demand experience falling profit, so will reallocate capital to produce goods for which demand is increasing, and thus are becoming relatively more profitable.		Valid explanation given.	

Code	Question	Evidence	Achievement	Achievement with Merit	Achievement with Excellence
A1	**FOUR Part A (a)**	Because New Zealand is endowed with abundant natural resources for farming OR a suitable climate OR a high degree of farming skills OR because we can achieve economies of scale in those industries OR we have better technology in those industries.	One valid reason given.		
A1	**(b)**	P^{T1} identified above the New Zealand equilibrium price and below the Japan equilibrium price. A horizontal line is drawn at P^{T1} with exports and imports both identified.	P^{T1}, X, and M all identified correctly.		
M1	**(c)**	So the relative prices in each country can be compared.		Valid reason given.	Two parts of (a)–(c) correct, and in (d)(i) TWO items identified, in (d)(ii) ONE limitation identified, and a conclusion drawn in (d)(iii).
E	**(d)**	(i) Eg factors affecting supply in either country, factors affecting demand in either country, prices in either country, quantities exported and imported, quantities supplied and demanded in either country. (ii) Eg changes in transport costs, effects of other countries trading, world prices, trade barriers, exchange rates, political influences and economic disasters. (iii) Eg while the two-country model simplifies international trade, it is useful for illustrating the impact of changes in supply and demand on world prices, exports and imports OR the two-country model as shown is inappropriate because New Zealand is too small to influence the world price in most commodities.			
M2	**Part B (e)**	A higher exchange rate means exporters receive fewer New Zealand dollars when selling goods overseas, so their profits fall; OR the higher prices generate a fall in quantity demanded, thus fewer profits.		Correct explanation.	
A2 M2	**(f)(i)**	Growth will fall as exports fall and imports rise. A production decrease is sufficient for the M2 grade.	Identifies that growth will fall.	Valid reason given for the fall in growth.	
A2 M2	**(f)(ii)**	Inequality will increase as those who were employed in these industries lose their jobs and their incomes.	Identifies that inequality will increase.	Valid reason given for the increase in inequality.	

Judgement Statement

Achievement	Achievement with Merit	Achievement with Excellence
Any 5 × **A1**	Achievement PLUS any 3 × **M1**	Merit PLUS any 2 × **E**
Any 4 × **A2**	Achievement PLUS any 6 × **M2**	

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

National Statistics

Number of Results	Percentage			
	Not Achieved	**Achieved**	**Merit**	**Excellence**
4,933	**60.5%**	**33.3%**	**4.8%**	**1.4%**

Assessment Report

Candidates gaining Achievement were able to identify policies the Government could use to achieve economic objectives. They could describe how these policies achieved their objectives and identify effects the policies had on other issues. They were also able to define economic terms related to government policies.

Candidates who gained Achievement used appropriate economic terminology, made links between economic terms, understood current government policy, stated their answers clearly and concisely, and referred to the resource material provided. Answers were developed in a logical sequence and specifically answered the questions that were asked.

Those who gained Achievement with Merit and Achievement with Excellence used a logical three-step sequence to explain how a policy achieves a certain objective by identifying an appropriate policy, explaining how it achieved that objective, and linking this explanation back to the objective or question. They were familiar with the terminology used in the various pieces of legislation listed in this standard.

Those who gained Achievement with Excellence were able to write a conclusion that identified a policy as good or bad and could give some justified reason for their conclusion by showing how one argument outweighed the other, or introduced a higher-level idea (eg a short-term effect versus a long-term effect) that supported their conclusion.

Assessment Schedule

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

Evidence Statement

Code	Question	Evidence	Achievement	Achievement with Merit	Achievement with Excellence
A0	ONE (a)	Idea: • promoting free trade • remove tariffs / quotas / restrictions on trade • increase export (receipts) • improve balance of trade / payments • create new opportunities for NZ in (international) trade.	Any one point.		
A1 or M1	(b)	Idea that: [must refer to exports perspective] • if other countries reciprocate by removing tariffs / quotas / restrictions OR other countries take a more favourable view of NZ and allow greater access / free trade • then we will have greater access to more markets for our exports OR export receipts will increase • and improve our trading position / balance of trade / payments. OR • NZ firms forced to become more efficient • to compete with cheaper / more overseas competition • this increases the (price) competitiveness of NZ goods / exports • improve our trading position/balance of trade / payments.	First point made.	All three points made.	
A2 M2	(c)(i)	Identify effect: economic growth **will fall.** Explain: [required a reason and then an effect on **production**] • If firms close down // more imports • then NZ firms produce less / output / production falls. OR Rise [only accepted if a reasonable explanation given] • lower tariffs make cost of imported materials / capital goods cheaper • NZ firms have lower costs of production • NZ firms output / production will rise.	Correct effect identified.	Two or three point answer (as appropriate).	

Code	Question	Evidence	Achievement	Achievement with Merit	Achievement with Excellence
A2 M2	(c)(ii)	Identify effect: eg inflation **falls**. Explain: [requires a reason and then an effect on **prices**] *eg [1]* lower priced imports // increased competition from imports will cause price of **New Zealand goods** to fall // price level to fall // general level of prices to fall. *eg [2]* lower cost of imported materials / capital goods means lower costs of production firms may lower output prices (to be more competitive) // firms produce more [increasing supply] price of these goods and services falls. OR Rise [only accepted if reasonable explanation given] if export firms have increased revenue / profits increased spending and increased demand for goods and services prices of goods and services will rise.	Correct effect identified.	Two or three point answer (as appropriate).	
A2 M2	(c)(iii)	Identify effect: eg inequality will **increase.** Explain: [requires a reason and then an effect on **income** / **profits**] *eg [1]* • workers in previously protected industries lose their jobs // have less work • these workers earn lower or no incomes. *eg [2]* • for exporting firms who export more, there are more jobs / work / profits • the owners / workers earn higher income compared with other income earners.	Correct effect identified.	Two or three point answer (as appropriate).	

Code	Question	Evidence	Achievement	Achievement with Merit	Achievement with Excellence
A2 or E2	(d)	**Positive effects**: eg [note identify only] • increased economic growth • more trading opportunities overseas if other countries also remove trade barriers • cheaper imports for consumers • lower inflation • more imports means a wider range of products for consumers • resources will be reallocated to industries where we have a comparative advantage • NZ producers forced to become more efficient. **Negative effects**: eg [note identify only] • some NZ firms will be unable to compete with cheaper imports and will close down • some workers will lose their jobs • social and economic effects of higher unemployment • greater income inequality. **Conclusion**: eg [1] The positive effect of NZ exporting more will outweigh the negative effect of more imports because the rest of the world is a **large** market compared with NZ. Therefore, the increase in sales of exports to the rest of the world will be **considerably more** than the increase in imports from rest of the world, so the overall impact is a good one. *OR* [2] The removal of tariffs is a good policy as resources will be reallocated to industries where we have a comparative advantage, rather than remaining in inefficient industries which rely on government protection to survive. The industries where NZ has a comparative advantage will be able to compete on the large world markets, and the potential growth in these industries will outweigh any negative effects that occur from removing the tariffs.	Any one NEW effect not mentioned in (c).		At least ONE positive **and** TWO negative effects [or vice versa] of tariff removals are identified, **and** a conclusion is drawn about the overall worth of the policy. *[Conclusion must have a valid reason WHY the positives outweigh the negatives, [**or** vice versa], **and** state / imply whether the policy is good or bad.]*

Code	Question	Evidence	Achievement	Achievement with Merit	Achievement with Excellence
A0	(e)(i)	Any of: • anti-dumping measures • local content laws • subsidies to NZ producers • health regulations • biosecurity regulations • red tape / regulations	Any one method identified.		
A1 or M1	(ii)	Health / biosecurity regulations → increases costs to importers to comply → domestic firms more price competitive. Subsidies → lowers costs of production (→ firms lower prices) → more price competitive against imports Anti-Dumping → regulations prevent overseas countries selling goods below cost → so NZ firms can compete against imports. Local content laws → NZ firms must supply / add a certain percentage of value to the product → NZ firms more work. Red tape / regulations → more difficult / expensive for imports to get into NZ → fewer goods for NZ firms to compete against / domestic firms more price competitive.	One point developed from method.	One method explained [two-point idea].	
A1 or M1	(f)	• Protection reduces imports • so supply of NZD falls // demand FE decreases • causing the exchange rate to appreciate. *Extra information that is wrong costs Merit but not Achievement eg stating demand for NZD will rise as well as supply NZD falling.*	Idea of reduced imports plus one other point.	All three points.	
A2	TWO (a)(i)	Eg • increase incomes of low income households • more people are encouraged to enter workforce.	Any one point.		
A2	(a)(ii)	Eg • higher costs • may be reluctant to hire new workers • profits decrease.	Any one point.		
A2 or M2	(a)(iii)	• reduced • lowest-income earners will get more income • as high incomes are unchanged, the gap between the rich and poor closes OR low-income earners are relatively richer compared with high-income earners. [Third point must explain how the gap closes.]	First two points	All three points.	

Code	Question	Evidence	Achievement	Achievement with Merit	Achievement with Excellence
A0	(b)(i)	Idea: cannot discriminate against people (in education or employment) on grounds of age, gender, race, disability, religion, marital status, etc.	Discrimination idea and one of age, gender, etc identified.		
A1 or M1	(b)(ii)	• There are now more opportunities for those who may have been discriminated against to gain **skills, qualifications, jobs or promotions** [any of these four]. • and they earn a higher income.	First point only.	Both points.	
A0	THREE (a)	Government spending AND taxation / revenue / income.	Both.		
A0 or A1	(b)	• **increasing** government spending • **decreasing** tax • govt. spends more than it receives // operates a deficit *or a more specific example eg* • **decreasing** progressive income tax rates • tax concessions // subsidies for exporters • **increasing** benefits to people on low incomes • **increased** spending on education // health // training // infrastructure // programmes for the unemployed // R and D.	Any one point.		
A1	(c)(i)	• increase economic growth • increase employment • reduce inequality • improve balance of trade.	Any one point.		
A1 or M1	(c)(ii)	• *Must state policy or be clear they are referring to [b].* • *Two to three ideas / steps / points linking together.* • *Links back to objective in (c)(i).* *eg [1]* • An increase in government spending // lower income tax rates • will increase households' **disposable** income • would increase the demand (for goods and services) • so production would increase • causing economic growth // employment to increase. *eg [2]* • Increased spending on education • will improve skills of work force / unemployed / etc • increasing chances of employment • resulting in more employment.	Any one point developed from their policy.	At least three linking points. Must link back to objective.	

Code	Question	Evidence	Achievement	Achievement with Merit	Achievement with Excellence
A1 or M1	(d)	(i) Maintain an operating / budget **surplus**. (on average) (ii) Reduce net public debt to **prudent** OR less than 20% of GDP for net debt OR less than 30% of GDP gross debt.	Any one point.	Both points.	
A1 or M1 or E1	(e)	Operating Balance: (two points needed) • Operating balance has been in **surplus** • 7 out of 9 years // except for 2000 and 2001 // for 1994–99 and 2002 // apart from 2 years // on average [these words only] Net Public Debt: (two points needed) • net public debt has been reduced • to a more prudent level. Conclusion: (three points required) • The Act has been effective in **achieving its objectives**.	Either operating balance **or** net debt correct.	Both operating balance **and** net debt correct.	Both operating balance **and** net debt correct **and** draws the conclusion about the effectiveness of the Fiscal Responsibility Act.
A0	FOUR (a)	Using the Official Cash Rate (OCR) [OR interest rates] **to** control inflation OR price stability OR keep inflation to 1–3%.	Both parts.		
A0 or A1	(b)	• to maintain price stability • keep inflation between 1–3% • keep changes in CPI between 1–3% • meet inflation target as per Policy Targets Agreement.	Any one point.		
A1 or M1	(c)	• (The Reserve Bank will) increase the OCR // increase interest rates • people will borrow less, save more [and pay more interest on existing loans] // firms will borrow less (and invest less) • less demand (for goods and services) // decrease in consumer // business spending // less AD // less economic activity • less upward pressure on prices // less inflationary pressure // lower prices. OR • The Reserve Bank will 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 // less inflationary pressure // lower prices.	States OCR **or** interest rates up **and** either second or third point.	All four points made.	
A1 or M1 or E1	(d)	• The % change in the CPI // inflation rate has been within the limits set by the PTA • apart from 1995 and 2000 // apart from 2 years // for 7 out of 9 years • so monetary policy has been successful in achieving its main objective.	First **or** second point made.	Both first **and** second point made.	All three points made.

Code	Question	Evidence	Achievement	Achievement with Merit	Achievement with Excellence
A2 or M2	(e)	• Higher interest rates in New Zealand • will attract overseas savers / investors to NZ • increasing demand for NZD // increase supply Foreign Exchange • causing the exchange rate to rise / appreciate.	Any two points of the first three points.	All four points.	
A2 or M2 A2 or M2 E2	(f) (i) (ii) (iii)	Idea of: eg • interest costs for households / firms rise // more expensive to borrow for households / firms • business investment is discouraged, • exporters' profits / returns down • less demand for goods and services as savings increase // borrowing down // cost of credit higher • imports more price competitive (so local firms' profits decrease). -- Idea of: • higher inflation makes planning difficult for firms • exporters less price competitive // find it harder to compete if costs are rising • people on fixed incomes have less real income. [NOT disposable income] • savings lose value in real terms • cost of living rises • rising incomes move earners into higher income tax bracket • increased costs of production for firms • households / firms take on higher levels of debt • higher inflation → increase interest rates → increased costs for firms • inflation creates more inequality of income / wealth for households because … eg assets owners benefit. -- *eg [1]* • The main benefit of lower inflation is a stable economy, which allows firms / households to plan with greater certainty // firms more likely to expand/invest // better price signals, which will lead to long-term growth. • Therefore the (long-term) gains will outweigh the (short-term) costs due to high interest / exchange rates (such as less demand for goods and services / less growth etc).	Any one point. Any one point.	Any two points. Any two points.	Four of six points for (i) and (ii) **plus** a correct conclusion. *[Conclusion must have the idea of **how** the benefit of low inflation outweighs the cost of high interest rates / ER.]*

Code	Question	Evidence	Achievement	Achievement with Merit	Achievement with Excellence
		eg [2] • One benefit of low inflation is if NZ's inflation rate is below that of our trading partners, then NZ exports will be relatively more price competitive, so exports will increase (imports to NZ will be relatively dearer), so more export-led growth // demand for NZ goods. • Therefore, the long-term gains of low inflation will outweigh the short-term costs due to high interest/exchange rates.			

Judgement Statement

Achievement	Achievement with Merit	Achievement with Excellence
Identify government policies relating to the given issues. **Any 3 × A0 or better.**	No additional evidence is required.	No additional evidence is required.
Describe how the policies achieve objectives related to the given issues. **Any 3 × A1 or better.**	*Explain how the policies achieve their objective in relation to the given issues.* Achievement (for A1) PLUS **Any 3 × M1.**	*Evaluate the effectiveness of the policies in achieving their objectives.* Merit (for **M1**) PLUS **Any 1 × E1.**
Identify effects of policies on other economic issues. **Any 3 × A2 or better.**	*Explain the linkages between the policies and the effects on other economic issues.* Achievement (for **A2**) PLUS **Any 3 × M2.**	*Evaluate the differing impacts of the policies on the other issues.* Merit (for **M2**) PLUS **Any 1 × E2.**