

Assessment Schedule – 2008**Economics – Describe economic growth and its causes and effects using economic models (90796)****Evidence Statement**

Code	Question	Evidence	Achievement	Merit	Excellence
A	One (a)	<ul style="list-style-type: none"> net social welfare productive capacity 	Identifies ONE measure.		
A or M	(b)	Any TWO of: <ul style="list-style-type: none"> It is inflation-adjusted, so it reflects changes in purchasing power. It gives a simple number that sums up growth, so it is easy to compare. It is the most commonly used measure, so it is internationally comparable. 	Identifies ONE advantage.	Explains TWO advantages.	
A^c or M^c	(c)	The production possibility curve shows the maximum quantity of output in an economy. An increase in present consumption will result in a decrease in the output of capital goods and, therefore, a decrease in economic growth in the future.	Identifies that the opportunity cost of present consumption is less capital goods.	Explains that the opportunity cost of present consumption will be less capital goods, leading to less economic growth in the future.	
A^E or M^E	(d)	<p>Positively: If present consumption decreases, more capital goods are produced so there will be more growth in the future.</p> <p>Or an increase in consumption will encourage an increase in production and economic growth.</p> <p>Negatively: If present consumption increases, fewer capital goods are produced so there will be less growth in the future.</p> <p>Or if consumption increases, there will be less saving so less available for investment so less growth in the future.</p>	Explains ONE effect.	Explains BOTH effects.	
M^c Or E	(e)	New Zealand can improve its economic growth by: <ul style="list-style-type: none"> increasing investment: eg 1 decreasing the OCR, which will lower interest rates, and encourage businesses to expand eg 2 cutting income tax, which will increase disposable income, increase spending and 		Explains TWO causes of economic growth, with examples.	Explains THREE causes of economic growth, with examples.

		<p>encourage producers to invest more, increasing production</p> <ul style="list-style-type: none"> • improving technology: encouraging businesses to use up-to-date equipment with a view to increasing productivity • discovering new resources: continued search for oil and gas, and gold • increasing the quality of the labour force: encouraging education so workers are more skilled and productive. 			
A^E	Two (a)	Increased economic growth	Identifies effect.		
M^C	(b)	<p>Farmers receive extra income and they then spend more, which means more production and higher incomes for other producers, leading to increased economic growth.</p> <p>Or farmers receive extra income, which they spend on investment, and then productivity increases, and then production increases, finally leading to increased economic growth.</p>		<p>Explains how an increase in consumption increases production and economic growth (the multiplied effect).</p> <p>Explains how an increase in investment increases production and economic growth.</p>	
A^E or M^E	(c)	<p>Increased spending by dairy farmers may drive up resource costs for sheep farmers, making sheep farming less profitable.</p> <p>Some sheep farmers may be tempted to convert land into dairy farms because it is more profitable / switch to dairying to take advantage of the high prices, eg Southland.</p> <p>Some sheep farmers will switch to dairy farming and so in the future sheep numbers may decrease, pushing up prices.</p>	Identifies ONE effect.	Explains TWO effects.	
A^E or M^E	(d)	The high dairy payout will increase the income of dairy farmers, and spending will increase, leading to an increase in aggregate demand and demand pull inflation.	Identifies effect: inflation will increase.	Explains effect.	

		The high dairy payout will increase the income of dairy farmers, who will increase consumption, so the price of goods and services will increase. This will have a flow-on effect throughout the economy, so inflation will increase.			
A^E or M^E	(e)	Nominal growth will be higher than real growth because actual production or real output will not increase as quickly as the nominal output, which includes the effect of inflation.	Identifies difference in impact, ie nominal growth may be higher than real growth.	Explains difference in impact.	
E					Any 3 Ms in Question Two.
A^C	Three (a)	Manufactured goods used in production.	States definition.		
A^C or M^C	(b)	Increases productive capacity and growth increases/ productivity increases, can produce more with the same number of workers, production increases, therefore growth increases.	Identifies cause.	Explains cause.	
A^C	(c)	See Appendix One .	Shows curve shifted to right, with arrow.		
A^C	Four (a)	(i) C : consumption (ii) G : government spending or subsidies (iii) M : import payments (iv) X : export receipts	Identifies TWO correct flows.		
A^C	(b)	<ul style="list-style-type: none"> • government spending or subsidies • investment • export receipts 	TWO correct.		
M^C	(c)	<ul style="list-style-type: none"> • Government spending will increase because the government and local authorities are funding some of the costs, eg the stadium. • Investment will increase because private firms will also contribute to the costs, eg to provide the stadium and services for the teams and visitors. • Export receipts will increase because the tourists who come to participate and watch rugby will consume goods 		Explains THREE flows. [Must relate specifically to the RWC]	

		and services in New Zealand.			
A^C or M^C	(d)	Direct Effect: new spending on Rugby World Cup activities, eg tickets for the game. Indirect Effect: spending on industries that service the tourists that come to the World Cup. Eg, hotels/induced effect of higher spending due to higher incomes of those benefiting from the World Cup. Eg, shops in towns that play host to the Rugby World Cup may see consumers spend more because their incomes have risen.	Identifies ONE direct OR ONE indirect effect.	Explains ONE direct AND ONE indirect effect, including examples.	
M^E	(e)	The Rugby World Cup will have a positive effect on international trade. Tourism numbers will increase, and tourists will spend more on goods and services, so there will be an increase in the export of services in the current account. This should decrease the current account deficit.		Explains effect AND makes reference to export of services or balance of services and the current account deficit.	
E					Any 2 Ms in Question Four.

Judgement Statement

Achievement	Achievement with Merit	Achievement with Excellence
<p>Minimum of:</p> <p>1 × A^C</p> <p><i>and</i></p> <p>1 × A^E</p> <p><i>and</i></p> <p>5 other A or M or E</p>	<p>Minimum of:</p> <p>1 × M^C</p> <p><i>and</i></p> <p>1 × M^E</p> <p><i>and</i></p> <p>1 other M (M, M^C or M^E) or E</p> <p><i>and</i></p> <p>7 other A or M or E</p>	<p>Minimum of:</p> <p>1 × E</p> <p><i>and</i></p> <p>1 × M^C</p> <p><i>and</i></p> <p>1 × M^E</p> <p><i>and</i></p> <p>1 other M (M, M^C or M^E) or E</p> <p><i>and</i></p> <p>7 other A or M or E</p>

Codes:

The suffix ^C in A^C and M^C refers to causes.

The suffix ^E in A^E and M^E refers to effects.

Appendix One

