

**Assessment Schedule – 2008****Economics – Describe government policies in relation to economic issues (90798)****Evidence Statement**

<b>Code</b>	<b>Question</b>	<b>Evidence</b>	<b>Achievement</b>	<b>Merit</b>	<b>Excellence</b>
<b>A1</b>	<b>One</b> (a) (i)	To promote the sustainable management of natural and physical resources.	Describes purpose of RMA.		
<b>M1</b>	(ii)	The RMA ensures that any development will not adversely affect the environment. Because of this, short-term growth may be slowed. However, in the longer term, because of sustainable use, resources should be available in the future so economic growth can continue to occur. Sustainable management requires that the next generation can enjoy the natural and physical environment in no worse condition than it is now, and in sufficient quantity to meet future needs.		Explains long-term effects of RMA, using sustainable management and reference to the future.	
<b>A1</b>	(b) (i)	A budget surplus occurs when the amount of government revenue is greater than the amount of government spending.	Provides accurate description.		
<b>A2 or M2</b>	(ii)	The government does not spend as much as it may want to encourage economic growth because it is restrained by the requirement of the PFA to run a surplus until prudent debt levels have been reached. The level of government spending is determined by the level of government revenue via taxation and a limited amount of debt. This could affect potential economic growth.	Provides partial answer describing restraint on government spending.	Explains the restraint on government spending of the PFA, and how it impacts on economic growth.	
<b>A1</b>	(c) (i)	Expansionary fiscal policy	States correct policy.		
<b>A2 or M2</b>	(ii)	An increase in government spending will inject more money into the economy by the funding of new projects. More people will be employed, so household incomes will increase. Consumption spending will increase, so the price level will go up and so inflation will increase.	Provides partial answer including a brief description of the impact on inflation.	Explains impact on inflation includes some flow-on effects.	
<b>A1</b>	(iii)	The RBNZ will increase OCR to slow the consumption spending and eventually slow down inflation.	Provides accurate description.		
<b>M1</b>	(d)	Higher rates of higher education qualifications should lead to higher levels of productivity/ increase in		Provides full explanation of impact of	

		output, which will lead to increasing economic growth.		higher education on growth.	
<b>A1</b>	<b>Two</b> (a) (i)	A “time lag” is the delay of time between the announcement of a change to the OCR and the effect of the change in the economy.	Describes time lag.		
<b>M1</b>	(ii)	During 2004, the OCR was progressively increased from 5% to 6.5%. The decrease in inflation did not occur until at least the end of 2005, and the greatest decrease occurred in 2006. The RBNZ must take into account the time delay of the increase or decrease in the OCR before it is effective in the economy.		Explains effects, with reference to the time lag and the graph.	
<b>A1</b>	(b)	<ul style="list-style-type: none"> <li>• fiscal policy</li> <li>• monetary policy</li> <li>• monetary policy</li> <li>• fiscal policy</li> <li>• fiscal policy</li> </ul>	THREE correct.		
<b>A1</b>	(c) (i)	<ul style="list-style-type: none"> <li>• Over time, the economy goes through stages of rapid growth, slow growth, negative growth, no growth. / Measures the activity of the economy through recessions, recoveries, and booms. / The cycle in the economy operates.</li> </ul>	Describes business cycle and refers to the economy.		
<b>M1 or E</b>	(ii)	The transmission mechanism of monetary policy begins with the change the RBNZ makes to the Official Cash Rate (OCR), which impacts on the interest rates that financial institutions charge consumers and producers who borrow money to buy consumer or capital goods. This, in turn, affects the level of consumption. For example, if the RBNZ increases the OCR, interest rates increase and consumption will decrease, so there will be less demand in the economy. Investment spending will also decrease because business expansion or the establishment of new businesses will be less profitable and economic growth will slow.		Provides partial explanation that refers to effects on consumers or producers.	Provides explanation of the effect of the transmission mechanism on economic growth, including how a change of OCR will change interest rates AND change the level of consumption and investment.
<b>M2 or E</b>	(d)	The RBNZ increases the OCR to decrease inflationary pressure. When the OCR increases, the exchange rate also increases because more foreign funds are deposited in NZ, which increases the exchange rate.		Provides explanation of the impact of a change in OCR on trade, ie exporters’	Provides full explanation of the impact of a change in OCR on trade.

		When the exchange rate is high, exporters receive relatively fewer NZ\$ for their exports. However, imported goods are relatively cheaper compared to NZ-made goods, so consumption of imported goods will increase.		revenue / profit decreases. Includes appreciation of the \$NZ.	Includes appreciation of the \$NZ, and impact of exports / export receipts and imports / import payments.
<b>A1</b>	<b>Three</b> (a) (i)	World Trade Organisation	Valid answer.		
<b>A1</b>	(ii)	To promote free trade / settles disputes, forum for trade disputes, negotiate trade agreements, rules of trade between nations.	Valid answer.		
<b>M1</b>	(iii)	High tariffs and other restrictions, such as quotas and red tape, in many countries mean that New Zealand exports have difficulty in gaining access to markets. New Zealand exports frequently have to compete against products that enjoy massive levels of subsidies. New Zealand farmers are not operating on a level playing field, eg dairy production is heavily subsidised in Europe / Australian apple market protected from NZ apples because of pests.		Provides full explanation of market distortions using a relevant example – protection measure plus reference to a product or a place.	
<b>A1</b>	(b) (i)	An arrangement / agreement between two or more countries to eliminate trade barriers.	Valid answer.		
<b>A2</b> <b>or</b> <b>M2</b>	(ii)	If China is willing to consume more NZ products, then the production of NZ products will increase to meet the increase in demand. This will mean that incomes should increase and the standard of living will increase. An increase in real output is an increase in economic growth.	Provides partial explanation, eg economic growth will increase because of increased demand for exports from China increases production.	Provides full explanation of the impact of the increase in export receipts.	
<b>A2</b> <b>or</b> <b>M2</b>	(iii)	As producers increase output and demand more labour, wages will increase, contributing to inflation. Exporters are receiving higher prices for their goods in China, so the price of the same goods in NZ will increase, contributing to inflation. For example, the price of dairy products in NZ has recently increased a large amount. <b>OR</b> Inflation may decrease because NZ-produced goods are competing with relatively cheaper imported Chinese	Provides partial explanation, eg inflation in NZ will increase because incomes of exporters increase OR inflation may decrease because imported	Provides full explanation of the impact of the FTA with China on inflation.	

		goods. (Achievement-only answer)	Chinese goods are cheaper than NZ-produced goods.		
<b>A1</b>	(c) (i)	Decrease imported goods/support local manufacturing/support local economy. Increase exported goods.	Provides description of goals.		
<b>M2</b>	(ii)	“Buy Kiwi and we’ve got it made” encourages consumers to purchase New Zealand-made products rather than imported products. This should decrease import payments, which would have a positive effect on the current account deficit. It will also help support local industries and encourage increased production, which would increase economic growth. The purpose of “Export Year 07” was to encourage more New Zealand firms to begin to export or to increase their level of exports. This also has a positive effect on the current account deficit by increasing export receipts.		Provides full explanation of BOTH campaigns, with reference to the current account.	
<b>E</b>					Merit for TWO of (a) (iii), (b) (ii), (c) (ii)

### Judgement Statement

Achievement	Achievement with Merit	Achievement with Excellence
<p><b>Minimum of:</b></p> <p>2 × A1</p> <p><i>and</i></p> <p>2 × A2</p> <p><i>and</i></p> <p>5 other A or M or E</p>	<p><b>Minimum of:</b></p> <p>3 × M1</p> <p><i>and</i></p> <p>3 × M2</p> <p><i>and</i></p> <p>8 other A or M or E</p>	<p><b>Minimum of:</b></p> <p>2 × E</p> <p><i>and</i></p> <p>3 × M1</p> <p><i>and</i></p> <p>3 × M2</p> <p><i>and</i></p> <p>8 other A or M or E</p>
<p><b>Codes:</b></p> <p>A1 and M1 refer to the first criterion.</p> <p>A2 and M2 refer to the second criterion.</p>		