

# Assessment Report

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## New Zealand Scholarship Economics 2022

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### Standard 93402

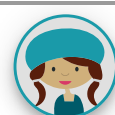
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#### Part A: Commentary

Many candidates did not demonstrate familiarity with the entire range of content in the examination. Additionally, the inclusion of inaccurate or poorly drawn economic models prevented many candidates from achieving higher grades.

A relatively high proportion of candidates achieved a scholarship level grade in Q1. The change to allocative efficiency of the tariff policy was answered comprehensively by most candidates, along with the changes in the market for cheese and potatoes. Some candidates did not show familiarity with the concept of New Zealand as a price taker, and the subsequent impact on the New Zealand price. Other responses incorrectly used market structures theory to answer this trade question.

Using the social marginal benefit / social marginal cost (SMB / SMC) model to illustrate and explain the initial market failure and showing the changes to the deadweight loss for each policy was required in Q2. A significant number of candidates either did not attempt this question and or made errors, such as using a production externality graph or trying to use a demand and supply graph to show allocative efficiency changes for a market failure. Some candidates also



confused the deadweight loss in a SMB / SMC graph with that in a perfectly competitive market.

Scholarship candidates need to make sure that they are familiar with the current New Zealand economic conditions and how they might relate to any macro-economic analysis in Q3. Candidates need to ensure that they understand the more sophisticated NCEA expectations in terms of economic models like aggregate demand / aggregate supply (AD / AS). Many candidates failed to gain higher grades purely due to a lack of detailed explanations of the key points that they made.

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## Part B: Report on performance standard

Candidates who were awarded **Scholarship with Outstanding Performance** commonly:

- used sophisticated, graphical analysis to illustrate changes for unfamiliar contexts, for example in Question Three showing the economy operating at or beyond the full employment line to reflect high capacity utilisation, or in Question Two the impact of R and D on a price taker model to show changes to allocative efficiency
- provided an evaluation that weighed up multiple factors and was economically literate, logical and well-argued, for example in Question Two an evaluation based on all of short versus long term effectiveness, equity and allocative efficiency considerations, sometimes including an equity / efficiency trade off model
- provided perceptive explanations that combined comprehensive economic theory with knowledge of the current economic environment
- synthesised information from the resource material to analyse government policies, for example the decrease in addictiveness of cigarettes was used to increase the elasticity of demand for cigarettes and decrease the externality, which increased the effectiveness of the policy.

Candidates who were awarded **Scholarship** commonly:

- referenced and explained key elements of the resource material
- answered each bullet point in some detail, incorporating economic theory, for example referring to both price and quantity when discussing changes to PS

and CS

- used appropriate, labelled graphs to illustrate any changes discussed, for example shaded or used letters in Question 1 to illustrate changes to CS / PS and AE, or in Question Two used MSB / MSC graph (rather than supply / demand model) with shaded deadweight loss changes, and in Question Three used AD / AS graphs incorporating a curved AS curve and Y<sub>f</sub> line
- explained key statements in detail, for example “Higher interest rates lead to less consumer spending” might be further explained by “Households with existing debt will have less discretionary income due to higher interest payments while saving is encouraged due to improving returns”
- modelled a perfectly elastic ‘Price Taker’ using a one country model and remembered that New Zealand remains a Price Taker, regardless of the changes to the market and with Government interventions
- used elasticity theory to explain that a minimum price would be less effective in reducing quantity and fall unfairly on lower income households.

Candidates who were **not** awarded Scholarship commonly:

- responded with market structures theory, as opposed to allocative efficiency in Question One
- included inaccurate or inappropriate graphs, for example production externalities graph in Question Two, or straight AS curve and large recessionary gap in Question Three
- included inaccurate graphs of poor quality, for example did not use labels, a title, or shifted the wrong curve
- confused market failure with allocative inefficiency in a perfectly competitive market, for example in Question Two stated that a minimum price would decrease rather than increase allocative efficiency
- made statements that, while correct, lacked any detailed explanation, or made a series of general statements without specifically answering the question.

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