

Assessment Report

Scholarship, 2007

Economics

COMMENTARY

Effective time management and planning are essential. In all three questions, candidates frequently wrote far too much in Sections (a) and (b) and not enough in Section (c), which is the section in which they are able to demonstrate their ability to write a sophisticated economic analysis most clearly.

The best performing candidates most commonly demonstrated the following skills and / or knowledge:

- excellence in critical thinking, particularly the scholarship skills of synthesis, making relevant generalisations, drawing appropriate conclusions and (in particular) evaluating, including the pros and cons of issues
- an excellent grasp of economic theory relating to each question and the ability to apply this in a clear and logical manner to the context of the question
- extracted and utilised relevant information from the resource material provided
- used appropriate economic models (both micro and macroeconomic) to complete their analysis and illustrate concepts clearly
- a good understanding of New Zealand's current macroeconomic position and issues that result from this
- familiarity with current monetary and fiscal policy settings and the potential conflicts between these
- excellent communication skills, ie wrote clear, logical answers that were concise and relevant
- fluency with appropriate economic terminology
- effectively integrated fully labeled diagrams into their answers
- justified their reasoning.

Candidates who did NOT achieve scholarship lacked some or all of the skills and knowledge above and in addition they:

- rearranged or quoted extracts from the resource material without expansion
- presented untidy or incomplete diagrams, or failed to use diagrams at all when it was clear they would have been helpful / necessary
- did not follow standard economics graphing conventions
- demonstrated poor planning as evidenced by long rambling answers that went off the topic, ranged into irrelevancies and failed to answer in the context of the questions
- needed to use economic terminology more accurately,
- did not pay attention to the verbs in the questions such as “evaluate”, “discuss”, “explain”, particularly in section C.

Further question specific information

Question ONE

Successful candidates:

- related their answers to the required context / setting, ie sheep and dairy farming.
- understood the change in CS and PS that result from changes in market equilibrium and avoided confusing this with DWL
- understood the concept of economies of scale and the falling section of the AC curve that occurs in the long run, and avoided confusing this with natural monopolies
- placed appropriate emphasis on the operation of the price mechanism rather than on the theory of the firm and perfect competition equilibrium graphs.

Question TWO

Successful candidates:

- correctly calculated the percentage increase in real wages
- indicated that this was an *increase* in the minimum wage rate
- described the increase in the surplus of workers as an increase in the level of involuntary unemployment
- correctly plotted the rent control (maximum price) below market equilibrium and indicated the resultant shortage
- identified and described the correct area for the change in CS, PS, and DWL (deadweight loss)
- correctly classified this as an example of government failure because the intervention created a DWL, rather than reduced an existing DWL, as would be the case when there was market failure.
- appreciated the economists' perspective that redistributive policies such as progressive taxation and the tax credits of the WFF reduced income inequalities in the interests of increasing vertical and horizontal equity
- correctly described how the redistributive policies were able to increase horizontal and vertical equity
- discussed what is meant by efficiency
- described the equity efficiency trade-off and indicated this diagrammatically.

Question THREE

Successful candidates:

- explained the connection between saving performance and the current account balance
- followed economics graphing conventions properly, in particular labelling of diagrams and used the AD / AS model effectively
- drew an AD / AS graph with an inflationary gap
- explained how the resource material showed inflationary pressure
- understood the impact on AD of current fiscal initiatives such as Kiwisaver, WFF, and cuts in company taxation, as well as monetary policy
- understood the significance of a budget surplus, capital investment, foreign investment, public debt, private debt, a financial account surplus, and current account deficit.