Internal Assessment Resource

Economics Level 3

This resource supports assessment against Achievement Standard 91402 version 3

Standard title: Demonstrate understanding of government interventions where the market fails to deliver efficient or equitable outcomes

**Credits:** 5

Resource title: Policy briefing

**Resource reference:** Economics 3.4B

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| This resource:* Clarifies the requirements of the standard
* Supports good assessment practice
* Should be subjected to the school’s usual assessment quality assurance process
* Should be modified to make the context relevant to students in their school environment and ensure that submitted evidence is authentic
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| Date version published by Ministry of Education | November 2018 Version 2To support internal assessment from 2019 |
| Quality assurance status | These materials have been quality assured by NZQA. NZQA Approved number A-A-11-2018-91402-02-6421 |
| Authenticity of evidence | Teachers must manage authenticity for any assessment from a public source, because students may have access to the assessment schedule or student exemplar material.Using this assessment resource without modification may mean that students’ work is not authentic. The teacher may need to change figures, measurements or data sources or set a different context or topic to be investigated or a different text to read or perform. |

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Teacher guidelines

The following guidelines are supplied to enable teachers to carry out valid and consistent assessment using this internal assessment resource.

Teachers need to be very familiar with the outcome being assessed by the achievement standard. The achievement criteria and the explanatory notes contain information, definitions, and requirements that are crucial when interpreting the standard and assessing students against it.

**Context/setting**

This task requires students to explain why the market fails to deliver efficient or equitable outcomes, and to prepare a briefing for a government minister giving the case for and against policies (interventions) that could be used to correct this situation.

Conditions

You will need to determine how long students need to complete each task and what processes they will follow. These will need to be clearly outlined in the student instructions.

Resource requirements

None.

Additional information

None.

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Student instructions

Introduction

This assessment activity requires you to write a report explaining a situation where the market fails to deliver efficient or equitable outcomes in New Zealand and evaluate two government policies (interventions) that could be used to address problems resulting from this.

You will be assessed on the thoroughness with which you explain the situation where the market fails to deliver efficient or equitable outcomes, the quality of your justification for the proposed governmental intervention, and on your use of models to support your explanations.

Teacher note: Students could choose to present their policies in a different format to a report, provided that the medium they use will allow them to present their explanations and economic models with sufficient detail and/or depth.

Task

You have been asked to identify a situation where the market fails to deliver efficient or equitable outcomes in New Zealand and to write a briefing for a government minister, giving the case for and against policies (interventions) that could be used to correct this situation.

Choose an issue from the list below or decide on one of your own and submit it to your teacher for feedback.

* Inequitable income distribution in New Zealand.
* Greenhouse gas emissions from New Zealand firms.
* Low usage of public transportation in New Zealand.

Identify a situation where the market fails to deliver efficient or equitable outcomes. You may seek guidance from your teacher if necessary.

Write a report, following the steps below.

1. Fully explain how the market fails to deliver efficient or equitable outcomes. Support your explanations by using an economic model to illustrate this.
2. Explain two policy options (interventions) that the government could use to address the inefficient or inequitable outcomes, using an economic model(s).
3. For each policy fully explain:
* the efficiency of the policy
* the equity of the policy.
1. Determine which of the two policy options you think is better by referring to equity and efficiency and write a proposal to the government justifying your preference.
2. Integrate an economic model(s) into your recommendation.

When you have completed your report, hand it in to your teacher.

Assessment schedule: Economics 91402 - Policy briefing

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| Evidence/Judgements for Achievement  | Evidence/Judgements for Achievement with Merit | Evidence/Judgements for Achievement with Excellence |
| The student has demonstrated understanding of government interventions where the market fails to deliver efficient or equitable outcomes by: * providing an explanation of:
* why the market may not be delivering efficient or equitable outcomes
* government interventions
* the implications of the government interventions for equity and efficiency
* using an economic model(s) to support explanations.

Example of possible student response:*In the briefing to the government minister, to show the impact of imposing excise duty the student draws a new PMC + tax line to the left and identifies the dual price equilibrium (that is, consumer price PTAX and producer price PPR and quantity at QTAX).**The student identifies that excise duties are unfair as all milk is taxed at the same rate.* *The examples above are indicative samples only.* | The student has demonstrated in-depth understanding of government interventions where the market fails to deliver efficient or equitable outcomes by:* providing a detailed explanation of:
* why the market may not be delivering efficient or equitable outcomes
* government interventions
* the implications of the government interventions for equity and efficiency
* using an economic model(s) to support detailed explanations.

Example of possible student response:*In the briefing to the government minister the student identifies that excise duties are unfair as all milk is taxed at the same rate, but this isn’t fair because milk from producers who use good practice should be sold at a lower rate.**When explaining why the excise duty improves efficiency, the student refers to the higher price paid by consumers (PTAX) causing a decrease in Qd and a lower price received by the producer (PPR) causing a decrease in Qs and so QTAX = (moves closer to) QSOC.**The examples above are indicative samples only.* | The student has demonstrated comprehensive understanding of government interventions where the market fails to deliver efficient or equitable outcomes by:* using a detailed explanation to make a justified recommendation on which government intervention is better in terms of efficiency and equity
* integrating an economic model(s) into the justified recommendation.

Example of possible student response:*The student labels different regions of the graph. They use a table to show that after an excise duty is imposed the DWL disappears; even total surpluses are reduced, indicating that it is allocatively efficient.**In the briefing to the government minister the student justifies emission units as the best option because they are more equitable than excise duties: dairy farmers whose production methods emit less greenhouse gases need to buy less emission units. This direct impact on cost sends a price signal to producers that they will be rewarded for developing methods that emit less greenhouse gases. It is more likely to be allocatively efficient than the excise tax, which fails to directly link decreased profits to the level of greenhouse gases they emit.**The student shows shifts of the PMC to SMC1 to indicate the purchase of emission units, showing that they directly affect costs of production, whereas the excise tax graph creates a dual price equilibrium, e.g. Consumers (PTAX), Producers (PPR) that reduces sales and revenue, but it is not directly linked to the firm’s level of emissions.**The examples above are indicative samples only.* |

Final grades will be decided using professional judgement based on a holistic examination of the evidence provided against the criteria in the Achievement Standard