

Internal Assessment Resource

Economics Level 2

This resource supports assessment against:

Achievement Standard 91227

Analyse how government policies and contemporary economic issues interact

6 Credits

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Achievement Standard Economics 91227: Analyse how government policies and contemporary economic issues interact

Resource reference: Economics 2.6A

Credits: 6

Achievement	Achievement with Merit	Achievement with Excellence
Analyse how government policies and contemporary economic issues interact.	Analyse in depth how government policies and contemporary economic issues interact.	Analyse comprehensively how government policies and contemporary economic issues interact.

Student instructions

Introduction

Policies aimed at maintaining price stability often conflict with policies that are aimed at achieving higher levels of growth and trade. However, during a recession, these policy objectives become aligned as the government and Reserve Bank work together to achieve economic recovery.

This assessment activity requires you to carry out an economic analysis of government policies that could lift the economy out of recession without jeopardising the policy objective of price stability.

You will present the economic analysis in a mode of your choice. Check with your teacher to see if they believe the mode you have chosen is viable.

You will be assessed on the quality of your explanations, and on your justification for the combination of government policies that would achieve price stability and minimise any negative flow-on effects on economic growth and trade.

This is an individual task and you have 2 weeks of in and out-of-class time to complete this activity. **It will be due on Wednesday 11/10/16**

Part 1 Task

Research and analyse government policies analysing inflation.

Include the following elements in your analysis.

- a) A definition of inflation.
- b) Why high inflation is considered to be a problem.
 - negative impacts of price inflation on households;
 - negative impacts of price Inflation on producers;
- c) The causes of inflation.
- d) What the current definition of price stability is and why the government has price stability as an objective.
- e) How is inflation controlled in New Zealand. You will need to explain the Policy Targets Agreement between the government and the RBNZ.
- f) An explanation of **tight or contractionary monetary policy**. This should include key facts that explain **how the Reserve Bank operates monetary policy** in order to achieve price stability.
 - How does the RBNZ attempt to lower inflation.
 - Models to show how the RBNZ attempts to lower inflation.
- g) The negative side effects of a tight monetary policy being implemented – you will need to explain **two** negative side effects of a tight monetary policy.
- h) What policies the government could use to help limit the negative side effects of a tight monetary policy.

Part 2 - Current Economic Situation

- i) An explanation of the current economic situation with evidence and the direct impact of current monetary policy on price stability, showing the changes this would cause on the **AS/AD model** and the **Foreign Exchange Market model**. Then integrate the changes shown on the AS/AD model into explanations of the flow-on effects to economic growth and integrate the changes shown on the FOREX market model into explanations of the flow-on effects to trade.
- j) An explanation of the direct impact of an alternative government policy(s) (apart from monetary policy) to help the current economic situation on price stability. You will need to show the changes this would cause using an appropriate economic model and link this into your explanations.

You will need to find articles / reports to help backup your explanations.

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

Some useful websites are:

- k) www.rbnz.govt.nz
- l) www.mfat.govt.nz
- m) www.med.govt.nz
- n) www.dol.govt.nz
- o) <http://www.nzherald.co.nz>
- p) www.3news.co.nz/
- q) www.tvnz.co.nz
- r) www.interest.co.nz.