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Achievement Criteria

90632: Describe aggregate economic activity		
Achieved	Merit	Excellence
<ul style="list-style-type: none"> • Describe the aggregate level of economic activity and how the aggregate demand and aggregate supply model is used. 	<ul style="list-style-type: none"> • Describe the aggregate level of economic activity and how the aggregate demand and aggregate supply model is used. 	<ul style="list-style-type: none"> • Describe the aggregate level of economic activity and how the aggregate demand and aggregate supply model is used.
<ul style="list-style-type: none"> • Describe influences on New Zealand's aggregate economic activity. 	<ul style="list-style-type: none"> • Explain influences on New Zealand's aggregate economic activity. 	<ul style="list-style-type: none"> • Fully explain influences on New Zealand's aggregate economic activity.

Overview

In **Books 1** and **2**, we looked at individual markets . . . how they operate and why they sometimes fail. The purpose of this analysis was to examine how effective the market solution is at achieving allocative efficiency.

We saw that overall, markets work well to allocate an economy's scarce resources to the production of goods and services demanded by consumers. However, for a variety of reasons, e.g. the presence of externalities, the government may choose to intervene in a market to better achieve allocative efficiency.

Achievement Standard 90632 looks at the New Zealand economy as a whole. We group the different markets together, based on the 5-sector circular flow model and see how these *groups* of markets interact.

We are very interested in this *big picture* analysis. The economy is like the engine of a car. Each of the individual markets (e.g. the market for fast food, the market for t-shirts) can be compared to the individual components of that engine. As the passengers of the car, we are concerned about how well it is performing.

It is the same with the New Zealand economy. We want to know how well the overall economy is working. Is the economy and our standard of living growing? What is happening to inflation, unemployment, international trade?

This overview gives us general information that affects us individually. If the overall economy is growing, firms are likely to expand production and hire more staff. This means more jobs for you and me. If inflation is high, this possibly means interest rates will rise (see *Unit 16* and the role of the RBNZ) . . . which is bad for homeowners.

The government is very concerned about the state of the economy. One of its key economic roles is economic stabilisation (see *Unit 10*). If the economy is not doing well (e.g. high unemployment, high inflation) then the citizens are worse off . . . and that doesn't win elections.

In particular, we study the following:

Gross Domestic Product (*Unit 15*)

This unit looks at the overall New Zealand economy and the major sectors in it – based on the 5-sector circular flow model. It examines how we measure the size of an economy using statistics such as Gross Domestic Product.

New Zealand Money Market (*Unit 16*)

This unit looks at the money or financial markets. It examines the demand for money and supply of money and how these interact. It also explains the role of the RBNZ in implementing monetary policy to control inflation in New Zealand.

New Zealand Fiscal Policy (*Unit 17*)

This unit looks at the government sector. It describes fiscal policy and how this affects the economy.

Foreign Exchange and the Balance of Payments (*Unit 18*)

This unit looks at international markets. It explains what exchange rates are and how they are set. It examines factors that affect our international trade and how international trade benefits our economy. It also describes various measures of international trade such as Balance of Payments and Terms of Trade.

Aggregate Demand and Aggregate Supply (*Unit 19*)

This final unit brings all the *macro* economic analysis together in a single model called *Aggregate Supply and Aggregate Demand*. It explores how this model can be used to show changes to the New Zealand economy and to analyse the likely consequences of various economic events or economic policies of the government.