

90796



NEW ZEALAND QUALIFICATIONS AUTHORITY
 MANA TOHU MĀTAURANGA O AOTEAROA

For Supervisor's use only

Level 2 Economics, 2008

90796 Describe economic growth and its causes and effects using economic models

Credits: Four

9.30 am Tuesday 18 November 2008

Check that the National Student Number (NSN) on your admission slip is the same as the number at the top of this page.

You should answer ALL the questions in this booklet.

If you need more space for any answer, use the page(s) provided at the back of this booklet and clearly number the question.

Check that this booklet has pages 2–11 in the correct order and that none of these pages is blank.

YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.

<i>For Assessor's use only</i>		Achievement Criteria	
Achievement		Achievement with Merit	Achievement with Excellence
Describe economic growth and its causes and effects using economic models.	<input type="checkbox"/>	Explain economic growth and its causes and effects using economic models.	<input type="checkbox"/>
		Fully explain economic growth and its causes and effects using economic models.	<input type="checkbox"/>
		Overall Level of Performance	<input type="checkbox"/>

You are advised to spend 40 minutes answering the questions in this booklet.

QUESTION ONE

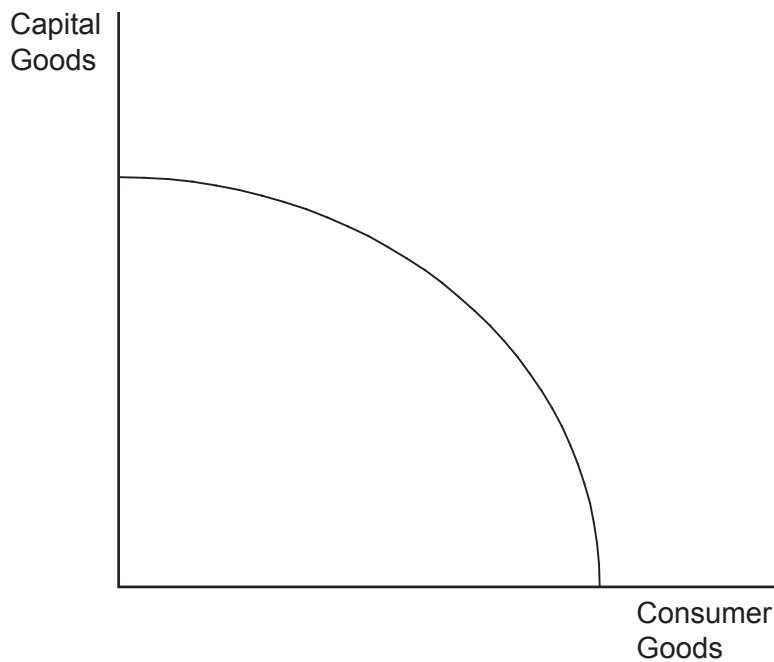
- (a) One method of measuring economic growth is to calculate **Real GDP**.
Name one other **measure** of **economic growth**.

- (b) Explain TWO advantages of using **Real GDP** to measure **economic growth**.

(1) _____

(2) _____

Production Possibility Curve



- (c) Explain the **opportunity cost** of **present consumption** in terms of economic growth. Refer to the graph above in your answer.

(d) Explain how present consumption can affect growth **positively** and **negatively**.

(i) Positively: _____

(ii) Negatively: _____

(e) New Zealand's economic growth rate has been relatively low during the past 20 years compared to other countries such as Australia.

Explain how New Zealand could **improve** its **rate of economic growth**. Include examples, which can be from the **producer sector** and/or the **government sector**.

QUESTION TWO

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The price of dairy farms hit new records in January, off the back of increased milk-solid payouts (ie increased revenue for dairy farmers) ...

Source: Adapted from *New Zealand Herald*, 12 May 2008.

- (a) Identify the likely impact of the **high dairy payout** on **economic growth**.

- (b) Explain **how** this impact occurs. Refer to the resource above.

- (c) Explain how the future prospects for **sheep farmers** may be affected by the high **dairy payout**.

(d) Explain the effect of the high **dairy payout** on **inflation**.

(e) Explain why the high dairy payout might have a different impact on **real growth** than on **nominal growth**.

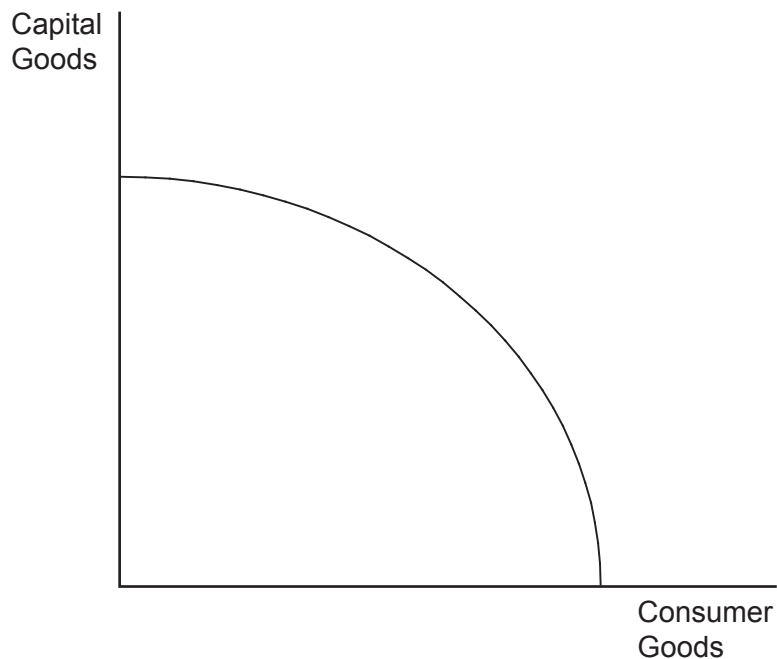
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QUESTION THREE

- (a) Define the term **physical capital**.

- (b) Explain how an **increase** in physical capital affects **economic growth**.

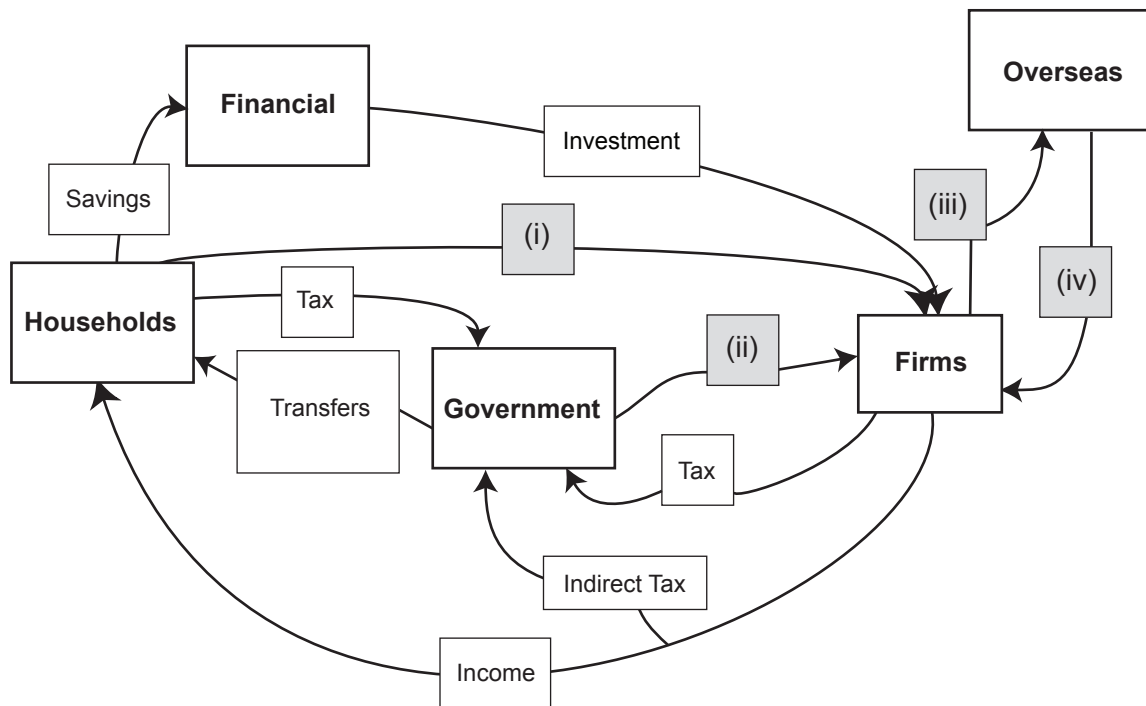
- (c) On the production possibility curve below, demonstrate how an increase in physical capital in New Zealand will affect economic growth in the long term. Use appropriate lines and arrows.

New Zealand Economy

QUESTION FOUR

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Circular Flow of Money



(a) Complete the circular flow model above by identifying the **flows**.

(i)

(ii)

(iii)

(iv)

(b) State the names of the **THREE injection flows** into the Circular Flow of Money.

(1)

(2)

(3)

It is estimated that the Rugby World Cup 2011 will result in total economic activity amounting to approximately \$1.15 billion.

Source: http://www.edenpark.co.nz/downloads/consent/ResConsentAppl_Economic_RWC.pdf

(c) Explain how each of the **injection flows** which you stated in (b) on the previous page will increase because of the **Rugby World Cup**.

(1) _____

(2) _____

(3) _____

(d) Explain how the **Rugby World Cup** will **increase economic growth** both directly and indirectly.

(i) Direct effect on economic growth: _____

(ii) Indirect effect on economic growth: _____

(e) Explain the likely effect of the **Rugby World Cup** on New Zealand's **current account deficit**.

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