

90796



NEW ZEALAND QUALIFICATIONS AUTHORITY  
 MANA TOHU MĀTAURANGA O AOTEAROA

*For Supervisor's use only*

## Level 2 Economics, 2009

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

Credits: Four

2.00 pm Tuesday 24 November 2009

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

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 2–8 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>		<b>Achievement Criteria</b>	
<b>Achievement</b>		<b>Achievement with Merit</b>	<b>Achievement with Excellence</b>
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"/>
<b>Overall Level of Performance</b>		<input type="checkbox"/>	

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

**QUESTION ONE**

Economic growth can be measured by an increase in productive capacity and by an increase in real GDP.

(a) State ONE **other** measure of economic growth.

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(b) Explain ONE **advantage** of the measure you stated in (a).

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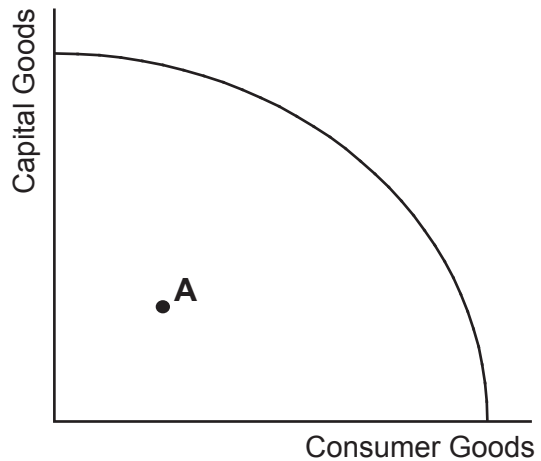
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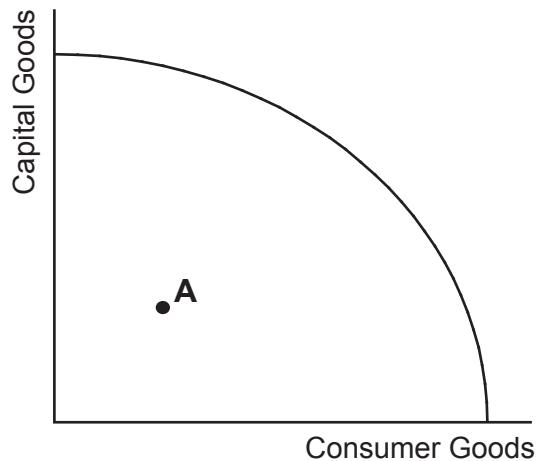
(c) (i) Show how the production possibility curve in Graph 1 should be changed to illustrate an increase in **productive capacity**.  
**Note:** A represents the current level of output.

**Graph 1: The New Zealand Economy**



(ii) Show on Graph 2 how the current level of output should be shifted to illustrate an increase in **real GDP**.  
**Note:** A represents the current level of output.

**Graph 2: The New Zealand Economy**



(d) **Fully explain** why **real GDP** is a better measure of economic growth than **nominal GDP**.

In your explanation, you should:

- define BOTH terms
- giving detailed reasons why the statement above is correct.

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Assessor's  
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**QUESTION TWO**Assessor's  
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Economic growth can be caused by changes in investment, technology, or resource use and by forgoing present consumption.

- (a) Describe what is meant by the term **investment**.

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- (b) Explain ONE possible **negative outcome** for the **environment** if **more resources** are used to achieve economic growth.

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- (c) Explain how **improved technology** can result in economic growth.

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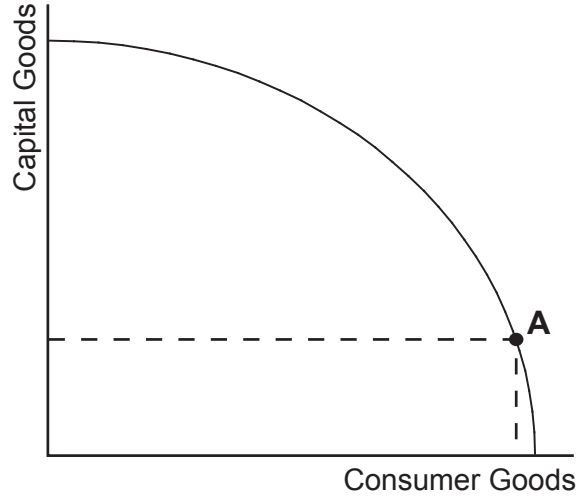
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- (d) **Fully explain** how **forgoing present consumption and increasing investment** can result in **future** economic growth. In your explanation, you should:
- make the appropriate changes to the production possibility curve on Graph 3 below to illustrate your answer
  - give a detailed reason why future economic growth can be achieved.

**Graph 3: The New Zealand Economy**



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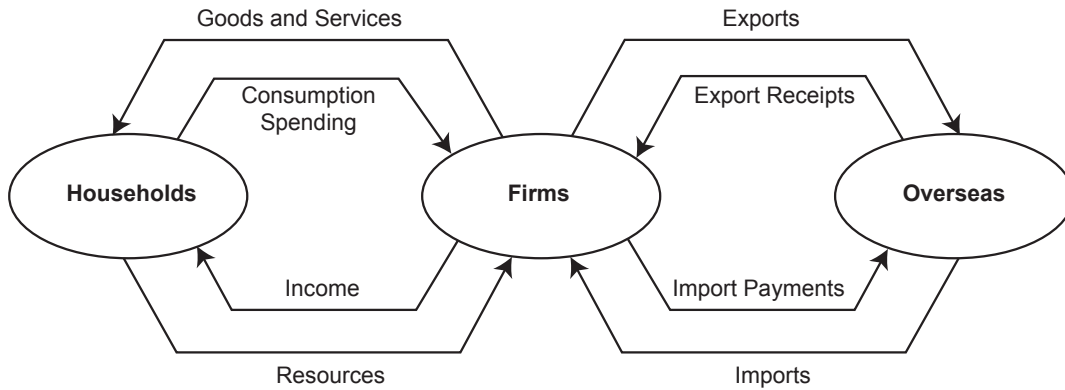
**QUESTION THREE**

Assessor's use only

“The estimated benefit to New Zealand of a free trade agreement [with China] is a growth in exports ... of between \$225 million and \$350 million a year.”

Source: <http://www.infonews.co.nz/news.cfm?l=1&t=141&id=28489>

**Circular Flow Model**



(a) The circular flow model above does not include the Government Sector. Name both the **injection flow** and **withdrawal flow** associated with the Government Sector:

(i) **injection flow** \_\_\_\_\_

(ii) **withdrawal flow** \_\_\_\_\_

(b) Explain how the withdrawal flow you stated in (a) (ii) would be affected by the **growth in exports** resulting from a free trade agreement.

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