

91224



NEW ZEALAND QUALIFICATIONS AUTHORITY  
MANA TOHU MĀTAURANGA O AOTEAROA

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SUPERVISOR'S USE ONLY

## Level 2 Economics, 2012

### 91224 Analyse economic growth using economic concepts and models

2.00 pm Monday 12 November 2012

Credits: Four

Achievement	Achievement with Merit	Achievement with Excellence
Analyse economic growth using economic concepts and models.	Analyse economic growth in depth using economic concepts and models.	Analyse economic growth comprehensively using economic concepts and models.

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 attempt ALL the questions in this booklet.**

If you need more room for any answer, use the extra space provided at the back of this booklet.

Check that this booklet has pages 2–12 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.**

**TOTAL**

ASSESSOR'S USE ONLY

You are advised to spend one hour answering the questions in this booklet.

### QUESTION ONE: MIGRATION AND ECONOMIC GROWTH

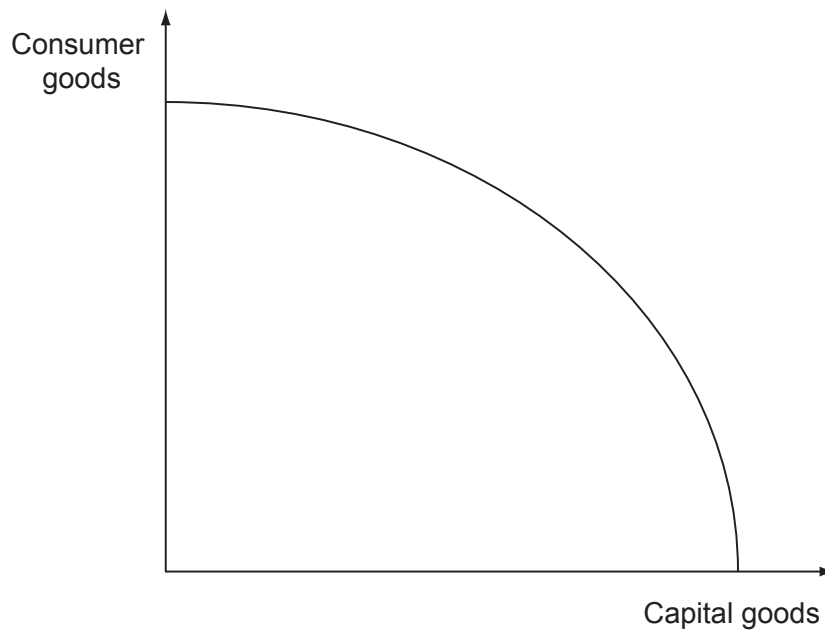
Complete questions (a)–(c) to comprehensively analyse the relationship between migration and economic growth.

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Source: R Emmerson, *New Zealand Herald*, 27 December 2011

- (a) On Graph One, show the impact of increased migration from New Zealand to Australia.

**Graph One: Production possibility frontier for New Zealand**





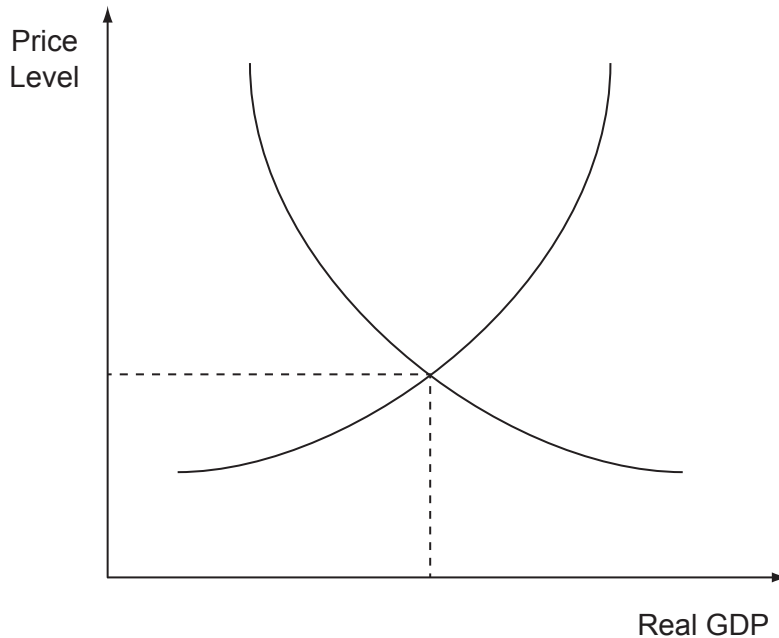




An exchange rate that is stable (does not change much from one month to the next) can lead to greater business confidence and certainty about the costs of imports and export income, while a lower exchange rate can result in higher costs for imported capital goods and raw materials.

- (c) Compare and contrast the effects on economic growth of a stable exchange rate with those of a lower exchange rate. In your answer, you should:
- fully label Graph Three, and show the likely effect on Real GDP that would result from a stable exchange rate
  - explain in detail how greater business confidence and certainty about the costs of imports and export income would affect economic growth
  - explain in detail why a stable exchange rate may have a greater positive effect on economic growth than a lower exchange rate.

**Graph Three: AS and AD of an economy**




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The examination continues on the following page.**



### QUESTION THREE: THE IMPACT OF ACCESS TO WATER AND WATER QUALITY ON ECONOMIC GROWTH

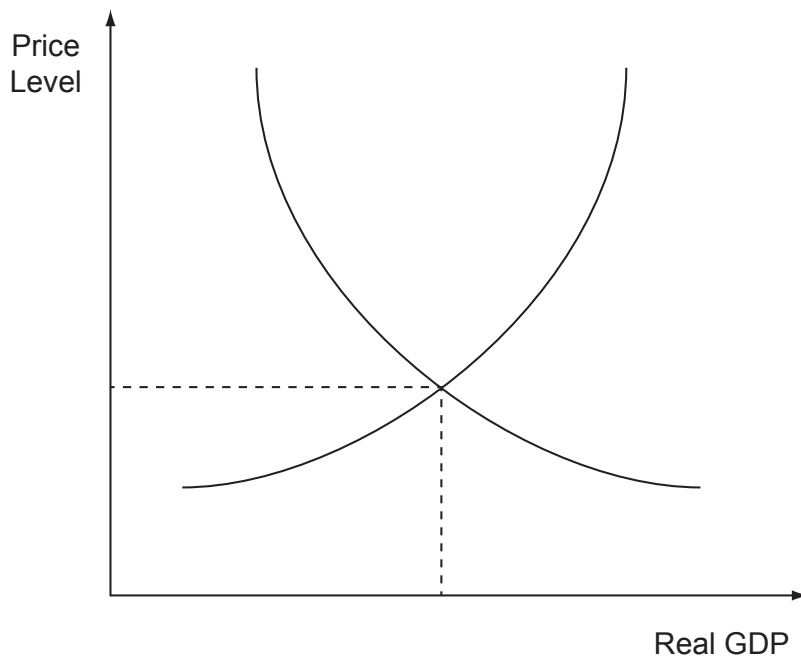
Complete questions (a)–(c) to comprehensively analyse the impact of access to water and water quality on economic growth.

Increased capital expenditure on irrigation by the farming sector has resulted in an increase in agricultural output.

Source (adapted): <http://www.maf.govt.nz/portals/0/documents/environment/water/irrigation/nzier-economic-impact-increased-irrigation.pdf>

- (a) Fully label Graph Four, and show the effect on Real GDP that would result from increased capital expenditure on irrigation in the farming sector.

**Graph Four: AS and AD of an economy**



- (b) Explain in detail the effect increased capital expenditure on irrigation has on economic growth. Refer to the change you made on Graph Four to support your explanation.

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With land-use practices becoming more intensive, particularly in the agricultural sector, there is greater demand for water now than ever before, and evidence is showing that water quality is declining.

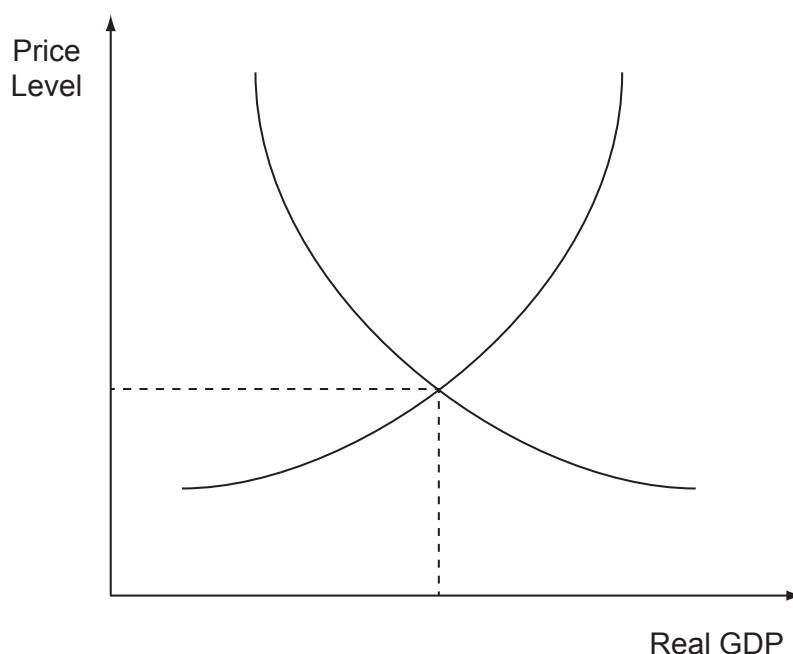
Source (adapted): <http://www.parliament.nz/en-NZ/ParlSupport/ResearchPapers/1/8/3/00PlibCIP151-Freshwater-use-in-New-Zealand>

Good water quality is important to attract tourists.

Source (adapted): <http://www.nuffield.org.nz/2011%20-%20Nicola%20Vaugh%20-%20Nuffield%202011%20Exec%20Summary.pdf>

- (c) Compare and contrast the effects of increased farm irrigation and falling water quality on economic growth for farmers and tourist operators. Refer to the information above to support your answer. In your answer, you should:
- explain in detail the likely impact of falling water quality on tourist operators
  - fully label Graph Five, and show how the impact on tourism would affect Real GDP
  - explain in detail whether the combined impact of increased farm irrigation and falling water quality would have a positive or negative effect on economic growth in New Zealand.

**Graph Five: AS and AD of an economy**




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