

91224



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

2

SUPERVISOR'S USE ONLY

Level 2 Economics, 2013

91224 Analyse economic growth using economic concepts and models

2.00 pm Monday 11 November 2013

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

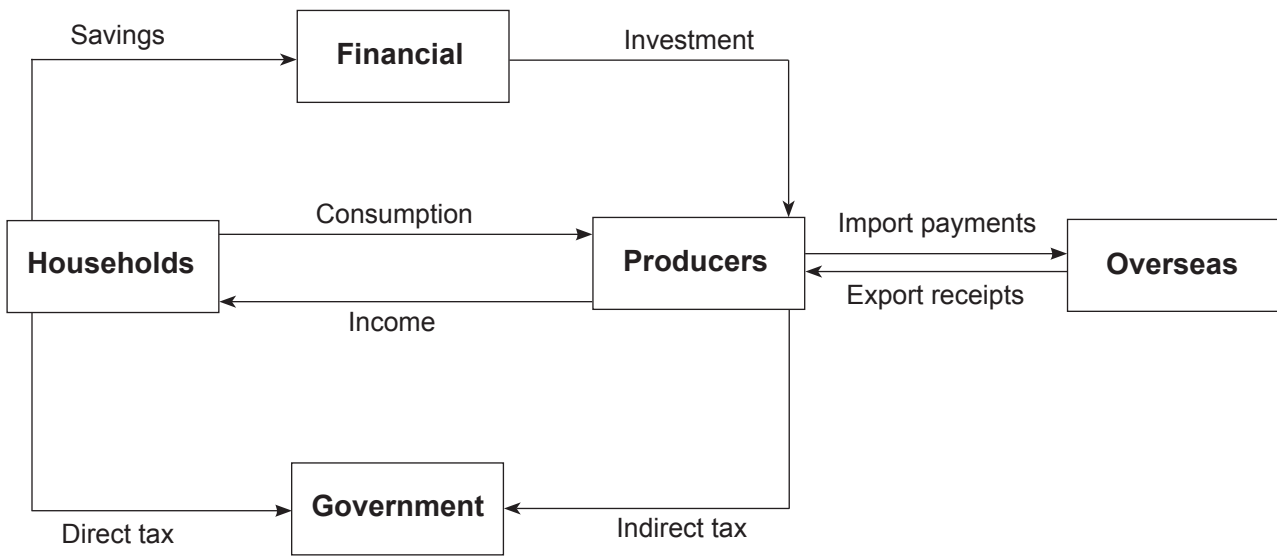
You are advised to spend one hour answering the questions in this booklet.

QUESTION ONE: THE CIRCULAR FLOW MODEL

“...the trading partner outlook remains weak. Many European economies are in recession.”
Source (adapted): <https://zen.nzherald.co.nz/media/webcontent/document/pdf/201237/RB.pdf>

Complete (a) and (b) to comprehensively analyse the effect on economic growth of New Zealand’s European trading partners being in recession, and the effect of an increase in business confidence.

Model One: Circular flow model for the New Zealand economy



- (a) Explain in detail which money flow in Model One would be directly affected by New Zealand’s European trading partners being in recession.

“New Zealand businesses are becoming increasingly confident about their prospects, a new survey shows ...”

Source: www.stuff.co.nz/business/industries/7738470/Bit-of-a-spring-in-business-confidence

(b) Compare and contrast the impact on economic growth of New Zealand’s European trading partners being in recession, with the impact of an increase in business confidence.

In your answer, refer to the relevant money flows from Model One, and explain in detail:

- how New Zealand’s European trading partners being in recession could affect economic growth
- how an increase in business confidence could affect economic growth
- the combined impact on economic growth of New Zealand’s European trading partners being in recession, and an increase in business confidence.

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QUESTION TWO: THE IMPACT OF THE EMISSIONS TRADING SCHEME

“The purpose of the Emissions Trading Scheme is to reduce the amount of greenhouse gases emitted in New Zealand. This is done by charging producers who emit greenhouse gases while doing certain activities”.

Source (adapted): www.climatechange.govt.nz/emissions-trading-scheme/about/basics.html

“Fonterra lobbied to keep agriculture out of the Emissions Trading Scheme. It argued the increased costs to farmers would dent their profitability, reduce milk production, and curb investment in farming”.

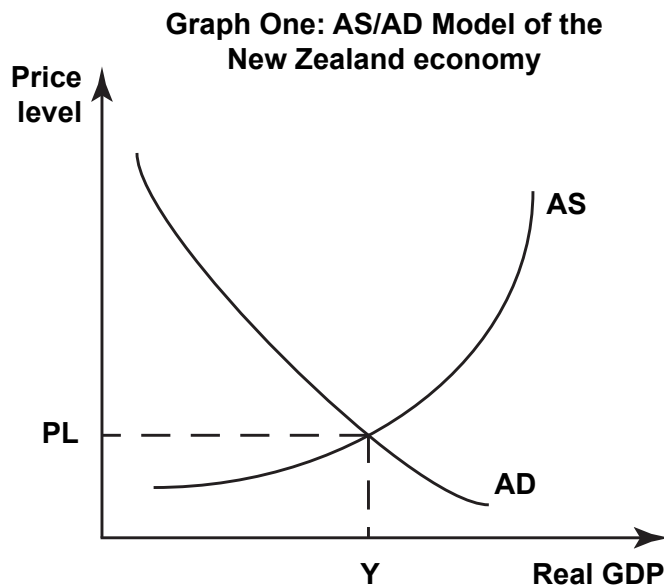
Source (adapted): www.stuff.co.nz/sunday-star-times/business/5713082/Emissions-trading-schemers

Complete (a) and (b) to comprehensively analyse the effects of the Emissions Trading Scheme.

- (a) Explain in detail how the increased costs of the Emissions Trading Scheme for the agricultural sector may affect economic growth.

In your answer:

- on Graph One, show how the increased costs for the agricultural sector will affect Real GDP
- explain in detail the changes you have made on Graph One.



"However, being one of the first countries in the world to implement the Emissions Trading Scheme (ETS) in the agricultural sector would enhance New Zealand's international standing, and would be a great marketing opportunity for farmers. The gains would far exceed the cost to them of the ETS".

Source (adapted): www.stuff.co.nz/sunday-star-times/business/5713082/Emissions-trading-schemers

(b) Compare and contrast the impact of the change in economic growth resulting from the agricultural sector entering the ETS on New Zealand farmers, households, and the environment.

In your answer, refer to the changes you made in Graph One, and explain in detail:

- the costs **and** benefits for New Zealand farmers
- the costs **and** benefits for New Zealand households
- the impact on the environment.

More answer space on page 8 ▶

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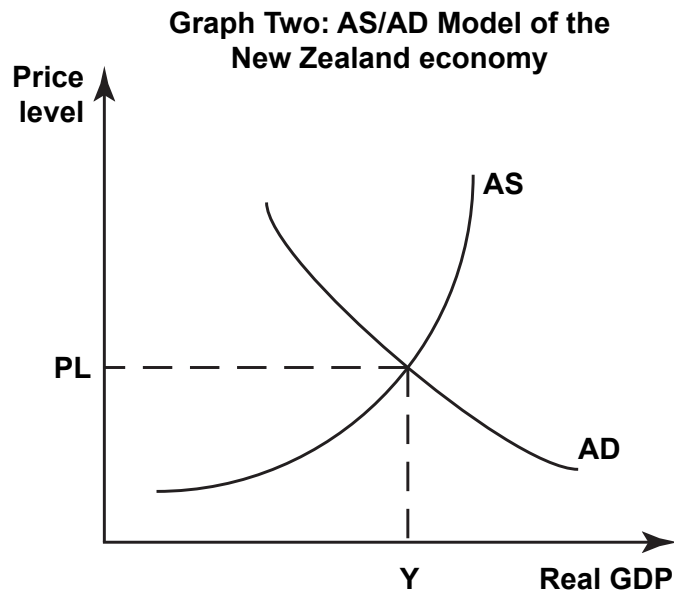
QUESTION THREE: SAVINGS AND ECONOMIC GROWTH

“... spending levels are expected to continue to be moderated by New Zealand households saving more in the face of high average debt levels”.

Source: www.treasury.govt.nz/budget/forecasts/befu2012/003.htm#_tocOverview

Complete (a) to (c) to comprehensively analyse the effect of increased savings by New Zealand households on short-term and long-term economic growth.

- (a) On Graph Two, show the effect of consumers saving more of their disposable income on Real GDP in the short term.

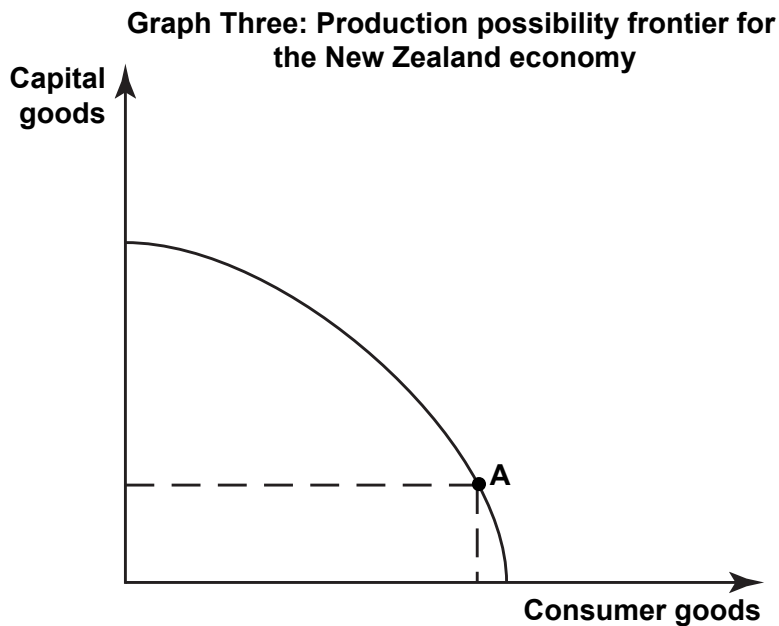


- (b) Explain in detail the changes you made.

- (c) Discuss the impact of increased savings by New Zealand households on short-term and long-term economic growth.

In your answer:

- illustrate on Graph Three how an increase in savings would affect consumption, investment, and long-term growth in the New Zealand economy. Assume the New Zealand economy is initially at point A
- explain in detail how an increase in savings would affect the level of investment in the New Zealand economy
- explain in detail why an increase in savings would have a more positive effect on long-term growth compared to short-term growth
- refer to the changes you made to Graphs Two and Three.



More answer space on page 12 ►

