

91224



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Level 2 Economics, 2018

91224 Analyse economic growth using economic concepts and models

2.00 p.m. Wednesday 21 November 2018
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 2–11 in the correct order and that none of these pages is blank.

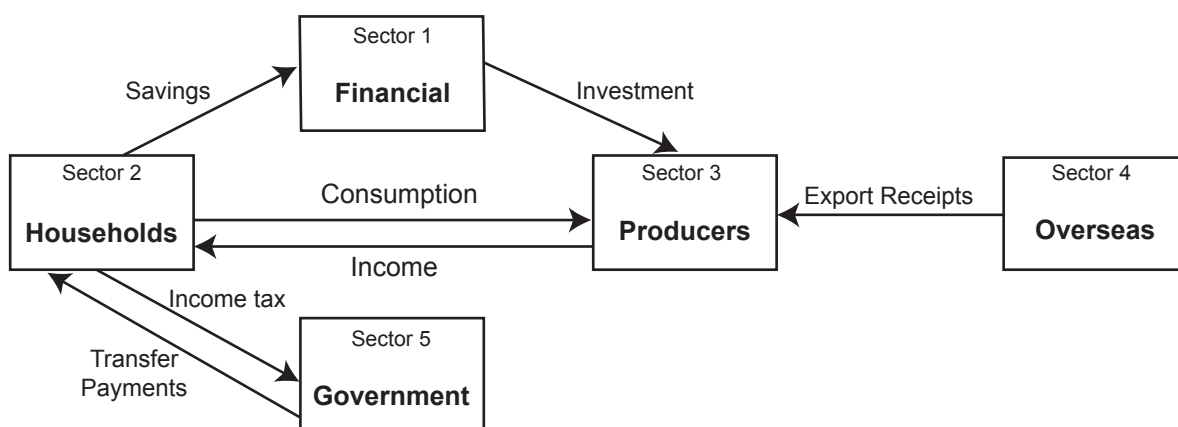
YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.

TOTAL

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QUESTION ONE: CAUSES OF ECONOMIC GROWTH

Model One: Circular flow model



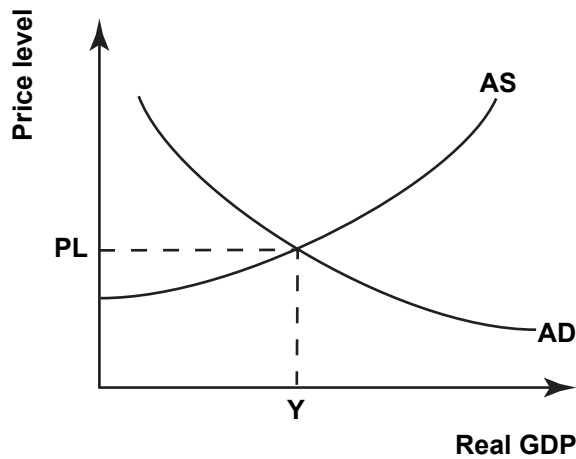
- (a) Using Model One, fully explain how money flows connected to the Household sector can be used to change the level of savings, to increase investment in the Producer sector.

Lyttelton Port is investing in a rebuild and enhancement to meet increasing freight demands, and to ensure it has the capacity and capability required for the growth of the South Island's international trade in the future.

Source (adapted): <https://www.stuff.co.nz/business/opinion-analysis/82590047/Peter-Townsend-Lyttelton-Port-of-Christchurch-investing-for-growth>.

In the boom phase of the Business Cycle, growth is shown by an increase in Real Output.

Graph One: AD/AS model of the New Zealand economy



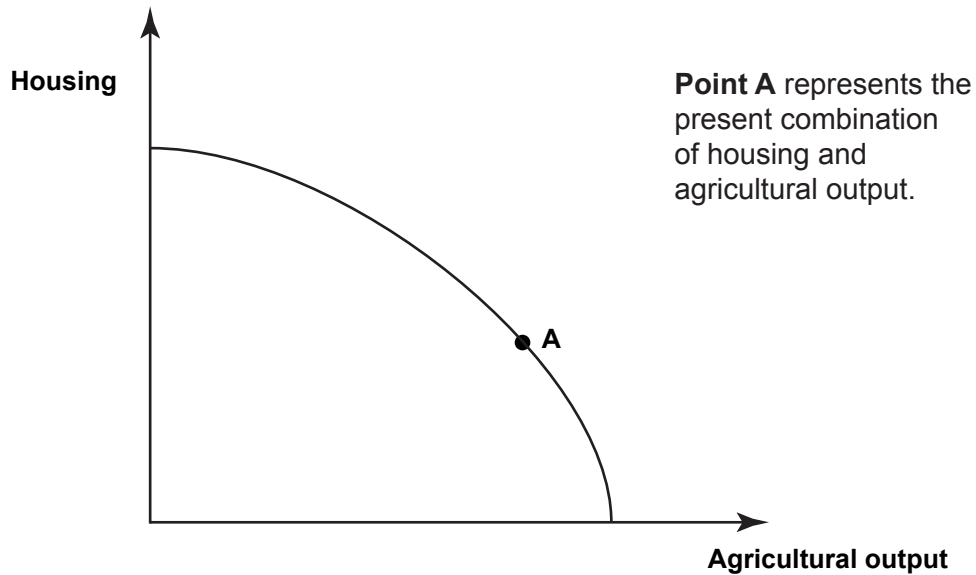
- (b) (i) On Graph One above, illustrate and label the shifts of Aggregate Demand and Aggregate Supply that result in an increase in Real Output.
- (ii) Using Graph One, compare and contrast the causes of economic growth from investment in the port and harbour facilities. In your answer, fully explain the causes of a shift in Aggregate Demand, and the causes of a shift in Aggregate Supply, that would result in an increase in Real Output.

More answer space is available on the next page.

QUESTION TWO: IMPACTS OF ECONOMIC GROWTH

The government's KiwiBuild programme, to build 100 000 affordable houses over the next 10 years, will require some existing agricultural land to be reallocated to meet housing needs.

Graph Two: Production Possibility Frontier



- (a) (i) On Graph Two above, illustrate and label the opportunity cost of the KiwiBuild programme on the Production Possibility Frontier. Label the new combination **B**.
- (ii) Using Graph Two, fully explain how in the future it is possible for the Production Possibility Frontier to show a potential increase in housing AND agricultural output.

Economic growth results in greater output, which affects both the government and households. For the government, it has an impact on the budget, by changing revenue and where spending is allocated. The Living Standards Framework has been developed by Treasury to indicate the impact of growth on households.

In 2017, the Living Standards Framework indicated growth has resulted in households feeling they are:

- better off in areas such as air quality, social support services, job opportunities, and educational attainment
- worse off in areas such as housing affordability, time off work, purchasing power, and length of working hours.

Source (adapted): <http://www.treasury.govt.nz/abouttreasury/higherlivingstandards/lstf-pres-13dec17.pdf>.

- (b) Compare and contrast the impact of growth on the government and households. In your answer, referring to the resource material above, fully explain:
- the impact of growth on the revenue and spending of the government in the budget
 - the impact of growth on households.

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QUESTION THREE: UNEVEN IMPACT OF ECONOMIC GROWTH

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Between 2014 and 2015, GDP per capita:

- decreased by 5.6% in West Coast
- decreased by 10.7% in Southland
- increased by 2.5% in Hawke’s Bay
- increased by 5.5% in Canterbury.

Note: Per capita is per head of population

Based on figures from: <http://www.mbie.govt.nz/info-services/business/business-growth-agenda/regions/published-report>.

Compare and contrast the impact of uneven economic growth between New Zealand regions. In your answer, referring to the resource material above, fully explain:

- the impact of uneven economic growth on workers in high and low growth regions
- the impact of uneven economic growth on producers in high and low growth regions
- how these impacts could lead to human and physical capital moving between the regions in the future.

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