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91224



Draw a cross through the box (X) if you have NOT written in this booklet

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Mana Tohu Mātauranga o Aotearoa  
New Zealand Qualifications Authority

## Level 2 Economics 2024

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

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 2–16 in the correct order and that none of these pages is blank.

Do not write in the margins (// // // //). This area will be cut off when the booklet is marked.

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

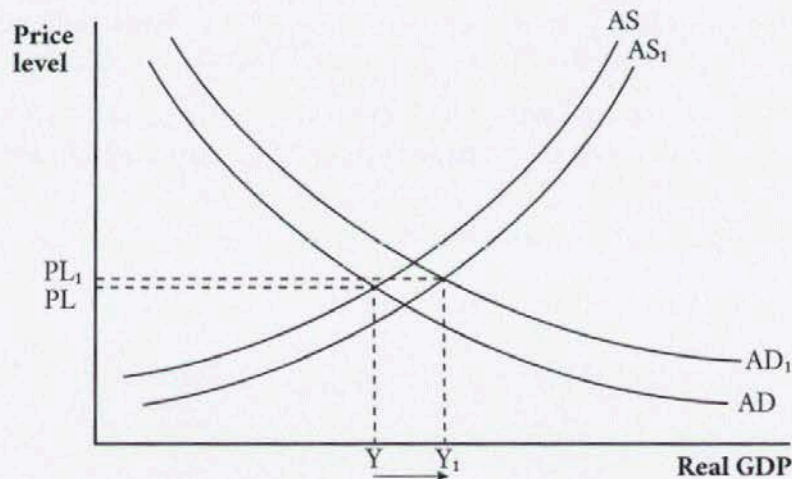
**Achievement**

**TOTAL 10**

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### QUESTION ONE: Aggregate demand and aggregate supply

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



- (a) Explain each shift (aggregate supply and aggregate demand curves) shown in Graph One, and the impact on economic growth, due to the construction and operation of Te Kaha.

With the construction and operation of Te Kaha, the government will be investing \$683 million. Additionally, with an increase in jobs for consumers constructing Te Kaha, consumption will increase. This shifts the AD curve from AD to AD<sub>1</sub>, resulting in an increase in growth (real GDP).

With the increase in construction workers, this increases efficiency and productivity in the area. This shifts the AS curve from AS to AS<sub>1</sub>, resulting in an increase in growth (real GDP).



- (b) Explain one disadvantage of using real GDP to measure economic growth.

It doesn't account for things like health and education, which are essential factors of economic growth as it's beneficial for citizens. Also doesn't account for things like pollution like the HDI.



- (c) Compare and contrast the impact of opening Te Pae Christchurch Convention Centre on:

- (i) Different regional growth rates in New Zealand.

The opening of Te Pae Christchurch Convention Centre brings nearly 130 000 people yearly, therefore consumption increases within the <sup>region</sup> ~~area~~. As this will bring in tourists to the ~~area~~ region, there will be investments in firms to bring the people in ~~regions~~ increasing growth in this region. <sup>Auckland</sup> ~~Other~~ regions will still slightly increase growth as ~~people~~ there is lots of investment into the new NZ Convention Centre and this will bring lots of tourists and consumption into the region.

- (ii) The distribution of income in the Christchurch area.

The Te Pae Christchurch Convention Centre ~~to be~~ construction in 2022 would ~~bring~~ <sup>create</sup> lots of jobs ~~for~~ as it's in constant use with 234 events in 1 year.

This increase of jobs will bring income into lots more people, where it be students or adults.

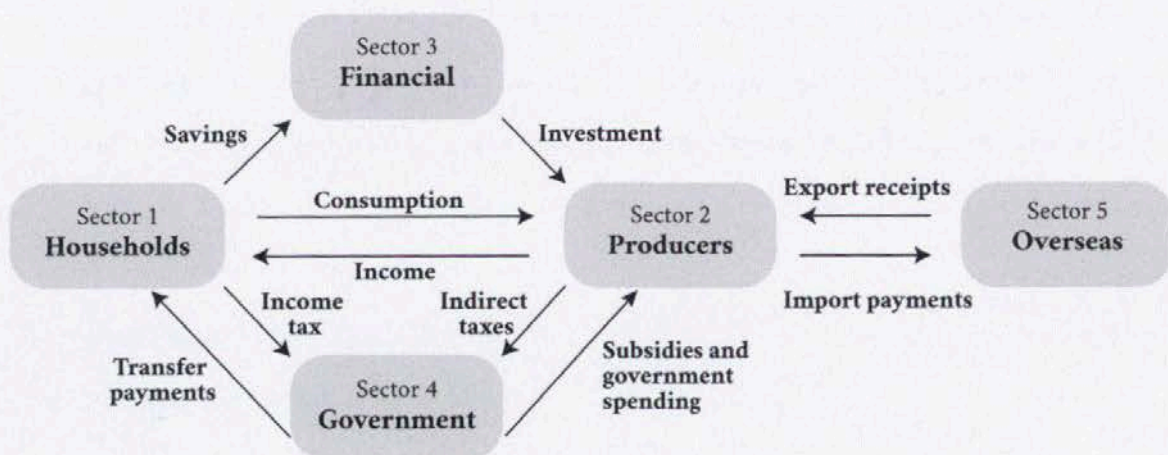
It also ~~bring~~ brought \$50 million of economic value in the Christchurch area. So this money could be invested back into the Convention Centre to create bigger, better events and bring more people and therefore more money. These events could create more jobs and income, and also money could be put to higher incomes.



## QUESTION TWO: Impacts of economic growth



**Model One: Circular flow model**



- (a) Referring to Model One, identify three flows that will increase due to an increase in astrotourism.

Flow 1: Export Receipts

Flow 2: Investment

Flow 3: Consumption

- (b) Choose one of the flows identified in (a) on page 6, and explain why it will increase.

Export Receipts will increase as <sup>overseas</sup> tourists will come to the Lake Tekapo region for the astrotourism. This is one of Lake Tekapo's main economic attractions and with more tourists coming to the area primarily for astrotourism, export receipts will increase.

- (c) Referring to Model One, explain why an overseas tourist visiting Lake Tekapo might increase growth more than a domestic tourist.

As when an overseas tourist visits Lake Tekapo, they will spend more money in the region on things like astrotourism, food and accommodation, increasing consumption in the area. While a domestic tourist will still increase consumption, just less as they may have accommodation or food. Therefore growth might increase more with overseas tourists, rather than domestic.

Question Two continues on the next page ➤



(d) Compare and contrast the impact of astrotourism on:

(i) Government revenue and expenditure.

Astrotourism in Lake Tekapo would increase revenue and expenditure as it brings in lots of growth from that area. The government would notice the increase of tourists in the area and invest in ~~more~~ firms and businesses in that area to increase consumption. ~~There~~ Therefore ~~making more~~ <sup>increasing</sup> revenue and expenditure. This may decrease in the summer however, when the skies don't go dark for ages and less tourists.

(ii) Lake Tekapo residents and businesses involved in the hospitality industry (food and accommodation) in Lake Tekapo.

Lake Tekapo residents and businesses involved in the hospitality industry would find that their housing increased and consumption increased. As with an increase in tourists from astrotourism would mean that there ~~is~~ more pressure on housing availability so therefore the demand for housing increases and so does the price. Consumption would increase from tourists consuming food and accommodations from businesses in the hospitality industry. This would increase income in households and they ~~can~~ could use this money in the financial sector to save and on taxes to the government sector.



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### QUESTION THREE: Production possibility frontier

In February 2023, Cyclone Gabrielle caused extensive damage to roading, water, and farming infrastructure. As climate change is linked to more common adverse weather events, the ability of New Zealand's infrastructure to cope with these weather events has been questioned. When roads, bridges, and other infrastructure are damaged, New Zealand's productive capacity decreases.

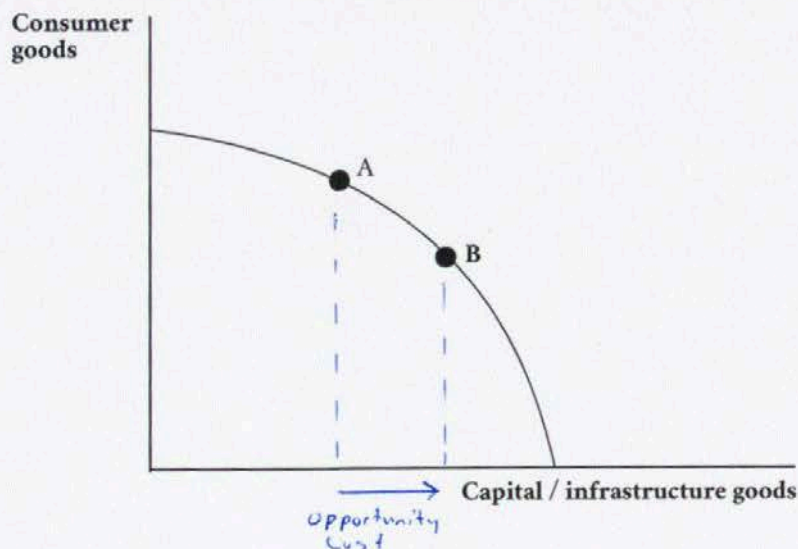
- (a) Explain why a weather event such as a cyclone leads to lower GDP. Include a definition of GDP in your answer.

GDP (gross domestic product) is the amount of money produced in the economy within one year. A cyclone will lead to lower GDP as infrastructure, roads and bridges get damaged and it costs lots of money to repair them. These things that get destroyed already cost lots of money to be produced as well.

One option is for the Government to increase taxes and use the funds to spend on infrastructure projects that will help make New Zealand's infrastructure more resilient to these weather events.

On Graph Two below, point A represents the current combination of spending on consumer goods and capital/infrastructure goods. Point B represents the combination of spending if the Government increases taxes to fund spending on infrastructure.

Graph Two: Production possibility frontier



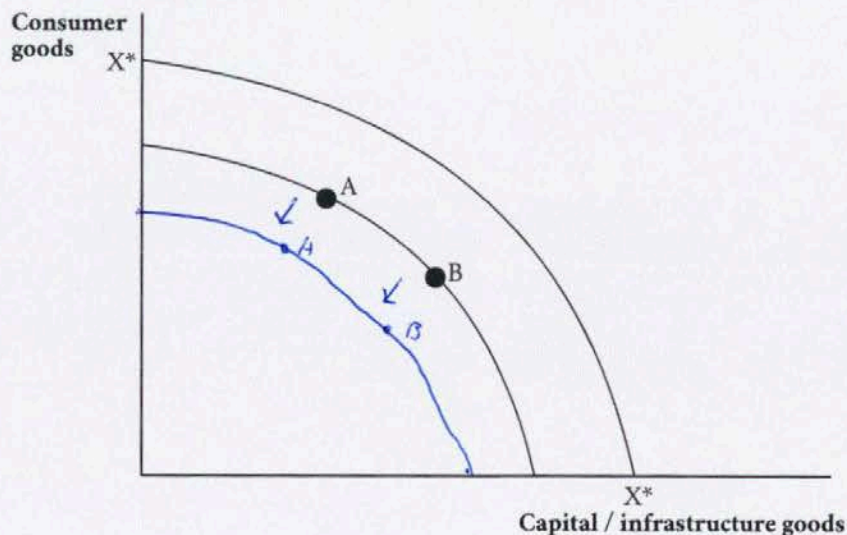


- (b) On Graph Two on page 10, label the opportunity cost of increasing taxes to fund infrastructure spending.
- (c) Referring to Graph Two, explain why there is an opportunity cost of increasing taxes to fund infrastructure spending.

When you focus on increasing taxes to fund infrastructure and you're already operating at a full capacity, you have to reallocate the cost of consumer goods and capital goods to increase taxes. The opportunity cost of increasing taxes to fund infrastructure is the spending on consumer and capital goods.

Graph Three shows a future production possibility frontier (labelled  $X^*$ ) that occurs if the Government does increase taxes to pay for infrastructure spending (point B).

**Graph Three: Production possibility frontier**



- (d) On Graph Three above, draw a future production possibility frontier ( $Y^*$ ) that occurs if New Zealand operates at point A.

Question Three continues on the next page ➤



- (e) Referring to Graph Three, explain why the future production possibility frontier ( $Y^*$ ) you have drawn shows a level of potential capacity different from the future production possibility frontier ( $X^*$ ) created by point B.

As when you operate at point A, ~~less~~ money on government taxes to fund spending on infrastructure gets reallocated to spending on consumer and capital goods. This means less money is used on government taxes and more on consumer and capital goods. This results in less funding on infrastructure making it more vulnerable for future weather events, however, the money is getting ~~spent~~ spent on goods that could be used as resources. With less funding to spend on infrastructure this means ~~to~~ the potential capacity decreases ~~from~~ compared to ( $X^*$ ), and more money is used for consumer and capital goods that are harder to use as resources <sup>due to</sup> ~~from~~ less government ~~at~~ taxes.

**Acknowledgements**

Material from the following sources has been adapted for use in this assessment:

**Question One**

Christchurch City Council. (n.d). *Project overview*. <https://ccc.govt.nz/the-council/future-projects/major-facilities/canterbury-arena/project-overview>

Te Pae Christchurch. (2023, July 3). *A world-class venue in the heart of the city*. The Post. <https://www.thepost.co.nz/business/350027462/world-class-venue-heart-city>

**Question Two**

Hearnshaw, J. (2022, October 7). *Astrotourism at a crossroads in dark skies over New Zealand*. The New Zealand Herald. <https://www.nzherald.co.nz/nz/john-hearnshaw-astrotourism-at-a-crossroads-in-dark-skies-over-new-zealand/DOM4V64QFISDDGYRBBZZHIYA3E/>

**Question Three**

Wilson, N., Broadbent, A. & Kerr, J. (2023, August 14). *Cyclone Gabrielle by the numbers – A review at six months*. Public Health Communication Centre. <https://www.phcc.org.nz/briefing/cyclone-gabrielle-numbers-review-six-months>. CC-BY-4.0.

**Subject:** Economics

**Standard:** 91224

**Total score:** 10

Q	Grade score	Marker commentary
One	A4	<p>The candidate explained the shifts of the AS and D curves but did not refer to the graph for the increase in economic growth.</p> <p>A disadvantage of using real GDP is explained and reasons are given for economic growth in Christchurch.</p> <p>To move to a Merit grade, a clear comparison of changes in growth in Christchurch and Auckland, or explanation of whether the increase in incomes in Christchurch has made income distribution more or less equal would be needed.</p>
Two	A4	<p>The candidate identified three correct flows and the reason for export receipts increasing, but without context to specific goods and services such as food and accommodation. The reason for an overseas tourist increasing growth more than a tourist was identified but without reference to an injection into the circular flow model.</p> <p>The effect of astrotourism on the different groups was explained.</p> <p>To move to a Merit grade, a specific reference to indirect or direct taxes for the government revenue and / or more detail as to the effect on business in the Lake Tekapo region would be needed.</p>
Three	N2	<p>Graph Three correctly shows the impact of the cyclone on the PPF and the candidate gave a correct explanation of why this.</p> <p>To move to Achieved in this question, a correct definition of GDP and correctly showing the opportunity cost of increasing taxes on Graph Two would be needed. In addition, the explanation of opportunity cost would be singular to consumer goods.</p>