

91224



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SUPERVISOR'S USE ONLY

## Level 2 Economics, 2015

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

2.00 p.m. Thursday 12 November 2015  
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**

ASSESSOR'S USE ONLY

**QUESTION ONE: PRODUCTION POSSIBILITY FRONTIER**

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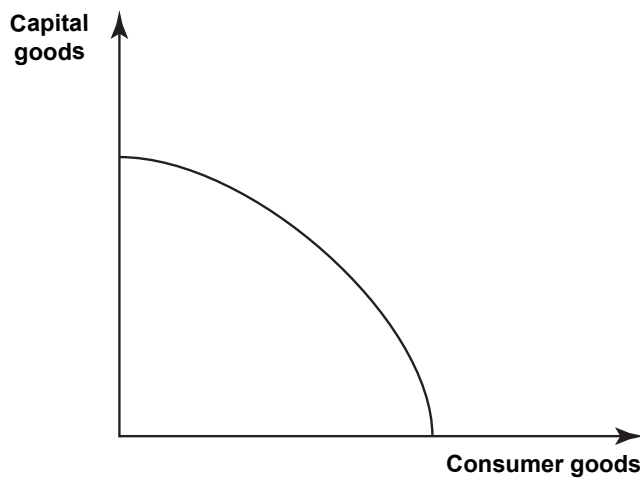
The unemployment rate, as measured by the Household Labour Force Survey (HLFS), has been trending downwards from 7.3% to 5.4% over the period September 2012 to September 2014.

Sources (adapted): <http://www.parliament.nz/en-nz/parl-support/research-papers/00PLEcoRP2014011/unemployment-and-employment-statistics-the-household-labour>

[http://www.stats.govt.nz/browse\\_for\\_stats/income-and-work/employment\\_and\\_unemployment/HouseholdLabourForceSurvey\\_HOTPSep14qtr.aspx](http://www.stats.govt.nz/browse_for_stats/income-and-work/employment_and_unemployment/HouseholdLabourForceSurvey_HOTPSep14qtr.aspx)

- (a) (i) Identify ONE point on Graph One below that represents unemployment. Label the point with an **X**.

**Graph One: Production Possibility Frontier**



- (ii) Explain in detail the impact of an increase in Real Gross Domestic Product (Real GDP). In your answer:
- on Graph One show the impact of an increase in Real GDP
  - explain in detail how the increase in Real GDP will affect economic growth
  - refer to Graph One.

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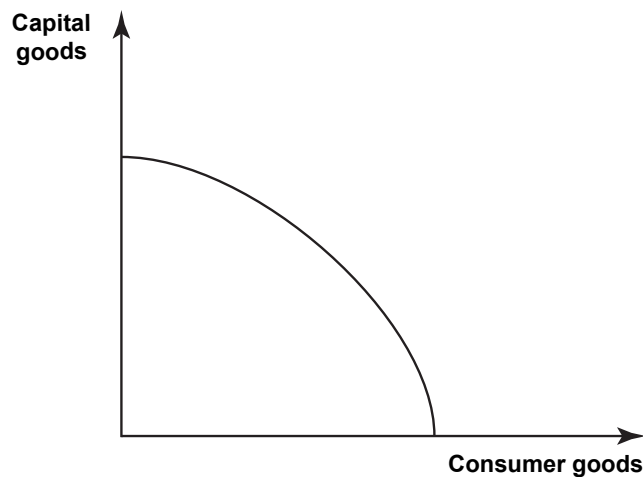
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- (b) Compare and contrast the impact on economic growth of an increase in Real Gross Domestic Product (Real GDP) with an increase in Productive Capacity.

In your answer:

- on Graph Two show the impact of an increase in Productive Capacity
- explain in detail how the increase in Productive Capacity will affect economic growth
- explain in detail the different impact on economic growth that an increase in Real GDP has when compared with an increase in Productive Capacity
- refer to Graph One and Graph Two.

**Graph Two: Production Possibility Frontier**



There is more space for your answer to Question One on the following page.



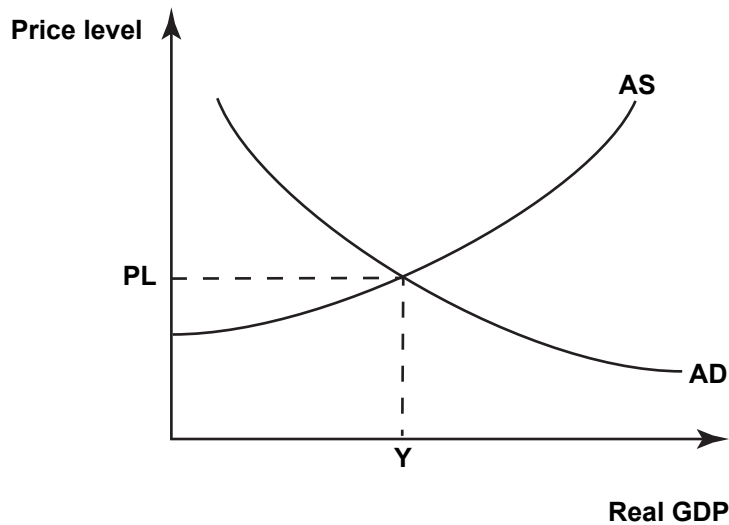
## QUESTION TWO: THE IMPACT OF CLIMATE CHANGE ON ECONOMIC GROWTH

ASSESSOR'S  
USE ONLY

One view of the impact of climate change on the economy is that it will provide business opportunities as households, business, and the Government increase spending on protection from its worst influences.

- (a) Explain in detail the impact of climate change on economic growth in New Zealand. In your answer:
- fully label on Graph Three the impact of the increase in spending on economic growth
  - explain in detail the impact that you have shown on Graph Three.

**Graph Three: AD/AS model of the New Zealand economy**




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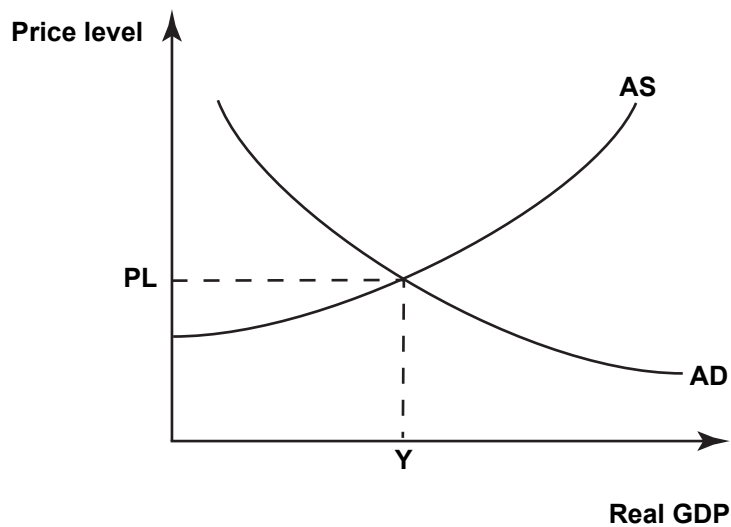
An alternative view of the impact of climate change on the economy is that it will increase costs of production because of higher costs of obtaining resources or changing production methods.

(b) Discuss the effect of climate change on economic growth in New Zealand as the impacts of climate change intensify over the next 50 years.

In your answer:

- fully label Graph Four to show the impact of increasing costs of production
- explain in detail the impact that you have shown on Graph Four
- explain in detail whether increasing spending or increasing costs of production would have a greater impact on economic growth in New Zealand over the next 50 years.

**Graph Four: AD/AS model of the New Zealand economy**





**QUESTION THREE: THE UNEVEN IMPACT OF ECONOMIC GROWTH**

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The proposed Ruataniwha Water Storage Scheme will create an 83-metre-high dam located on the upper Makaroro River in Central Hawke's Bay, where it will create a storage reservoir. The reservoir will supply water to irrigate approximately 25 000 hectares of land, primarily in the Ruataniwha Plains area of Central Hawke's Bay district. The scheme also includes a plan for a small (6.5 MW) renewable energy hydroelectric power station to be constructed adjacent to the dam (capable of supplying electricity equivalent to 2 200 average households).

Source (adapted): [http://www.epa.govt.nz/Resource-management/Tukituki/lodgement-notification/about\\_tukituki\\_proposal/Pages/default.aspx](http://www.epa.govt.nz/Resource-management/Tukituki/lodgement-notification/about_tukituki_proposal/Pages/default.aspx)

Objections to the scheme ranged from the earthquake risk, inadequate protection of ecosystems, and existing high levels of pollution, to reduced access to water.

Source (adapted): <http://www.epa.govt.nz/Resource-management/Tukituki/Submissions/Pages/Summary%20and%20Submissions.aspx>

Compare and contrast the impacts that the Ruataniwha Water Storage Scheme could have on the economic well-being of businesses and households.

In your answer, explain in detail:

- one example of a business that may be better off
- one example of a business that may be worse off
- one example of how households may be better off
- one example of how households may be worse off.

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**Extra space if required.**  
**Write the question number(s) if applicable.**

QUESTION  
NUMBER

Lined area for writing answers.

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