

91224



912240



NEW ZEALAND QUALIFICATIONS AUTHORITY  
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QUALIFY FOR THE FUTURE WORLD  
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## Level 2 Economics, 2016

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

2.00 p.m. Tuesday 15 November 2016  
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.

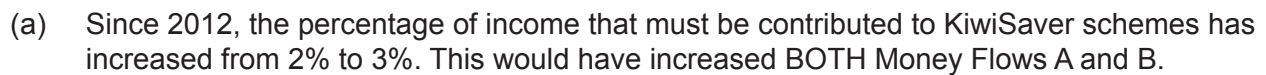
Check that this booklet has pages 2–11 in the correct order and that none of these pages is blank.

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

**TOTAL**

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### Model One: Three-sector circular flow model



In your answer:

- identify and define Money Flows A and B
- explain how an increase in Money Flow A affects economic growth
- explain how an increase in Money Flow B affects economic growth.

Source (adapted): <http://www.treasury.govt.nz/budget/2015/fsr/05.htm>

- reducing income tax rates
- an increase in government spending on education, health, and infrastructure.

- In your answer, fully explain:

- the impact of reducing income tax rates on economic growth
- the impact of increasing government spending on economic growth
- why the impact of reducing income tax rates may have a smaller impact on economic growth than increased government spending.

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The examination continues on the following page.**

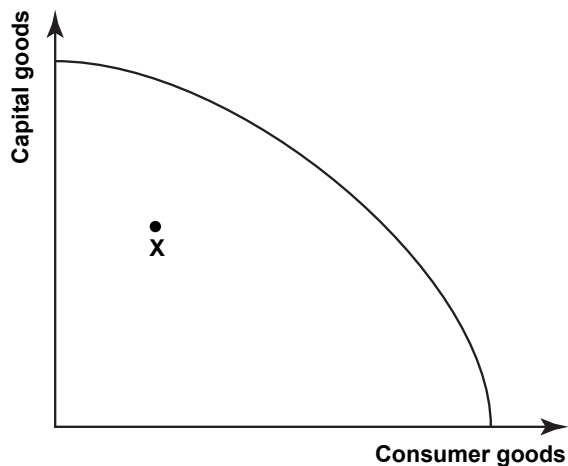
## QUESTION TWO: PRODUCTION POSSIBILITY FRONTIER

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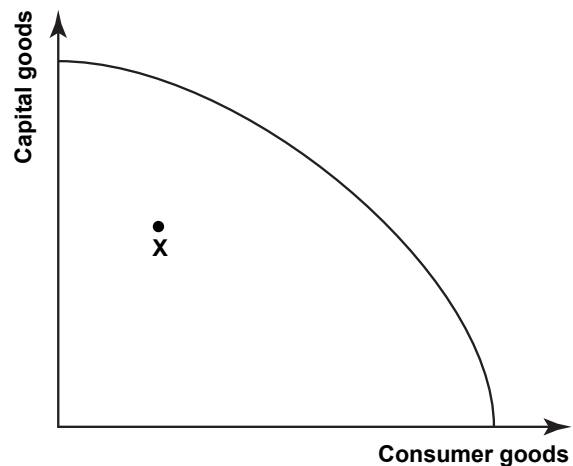
New Zealand has several occupations and regions in which demand for workers is higher than supply available, even though there is considerable unemployment of suitable workers in the economy. There are two distinct solutions:

- the Government providing job search and relocation assistance to unemployed workers in New Zealand
- the Government providing incentives for foreign workers to immigrate to New Zealand.

**Graph One: Production possibility frontier**



**Graph Two: Production possibility frontier**



**Note:** Point X shows the current combination of capital goods and consumer goods produced in New Zealand.

- (a) (i) On Graph One above, show the impact of providing job search and relocation assistance to suitable unemployed workers in New Zealand.
- (ii) On Graph Two above, show the impact of increasing immigration into the New Zealand economy.
- (b) Use Graphs One and Two to compare and contrast the impact on economic growth of providing job search and relocation assistance to suitable unemployed workers in New Zealand with increasing immigration into the New Zealand economy. In your answer, refer to the concepts of real GDP and productive capacity.

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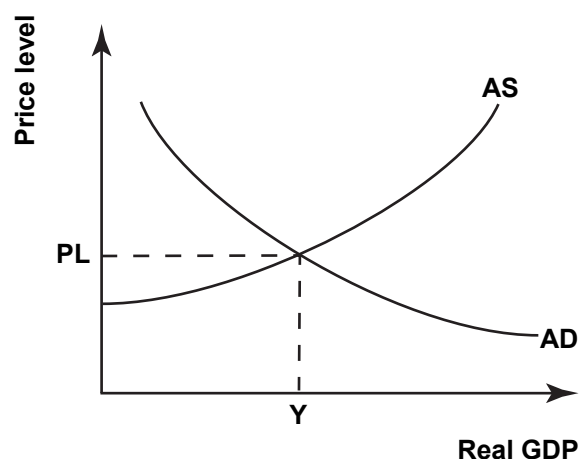
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The Resource Management Act has several objectives, including:  
Understanding that present resource use has an impact on the quality and quantity of resources available for future generations.

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



- (a)
  - (i) On Graph Three above, show the future impact on the AD/AS model of present-day production permanently damaging or over-exploiting a natural resource.
  - (ii) Use Graph Three to fully explain the future impact on economic growth if the Resource Management Act is not enforced and present-day production permanently damages or over-exploits a natural resource.



Source (adapted): [http://www.nzherald.co.nz/business/news/article.cfm?c\\_id=3&objectid=11483596](http://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=11483596)

- the costs and benefits for workers in Northland
- the costs and benefits for the Government.

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

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