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Level 2 Economics 2020

91224 Analyse economic growth using economic concepts and models

2.00 p.m. Tuesday 1 December 2020
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

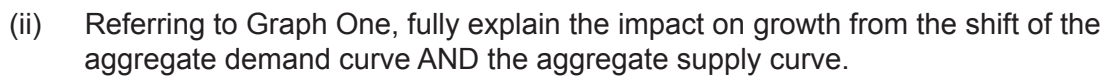
During 2020, the countries of the United Kingdom (England, Scotland, Wales, and Northern Ireland) left the European Union, allowing them to negotiate new trade agreements with other countries, including New Zealand.

The diagram illustrates the circular flow of income and products among five sectors:

- Sector 1 Financial** and **Sector 2 Households** interact through **Savings** (from Households to Financial) and **Investment** (from Financial to Producers).
- Sector 2 Households** and **Sector 3 Producers** interact through **Consumption** (from Households to Producers) and **Income** (from Producers to Households).
- Sector 2 Households** and **Sector 5 Government** interact through **Income tax** (from Households to Government) and **Government spending** (from Government to Producers).
- Sector 3 Producers** and **Sector 4 Overseas** interact through **Export receipts** (from Overseas to Producers) and **Import payments** (from Producers to Overseas).

New Zealand firms are likely to be created or expanded to sell into the United Kingdom market or to take advantage of the imported technology from the United Kingdom.

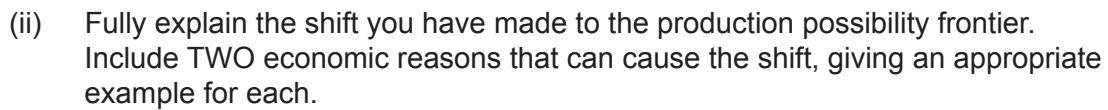
- ### Graph One: AD/AS model of the New Zealand economy



- (c) Fully explain why the impact on growth from the shift of the aggregate demand curve might be greater than the impact from the shift of the aggregate supply curve. In your explanation, refer to Graph One on the previous page.

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The examination continues on the following page.**

(a) (i) On Graph Two, illustrate an increase in productive capacity, and label this new frontier **BB**.



- (b) Compare and contrast real GDP (gross domestic product) and net social welfare as measurements of economic growth. Fully explain:
- the strengths and weaknesses of real GDP compared to net social welfare as a measure of economic growth
 - why net social welfare may be a better measurement of economic growth than real GDP, based on its strengths and weaknesses.

Recent public discussion has focused on the movement of the Auckland port to another region. The existing port faces traffic congestion, environmental issues, limited opportunities to grow and inefficient export support services.

Any new port location will require investment in rail, roads and other supporting infrastructure, as well as vacant land resources to allow for future expansion and the setting up of export and import support industries.

Compare and contrast possible impacts for New Zealand's economic growth if the Auckland port is moved to a new location (for example, Northport at Marsden Point, Northland).

- two positive and two negative impacts for households in the new port location
- two positive and two negative impacts for firms in the new port location
- the long-term benefits for the New Zealand economy from the movement of the port.

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Write the question number(s) if applicable.

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