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91224



NEW ZEALAND QUALIFICATIONS AUTHORITY
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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.

Not Achieved

TOTAL

5

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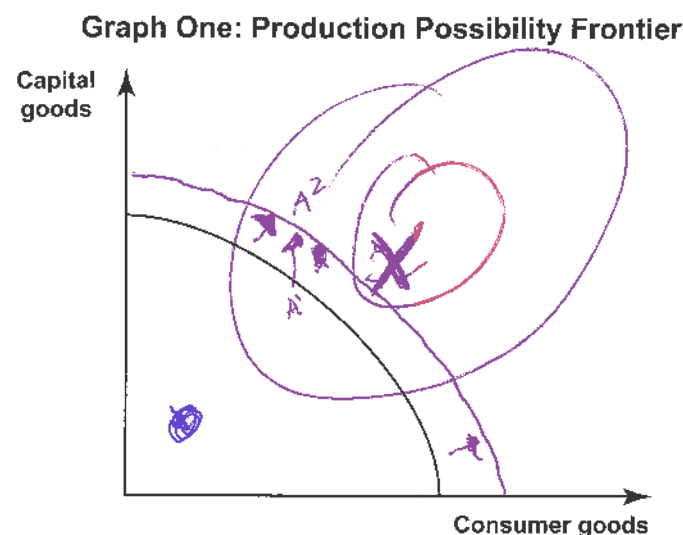
QUESTION ONE: PRODUCTION POSSIBILITY FRONTIER

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

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



- (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.

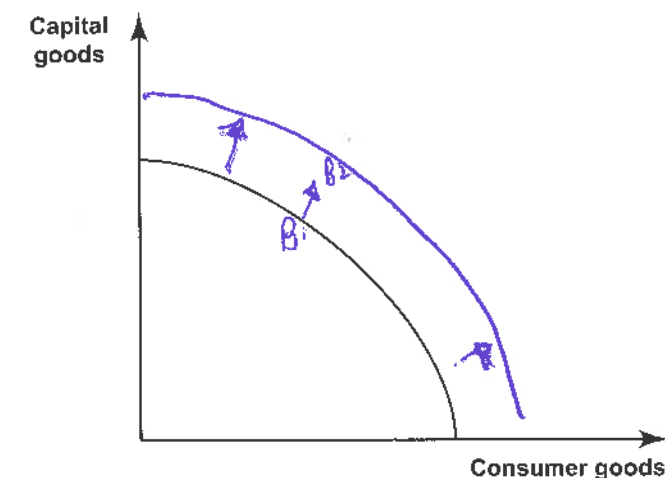
An increase in Real GDP will mean more consumer and capital goods are being produced in the economy and this graph shows an economy's potential so more capital and consumer goods can be made so more they will be cheaper for consumers and more profit is earned creating economic growth as shown on the graph a change from A' to A² more employed (closer to X)

- (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



With an increase on a productive curve from B₁ to B₂ there is an increase in amount of goods the economy can produce. Real GDP is goods produced in a year where as an increase in productive capacity is increase of an economy's potential of where it can produce. On graph one a shift from A' to A² represents an increase in goods in a year where as graph two represents an economy's potential on graph two

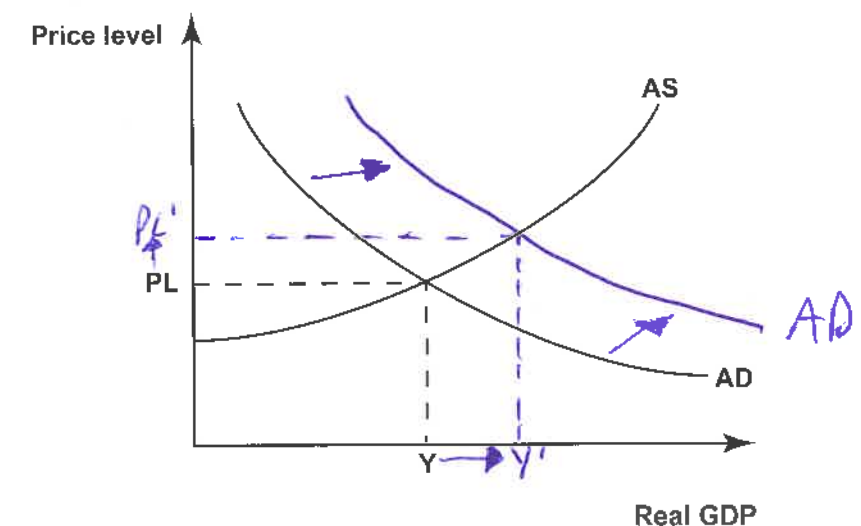
There is more space for your answer to Question One on the following page.

QUESTION TWO: THE IMPACT OF CLIMATE CHANGE ON ECONOMIC GROWTH

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



An increase on spending causes an increase in Real GDP (supported by the graph an increase of Y to Y' .) this is due to ~~people~~ the Government Spending more on protection from Natural events due to climate change which will increase G in $C + I + G + (x - m) = AD$, increasing AD from AD to AD' on the graph.

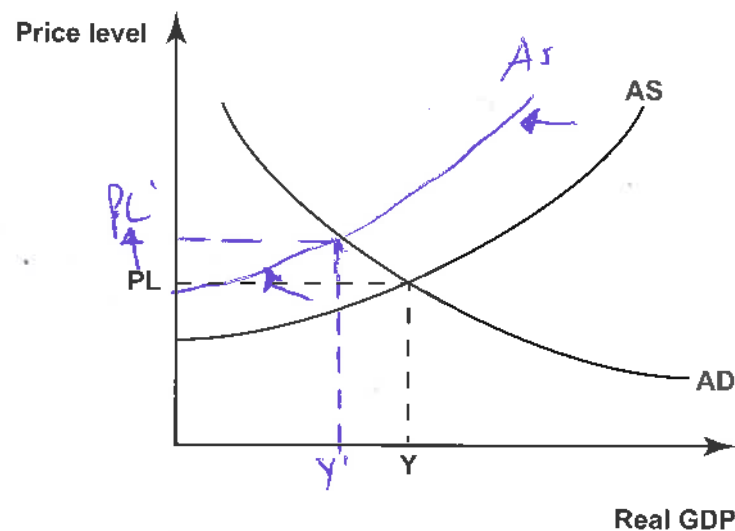
An alternative view of the impact of climate change on the economy is that it will increase costs of production because of higher costs of obtaining resources or changing production methods.

(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



on the graph above, due to increased cost of production Aggregate Supply (AS) will decrease due to increased costs of production, as it costs more to make these goods so they will increase their ~~price~~ ~~prices~~ ~~too~~. Shown a decrease from AS to AS' and will cause Real GDP to decrease (Y to Y'). ~~since~~ An increase in production costs will ~~be~~ more impact economic growth the most due to firms having to pay more to produce they will either produce less goods or increase

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their price and due to the high demand from the government needing ~~more~~ more for the climate change kicking in, economies ~~are not allowed~~ growth will decrease due to a fall in real GDP ~~fall~~

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QUESTION THREE: THE UNEVEN IMPACT OF ECONOMIC GROWTH

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

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.

The Dam ~~being~~ placed in Makaroro River in central Hawke's Bay will irrigate a approximately 25000 hectares of land which benefits any dairy farmers or grape growers (Hawke's Bay is known for its white wine). ~~Since~~ This can also help out the ~~businesses~~ Hawke's Bay businesses by ~~create~~ supplying more power for them ~~creating~~ and since there is more (less scarce) than they power become cheaper so the businesses with big machines such as apple companies e.g. Mr Apple pay less for power and less for water too. this too helps out.

The householders, they could possibly pay less for water and power. * ~~more of~~ ~~go back~~ Disadvantages of the new Dam could be for businesses further away from the Dam have reduced access to water. Some businesses and households will have pollution around areas of their house and/or business and if it is crops or animals they may die or be unsettled able to be sold for profit. If an earthquake is likely to occur the dam could break causing water to destroy homes or kill stock or even people.

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

Extra space if required.

Write the question number(s) if applicable.

QUESTION
NUMBER

Continued 23 positions of Dum
 * with less ^{more spending on} ~~more~~ ^{water and power} for businesses
 in areas around the new dam,
 they or businesses can focus more on
 producing more which can cause
 a shift right of the production
 possibility curve a measure of
 economic growth and households
 in the area can spend more on
 luxuries or other items increasing
 Aggregate demand.

N₁

EXEMPLAR Score 05

Question 1 – N1

Q 1(a)(i) – X placed outside of frontier – this is unattainable not unemployment

Q 1(a)(ii) – curve shifted – this is new resources NOT increase in Real GDP

Explanation – no mention of increase in output. Candidate discusses potential which is incorrect in this graph.

Q1(b) – graph shift correctly

Explanation – candidate does not mention “economic growth” or how this increase in potential can lead to future growth in output.

Question 2 – A3

Q 2(a) – curve shifted and labelled correctly

Explanation – candidate only mentions increase in Government spending will lead to increase in Real GDP (not economic growth). (Achievement evidence only)

Q 2(b) – curve shifted and labelled correctly

Explanation – candidate mentions increased cost of production decreasing Real GDP but no decrease in economic growth. This must be mentioned in (a) or (b) at least once in order to get credit for both explanations.

Question 3 – N1

Business positive – who but not why – cheaper power not accepted

Business negative – businesses further away not accepted. Pollution overall not accepted without why.

Household positive – cheaper power not accepted

Household negative – earthquake could destroy home (A evidence)