



For Supervisor's use only

2

90237



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA



National Certificate of Educational Achievement
TAUMATA MĀTAURANGA Ā-MOTU KUA TAEA

Level 2 Economics, 2003

90237 Examine economic issues

Credits: Six

9.30 am Monday 24 November 2003

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 answer ALL the questions in this booklet.

If you need more space for any answer, use the pages provided at the back of this booklet and clearly number the question.

Check that this booklet has pages 2–12 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.

Achievement Criteria			<i>For Assessor's use only</i>		
Achievement		Achievement with Merit		Achievement with Excellence	
Use economic models to illustrate aspects of the given issues.	<input type="checkbox"/>	Use economic models to explain changes relating to the given issues.	<input type="checkbox"/>	Use and evaluate economic models and their limitations in relation to the given issues.	<input type="checkbox"/>
Identify and describe economic effects of the given issues.	<input type="checkbox"/>	Explain the economic effects of the given issues.	<input type="checkbox"/>		
Overall Level of Performance (all criteria within a column are met)					<input type="checkbox"/>

You are advised to spend 60 minutes answering the questions in this booklet.

The forecast for the economy in the medium term is for sustained economic growth, and the Government believes that New Zealand's long-term future lies in the development of a knowledge-based economy.

Adapted from the Treasury website, July 2002

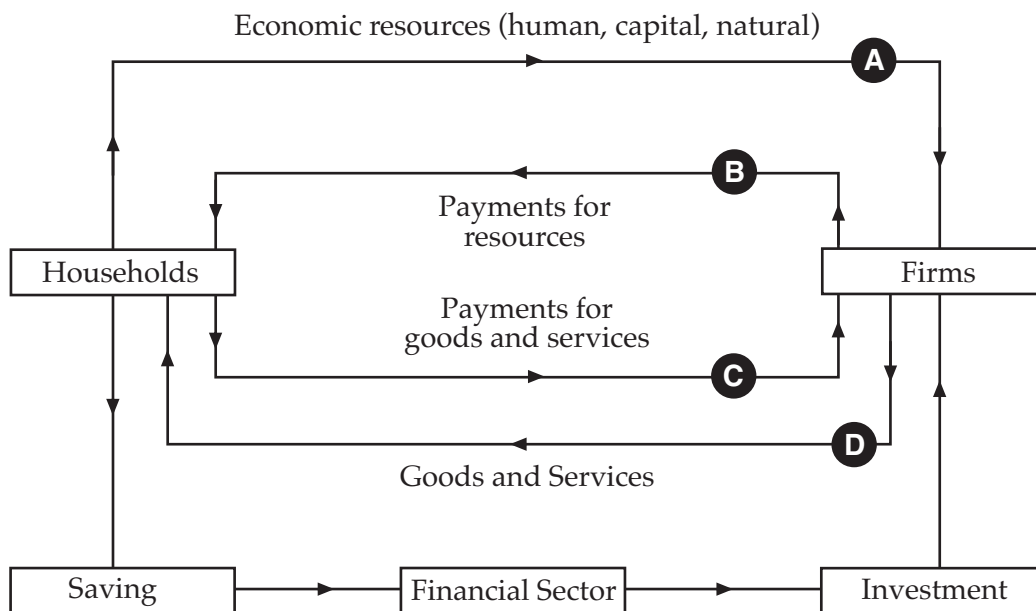
The most significant lessons of the new economics in relation to education include the following:

- It is a lack of investment in human capital, not a lack of investment in physical capital, that prevents poor countries from catching up with rich ones.
- Education is important in explaining the growth of national income.

Adapted from the Ministry of Economic Development website, February 2003

QUESTION ONE: Economic Growth

Study the two-sector circular flow model below and answer the questions that follow.



- (a) An increase in which flow would best indicate economic growth?
(Choose ONE of **A**, **B**, **C** or **D**.)

- (b) (i) Describe the difference between saving and investment.

(ii) Describe how increased investment and economic growth are linked.

(c) **From the circular flow model**, identify TWO ways in which economic growth benefits households.

(1)

(2)

(d) Environmentalists might be concerned about an increase in the flow labelled 'Economic resources'. State why they might be concerned.

(e) Use the circular flow model to explain how investment in human capital, such as education, might lead to economic growth.

(f) Explain why households might not equally enjoy the benefits of economic growth.

- (g) The two-sector circular flow model does not take into account a number of other factors that may impact upon a country's economic growth.

Assessor's
use only

Identify TWO of these other factors, and explain how EACH might influence a country's rate of economic growth.

(1) Factor: _____

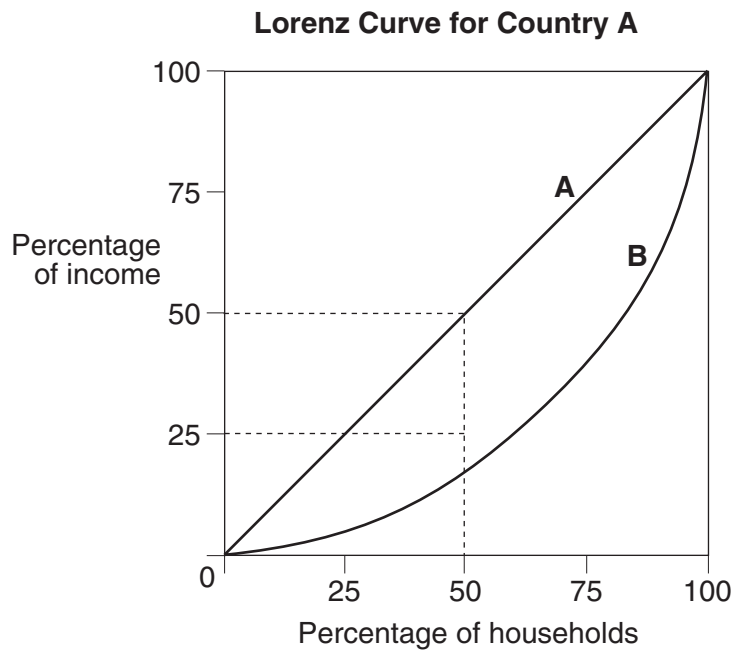
Explanation: _____

(2) Factor: _____

Explanation: _____

QUESTION TWO: InequalityAssessor's
use only

Study the Lorenz curve graph below and answer the questions that follow.



- (a) Describe the difference between what curve **A** and curve **B** represent in the Lorenz curve graph.

- (b) Give ONE positive consequence and ONE negative consequence of income inequality in a country.

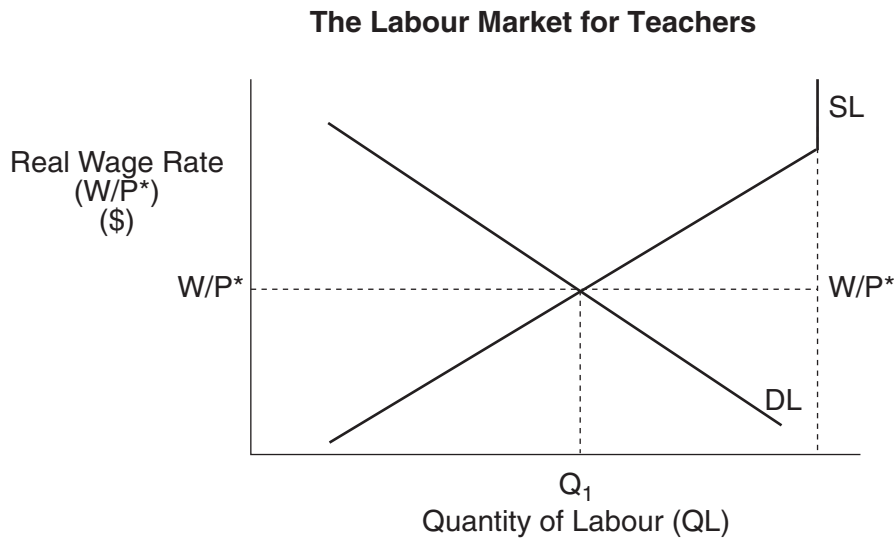
Positive consequence: _____

Negative consequence: _____

QUESTION THREE: Employment and the Labour Market

Assessor's
use only

The graph below is a representation of the labour market for teachers. Study this graph and answer the questions that follow.



- (a) Why is the demand for teachers described as 'derived demand'?

- (b) Why does the supply curve for teachers become vertical at some point?

- (c) **Use the model** to explain why an increase in the real wage rate for teachers may not be in the best interest of ALL teachers.

- (d) Increased education opportunities are seen as a way to reduce unemployment.
Identify ONE social effect and ONE economic effect of unemployment on society.

Social effect: _____

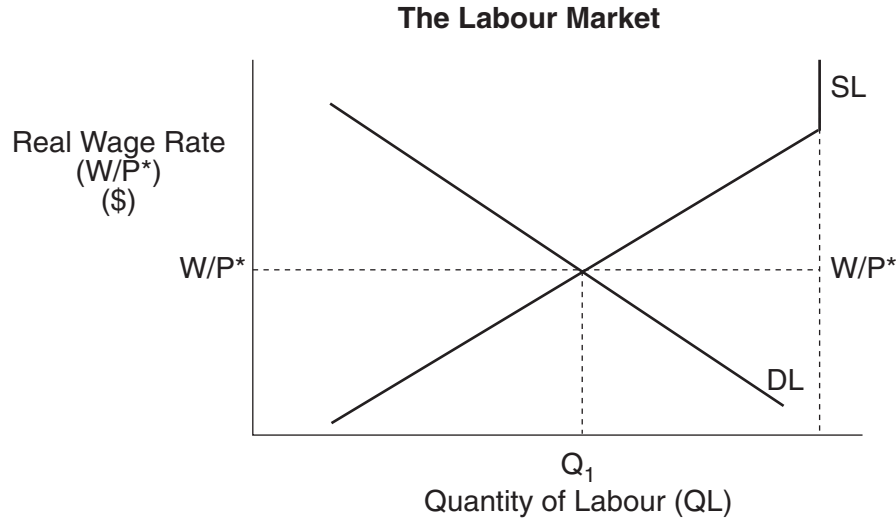
Economic effect: _____

- (e) Past history would suggest that while Governments value teachers, they are also usually reluctant to offer significant pay increases.

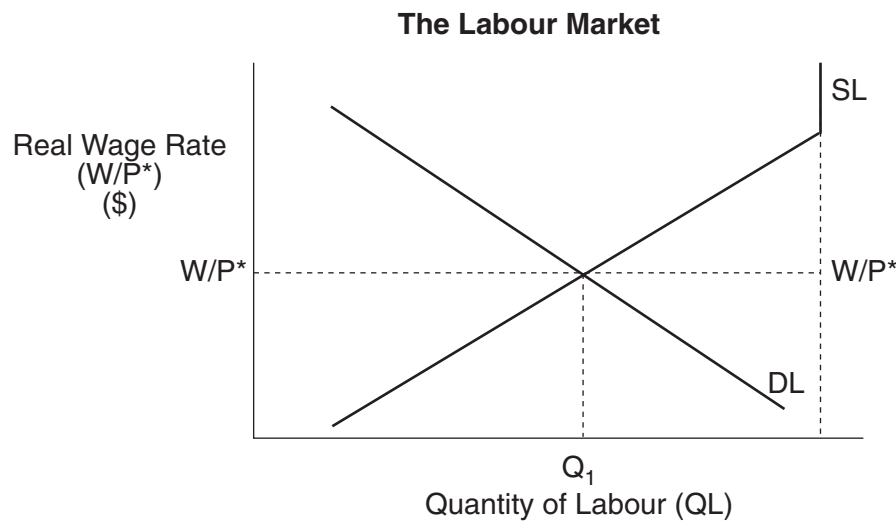
Explain ONE **economic** reason for this.

(f) On the graphs below, show and label appropriately the effect of the change given on **either** the demand **or** the supply of teachers, the quantity of teachers and the wage rate they receive.

- (i) **Change:** the Government decides to reduce staff/student ratios by employing greater numbers of teachers.



- (ii) **Change:** the Government decides that trainee teachers need to have greater qualifications than at present.



(g) The supply and demand model, when used for analysis of a labour market, makes a number of assumptions.

Identify TWO of these assumptions, and explain why the labour market outcome as a result of a change might be different from that suggested by analysis using the model.

(1) Assumption: _____

Explanation: _____

(2) Assumption: _____

Explanation: _____
