

For Supervisor's use only

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90758



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA



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

Level 2 Economics, 2006

90758 Define and describe economic concepts and terms in relation to given issues

Credits: Three

9.30 am Monday 27 November 2006

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 page(s) provided at the back of this booklet and clearly number the question.

Check that this booklet has pages 2–9 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.

For Assessor's use only		Achievement Criteria	
Achievement		Achievement with Merit	Achievement with Excellence
Define and describe economic concepts and terms in relation to given issues.	<input type="checkbox"/>	Explain and apply economic concepts and terms in relation to given issues.	<input type="checkbox"/>
Overall Level of Performance		<input type="checkbox"/>	

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You are advised to spend 30 minutes answering the questions in this booklet.

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QUESTION ONE: EMPLOYMENT

- (a) Define **cyclical unemployment**.

- (b) **Explain** how a telephone receptionist whose job is replaced by an automatic answering machine meets the definition of a person who is classed as **structurally unemployed**.

- (c) **Explain** why a fruit picker who loses their job at the end of the season can be classed as both **seasonally unemployed** and **frictionally unemployed**.

QUESTION TWO: GROWTH

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Dairy farmers have been able to increase the number of dairy cows on their farms in recent years as a result of:

- improved farming methods
- increased investment in equipment used to milk the cows
- better ways of watering the grass (irrigation).

An increase in the number of cows (greater herd size) means the milk produced per hectare increases, and so does the profit for dairy farmers.

The increased production has, however, had negative effects on the rivers near the farms. They have:

- less water flowing through them
- more pollution in them
- fewer fish, according to the fishermen
- lower quality water for swimmers and boat owners.

(a) Define **productive capacity**.

(b) Explain how the information above indicates that productive capacity has **increased**.

(c) Explain how the information above indicates that **real income (and real output)** has increased.

(d) Define **net social welfare**.

(e) Do you agree with this statement? (Circle your answer.) AGREE DISAGREE

[illegible]

QUESTION THREE: INFLATION

- (a) Define **deflation** and **disinflation**.

Deflation is: _____

Disinflation is: _____

**Price of vegetables set
to rise after floods**

**Price of oil hits
record high**

"An increase in the price of a single good or service cannot cause a general price rise, but can only cause a price rise in a particular market."

- (b) Evaluate the statement above.

In your evaluation, refer to the two newspaper headlines above.

QUESTION FOUR: INEQUALITY

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- (a) Put the following terms into the correct column in the table below. Use each term only once.

apartment building	interest	dividends	term deposit
	shares	rent	wages

Examples of Income	Examples of Wealth

- (b) Describe what is meant by **inequality of income distribution**.

- (c) Suppose Cate's total income from interest is \$3000, but she pays less tax than Rob whose total income is \$3000 from wages. Explain why this situation is both **unequal** and **inequitable**.

- (i) **Unequal** because: _____

- (ii) **Inequitable** because: _____
