

For Supervisor's use only

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90759



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA



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

Level 2 Economics, 2006

90759 Use economic models to illustrate aspects of given issues

Credits: Four

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 2–10 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
Use economic models to illustrate aspects of given issues.	<input type="checkbox"/>	Use economic models to explain changes relating to given issues.	<input type="checkbox"/>
		Use and evaluate economic models in relation to given issues.	<input type="checkbox"/>
Overall Level of Performance		<input type="checkbox"/>	

You are advised to spend 40 minutes answering the questions in this booklet.

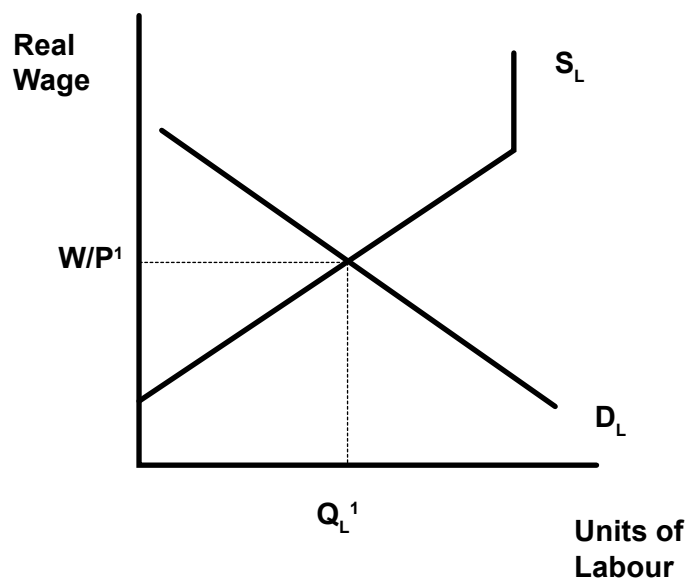
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QUESTION ONE: EMPLOYMENT

- (a) Describe what is meant by the **labour market**.

- (b) On the labour market diagrams below and on page 3, illustrate the different impacts of **technological change**. Use appropriate lines, labels and arrows.

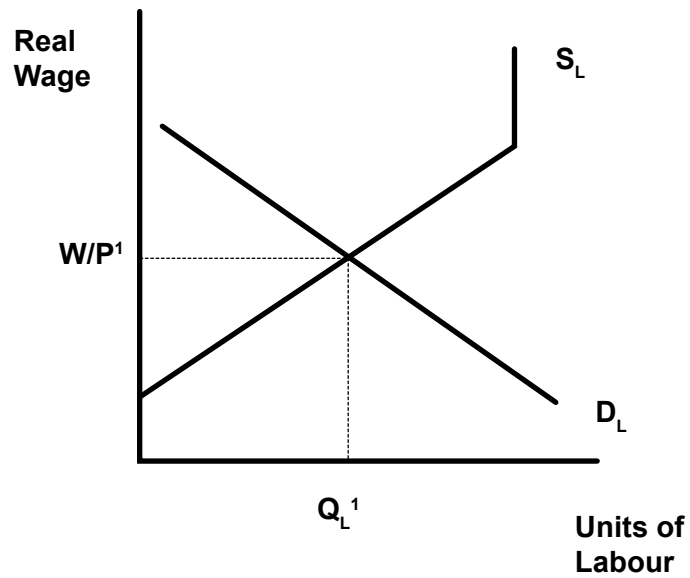
- (i) Technological change that causes **jobs** to be replaced by **machines**.



- (ii) Explain the changes you have shown in (i) above.

- (iii) Technological change that causes **demand for new products** to increase.

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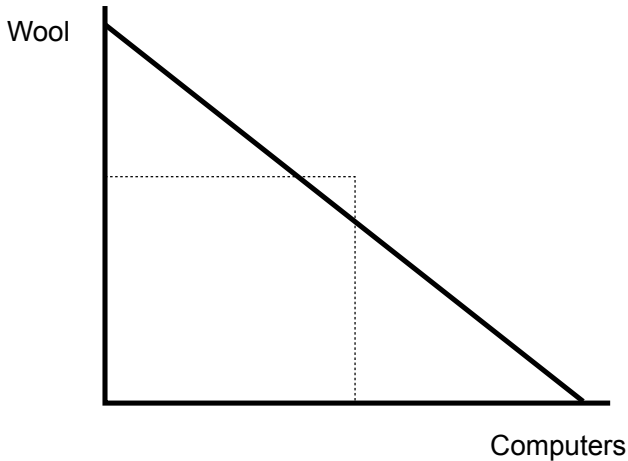
- (iv) Explain the changes you have shown in (iii) above.

QUESTION TWO: TRADE

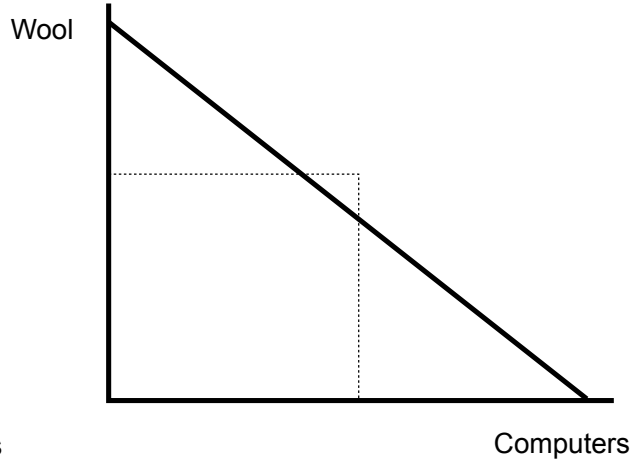
- (a) Assume that New Zealand specialises in the production of wool, some of which is exported to China, and that China specialises in the production of computers, some of which are imported by New Zealand.

On the Production Possibility Curves below, **identify the exports and imports** for each country. Label the exports as **X** and the imports as **M**.

New Zealand's Production Possibility Curve



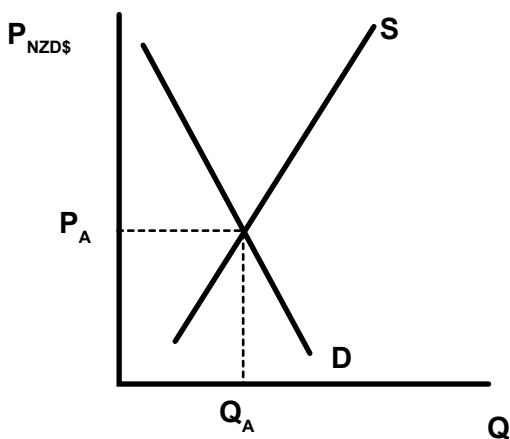
China's Production Possibility Curve



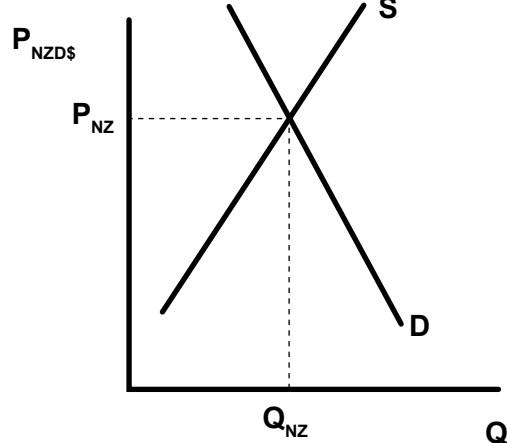
- (b) **Explain** how trade allows New Zealand to consume a combination of goods beyond its Production Possibility Curve.

The Two-Country Model

Australian Wine Market



New Zealand Wine Market



- When trade is allowed, identify on the model:

- (d) If there is an increase in the costs of producing wine in New Zealand, identify the likely impact on the quantity of wine imported to New Zealand from Australia.

- (1) _____

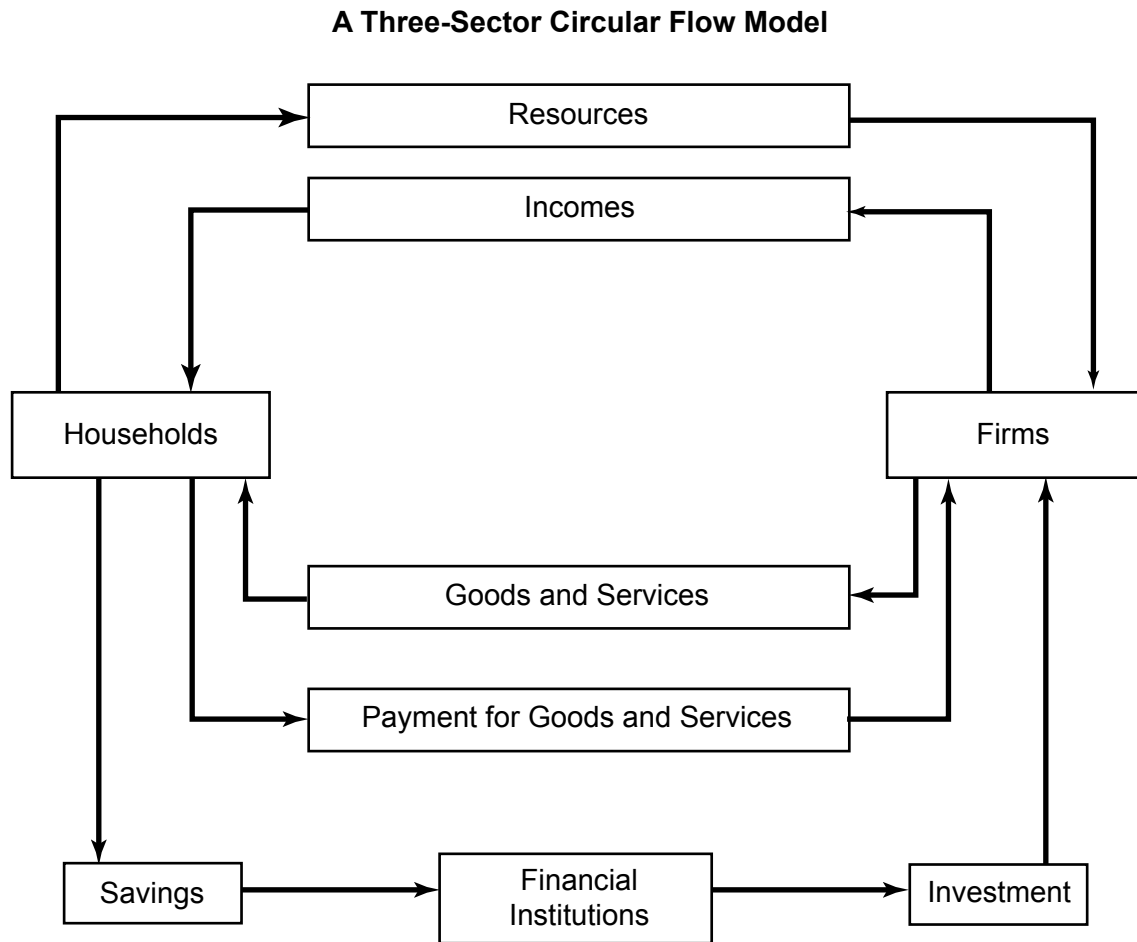
- (2) _____

- In your answer, refer to how the assumptions you identified in (e) are different from what happens in the real world.

[illegible]

QUESTION THREE: GROWTH

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- (a) Describe the difference between **resources** and **incomes**.

- (b) Identify from the diagram above the **money flow** that represents **household consumption**.

- (c) Explain how an increase in investment will lead to economic growth.

- (d) Identify ONE influence on growth **not** shown by the three-sector circular flow model on page 6.

- (e) Identify ONE limitation of the **full** circular flow model as a tool for illustrating growth.

- (f) Evaluate whether or not the **three-sector model** on page 6 is a useful tool for illustrating economic growth.

In your answer, refer to strengths and weaknesses, and draw a justified conclusion about the usefulness of this three-sector model.

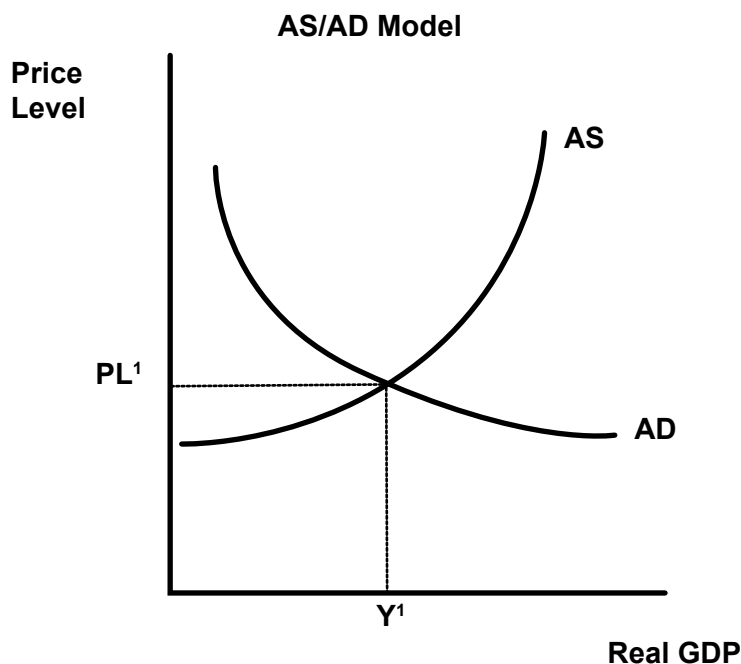
QUESTION FOUR: INFLATION

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- (a) Define **Aggregate Supply**.

- (b) Identify which **THREE** events listed in the table below would be likely to cause **cost push inflation**.

Event	Likely to cause cost push inflation (✓)
(i) An increase in nominal wage rates	
(ii) An increase in GST	
(iii) An increase in government spending	
(iv) A decrease in productivity	
(v) An increase in interest rates	



- (c) (i) On the diagram above, illustrate the effect of an increase in the cost of imported raw materials on the price level. Use appropriate lines, labels and arrows.
- (ii) Explain the change you have shown in (c) (i) above.

[illegible]