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2

90762



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA



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

Level 2 Economics, 2006

90762 Describe economic effects of 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
Describe economic effects of given issues.	<input type="checkbox"/>	Explain economic effects of given issues.	<input type="checkbox"/>
Overall Level of Performance		<input type="checkbox"/>	

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

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QUESTION ONE: EMPLOYMENT

Studies have shown that there may be a link between unemployment and social stress. Social stress can be measured by crime statistics (eg dishonesty offences, burglary, property damage) and health statistics (eg substance use, mental health problems, physical health problems).

- (a) Explain ONE reason **higher unemployment** may lead to an increase in crime.

- (b) Explain ONE reason **higher unemployment** may lead to an increase in health problems.

- (c) Evaluate the relationship between unemployment and social stress.
Refer to health, crime and other relevant economic factors in your answer.
Draw a conclusion about how much social stress is caused by unemployment.

QUESTION TWO: TRADE

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Job losses are expected at an Auckland firm that exports tents. Like many exporters, the firm had been hit by the strong New Zealand dollar.

The firm was unable to make as much profit from its exports because of the high exchange rate, and was competing in the domestic market against cheap imports driven by a strong dollar.

Few of the workers would have trouble finding other positions, because unemployment in Auckland is still a 'relatively low' 3.9 per cent.

Adapted from www.nzherald.co.nz

- (a) Describe what happens in an industry when it **contracts**.

- (b) Describe what is meant by the **domestic market**.

- (c) Explain why exporters' profits are reduced when the exchange rate is high.

- (d) Describe TWO actions New Zealand exporting firms can take to stay in business when their profits are reduced by a high exchange rate.

(1) _____

(2) _____

- (e) Describe ONE **positive** effect of the tent exporting firm's redundancies for **other firms** in Auckland.

QUESTION THREE: GROWTHAssessor's
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The Abel Tasman walking track has been crowded over the summer months for many years. This has put off some visitors. They now travel a few hours northeast of the Abel Tasman track to the Queen Charlotte Walkway, which is receiving 30 000 visitors a year. This is beneficial for the economies of Picton and Blenheim, which are close to the Queen Charlotte Walkway. Tramping and fishing clubs have, however, expressed serious concerns about the increased tourism.

Adapted from www.beehive.govt.nz

- (a) Describe TWO positive effects of the increased tourism on the Picton and Blenheim economies.
- (1) _____
- (2) _____
- (b) Describe TWO negative effects of the increased tourism on the region.
- (1) _____
- (2) _____
- (c) Explain how the increased tourism might lead to economic growth in the regions where these tracks are located.
- _____
- _____
- _____
- _____
- (d) Explain how the increased tourism might lead to economic growth in other regions.
- _____
- _____
- _____
- _____

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QUESTION FOUR: INEQUALITY

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The Queenstown-Lakes District has topped the regional performance indicators in 2005 for the third year running. It has had the largest annual increase in resident population growth and business units growth, the second-largest increase in employment growth and the third-largest increase in GDP growth.

Adapted from www.berl.co.nz

- (a) (i) Give ONE example of a financial incentive that may have attracted **people** to live in Queenstown.
- _____
- _____
- (ii) Give ONE example of a financial incentive that may have attracted **new businesses** to Queenstown.
- _____
- _____
- (b) Explain how employment growth in Queenstown may cause inequality to increase.
- _____
- _____
- _____
- _____
- _____
- _____
- (c) Explain how the increase in GDP growth may cause inequality to increase, other than by increasing employment.
- _____
- _____
- _____
- _____
- _____
- _____

While both employment growth and an increase in GDP growth may cause inequality to increase, they may also cause it to decrease.

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- (d) Evaluate the overall impact of employment growth and GDP growth on inequality by referring to the statement above.
