
LEVEL 5 ECONOMIC DECISIONS

LEARNING WORKBOOK

– ANSWERS –

What is economics?

Activity 1: Economics (page 3)

- 'Economics' is the branch of knowledge concerned with the production, consumption, and transfer of wealth.
 - Ancient Greek
- Both face decisions about how to use limited resources.
- wind power / sails
 - Three months (98 days)
 - Ten
- They were decisions by which New Zealand allocated limited resources (such as jobs and land) to farms to produce meat, wool, and milk products for export.

Activity 2: Understanding economic terms (page 4)

<i>Economic term</i>	<i>Meaning</i>
productivity	The quantity of goods and services produced from each hour of time worked
GDP	(Gross Domestic Product) is the market value of all the goods and services produced in a country in a given time
market	A group of buyers and sellers of a particular good and service
depression	A severe recession
recession	A period of declining income and rising unemployment
supply	The amount of a good / service that producers are willing to sell
demand	The amount of a good / service that buyers are willing to purchase

Activity 3: Economic ideas (page 6)

- Microeconomics examines the basic elements of an economy, such as households and the decisions they make; macroeconomics analyses the entire economy.
- The government.
- A government policy is a course of action taken by a government to achieve a specific outcome
- To understand the decisions governments make.
- Student's own research. Must include reference to source.*

A food-exporting nation

Activity 1: Sheep and dairy farming (page 8)

- meat, wool, butter, cheese
- suitable climate; land suitable for farming; people who knew how to be farmers (*any one*)
- Without refrigeration, dairy products and meat could be transported no further than Australia, but wool could be transported much further.
- Being unsure whether a person's activities will make money for the person.
 - weather conditions / diseases / pests (*any one*).
- The decision to develop refrigeration technology.
- The decision to become a food-exporting nation meant **farming** became a major industry and secondary **industries** (e.g. to provide services to farms and to process and **transport** food products) also developed. Farming and associated industries provided **employment** opportunities. When **prices** for wool, meat and dairy were high there was a **boom** in the economy but when prices fell, New Zealanders suffered.

Activity 2: Depression and war (page 10)

- The Great Depression
- Retrenchment is cutting government spending – also called austerity.
- Unemployment
 - It restored people's standard of living and helped to remove insecurity from their lives.
- The government absorbed the shock of violent changes in dairy prices and farmers could plan the development of their farms on a guaranteed income.
- To counter the economic vulnerability of New Zealand, which could be badly affected by falling export prices.
- There had been very strong production during the war, when people were working long hours / women worked outside the home as part of the war effort.

1930s		
<i>Event</i>	<i>Impact of event on New Zealand</i>	<i>Economic choices made</i>
The Great Depression	Prices paid for New Zealand primary products fell so the government had little money to spend.	The government cut spending. Government introduced a government-guaranteed price for farm products. Import controls.

1940s		
<i>Event</i>	<i>Impact of event on New Zealand</i>	<i>Economic choices made</i>
World War II	Needed to provide food, raw materials and manufactured goods for the war effort.	Very strong production during WW II as people worked long hours; women worked outside the home as part of the war effort.

Activity 3: Boom and recession (page 13)

- The employers of the watersiders offered too small a pay increase.
 - People thought the strike had to be stopped so wool could leave the country through the ports.
 - Any three of:* declared a state of emergency; suspended civil liberties (such as freedom of the press and freedom of speech); deregistered the Watersiders' Union; sent in troops to load and unload ships.

2. A rise in average prices throughout the economy
3. Synthetic fibres cheaper / easier to clean (*for other answers, check with your teacher*)

4. 1950s

<i>Event</i>	<i>Impact of event on New Zealand</i>	<i>Economic choices made</i>
Waterside strike	The strike coincided with the Korean War, which had brought great demand for New Zealand wool. People thought the watersiders' strike had to be stopped to allow wool exports to leave the country.	Declared a state of emergency. Suspended civil liberties such as freedom of the press and freedom of speech. Deregistered the Watersiders' Union. Sent in troops to load and unload ships.

1960s

<i>Event</i>	<i>Impact of event on New Zealand</i>	<i>Economic choices made</i>
Fall in wool prices	As synthetic fibre replaced wool, the economy was plunged into recession and many more people became unemployed.	To cover government debt, the government raised taxes on tobacco, alcoholic spirits and petrol and raised the cost of motor registration. There was no expected wage increase, which led to industrial instability and strikes.

5. In all decades except the 1950s, the major event to affect the New Zealand economy was something that happened overseas – the Great Depression, World War II, the fall in wool prices; even the watersiders' strike was influenced by events overseas – demonstrating that events overseas regularly influenced the New Zealand economy and economic decisions had to be made to counter those events.

New exports, new policies

Activity 1: Diversification, and social welfare (page 16)

1. Protectionism is the economic policy of restraining trade between countries by using government regulations.
2. collapse of the wool price / weakening in dairy and meat prices / possible loss of unrestricted access to the British market (*any two*)
3.
 - a. *One of:* very little unemployment / 40-hour working week / free education / free health care / affordable housing.
 - b. *One of:* The government controlled the way businesses worked. / People had little or no choice when buying goods and services.
4.
 - a. 'Diversification' is the change from having a few to a variety of products and services to export.
 - b. forestry, fishing and horticulture

	<i>ACC</i>	<i>DPB</i>
What the letters stand for	a. Accident Compensation Commission	d. Domestic Purposes Benefit
Who it was set up to help	b. Anyone who was injured in an accident at work, at home or while taking part in leisure activities	e. Sole parents aged over 16 and people caring full time for someone who would otherwise be in hospital
What it gave	c. Up to 80% of weekly income if people needed time away from work; a compensation payment for permanent disability	f. Financial help through weekly payments

6. *Student's own research – check your answer with your teacher.*

Activity 2: Decisions about oil, and the Muldoon years (page 20)

1. Higher oil prices led to higher freight costs, higher costs for goods, higher wage rates and higher retail prices.
2. *Two of:* To burn gas from the Maui gas field to generate electricity / to extract the condensate for use as fuel / carless days / no sales of petrol on weekends / Think Big, to develop a petrochemical industry and help make New Zealand self-sufficient in energy.
4. **a.** In a managed economy the government makes most of the economic decisions.
b. Muldoon believed that to let the economy 'run free' would cause great pain for ordinary New Zealanders.
c. An economy where market forces are most important.
5. An interventionist policy is one made by a government to regulate or interfere with decisions made by individuals or groups in society; for example, the introduction of SMPs in the 1980s.
6. *Student's own answer. Check with your teacher.*
- 7.



8. **a.** No, apart from the Glenbrook Steel Mill, south of Auckland.
b. It was difficult to get people to work on the Think Big projects.
9. *Student's own research – check your answer with your teacher.*

10. Source	Perceived 'positive' characteristics	Perceived 'negative' characteristics
A	'Rob's mob' revered him as a supporter of the 'ordinary bloke' and an icon of the New Zealand national character.	Some saw 'Piggy' Muldoon as a dictatorial Prime Minister who came close to destroying the economy and the social fabric of New Zealand through his arrogance.
B	To supporters he was the voice of 'the ordinary bloke'. He was liberal on some issues, and happy to drink with gang members.	To critics he was a dictatorial bully. He was opinionated and aggressive – 'counterpunching', he called it. His glare intimidated. His abrasiveness alienated urban liberals.
C	Muldoon's intelligence, access to information, grasp and recall of detail and capacity to identify issues, and his forceful personality and ability to persuade made him dominant in the governments he led.	Holding the post of Minister of Finance when he was also Prime Minister overloaded him and made him open to criticism. Other Ministers and MPs found it difficult to appeal against his recommendations.

Robert Muldoon was a politician who was either liked or hated. To his supporters, he was the voice of the ordinary bloke. To those who opposed him he was a dictatorial bully. He was intelligent and believed he was right on all issues, which at times worked against him because he was reluctant to change his opinions.

New Zealand's economy after 1984

Activity 1: Labour and National compared (page 23)

1.	<i>Labour</i>	<i>National</i>
Party colour	Red	Blue
Party symbol	A red fern	Blue and white 'N' with four red stars
Date formed	7 July 1916	13/14 May 1936
Reason the party was formed	Brought together socialist groups who advocated proportional representation	Grew out of the coalition of the Reform party (rural based) and the Liberal party (city based)
Leader when formed	Harry Holland	Forbes/Coates
Current: Leader Deputy Leader Spokesperson on Finance	<i>Check these answers with your teacher</i>	<i>Check these answers with your teacher</i>

2.	<i>Labour</i>	<i>National</i>
What groups of people in New Zealand society would vote for them?	Traditionally the workers and those less able to look after themselves	Traditionally those who own businesses and property, such as farms
What economic ideas would they have?	Traditionally, Labour has proposed policy to help improve the living conditions of those less financially able	Traditionally, main policy focus is to create an environment for business to minimise costs and maximise profits

Activity 2: Corporatisation case study (page 27)

1. The three core businesses were separated to operate as three independent commercial state-owned enterprises.

2. a.	<i>New Zealand Post Office function</i>	<i>New SOE name after 1987</i>
	Receiving, processing and delivering mail	New Zealand Post Limited (NZPost)
	Owning and managing the telephone system	Telecom New Zealand Limited (Telecom)
	Operating a retail banking network	Post Office Bank Limited (PostBank)

b.	<i>New Zealand Post Office function</i>	<i>Name of SOE today</i>
	Receiving, processing and delivering mail	New Zealand Post Limited (NZPost)
	Owning and managing the telephone system	Spark
	Operating a retail banking network	KiwiBank

3. The Post Office was becoming unable to meet growing consumer demands and was costing the country a lot of money to keep operating in the way it was.

4. *For example:* Can do car registrations / take passport photos / pay council rates at a Post Shop.

Into the '90s

Activity 1: Into the '90s (page 30)

1. **a.** Work must be rewarded more highly than continuing dependence on benefits.
- b.** Deciding that a university education was a private good, the government deregulated tuition fees and reduced the subsidy for each student. Fees rose and had to be paid by students from a newly instituted student loans scheme.
2. A public good is something the whole community benefits from, e.g. a public hospital such as Middlemore Hospital. A private good is something only those individuals involved in benefit from, e.g. a private hospital.

3. **Supporter speech bubble:**

The ECA:

- brings greater flexibility to the labour market
- rewards workers for individual effort
- provides an incentive to increase productivity with fewer strikes.

Opponent speech bubble:

The ECA:

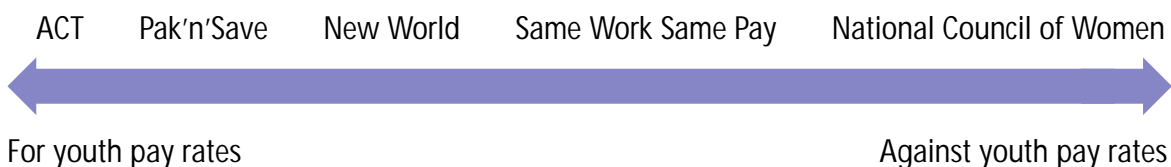
- forces down wages for some workers
- makes working conditions poorer by removing overtime pay
- undermines the role of unions.

Activity 2: Income inequality (page 32)

1. **a.** Income inequality is the unequal distribution of household or individual income across the various participants in an economy – the gap between rich and poor.
- b.** 60% or less of the average income
2. Changes caused by the ECA and the other changes (e.g. privatisation, deregulation) brought about by Labour and National caused unemployment to peak at the same time that average income was at its lowest, creating income inequality.
3. *Student's own answer.*
For example: 'Poverty in affluent countries is a matter of economic dissatisfaction, but poverty in poor countries is a matter of survival.'
or: 'Poverty is a condition in which people's basic needs for food, clothing, and shelter are not being met.'
4. *Student's own answer after discussion.*

Activity 3: Source analysis (page 36)

1. *For example:*



2. For example:

	Quote(s) showing values concerning youth pay rates
<i>ACT party</i>	ACT knew that it was risky to hire a young person, because such people were often immature and had few life skills. In addition, they usually had no previous work history to show how well they could do a job, or how reliable they were.
<i>Same Work Same Pay</i>	A youth minimum wage for 16–19 year olds was unfair and would not solve the problem of youth unemployment; wages should be based on the work a person does and that person’s level of skills, without regard to that person’s age.
<i>National Council of Women</i>	NCWNZ had a long-standing policy on issues of equal pay for equal work and equal pay for work of equal value. Most members did not believe that lowering wages for young people was an appropriate solution.

3. For example:

ACT party: Young people needed to gain skills and experience, so re-establishing a separate youth minimum wage would encourage employers to give young people a start, from which they could move into better-paid jobs in due course.

Same Work Same Pay: Wages should be based on the work a person does and that person’s level of skills, without regard to that person’s age; paying a young person less would take jobs away from other workers in all age groups.

National Council of Women: The problem was not enough jobs, rather than wages being too high ... it was possible that someone of 45 years of age could have no experience in the paid workforce while someone of 17 could have had a year or more of experience.

4. a. **For:** National 59; ACT New Zealand 1; United Future 1 (total of 61).

Against: Labour 34; Green party 14; New Zealand First 7; Māori party 2; Mana 1; Independent Horan (total of 59).

b. Yes

Current economic decisions and their effects

Activity 1: Theory revisited – bottom up (page 41)

1. a. Period of economic decline

b. Lending to people who will have difficulty repaying the loans

c. Owing more than a property is worth

d. Group that does not recognise authority

e. Money loaned on a property

f. Company owned by shareholders

2. a. Activism is using protests and campaigns to try to bring about social change.

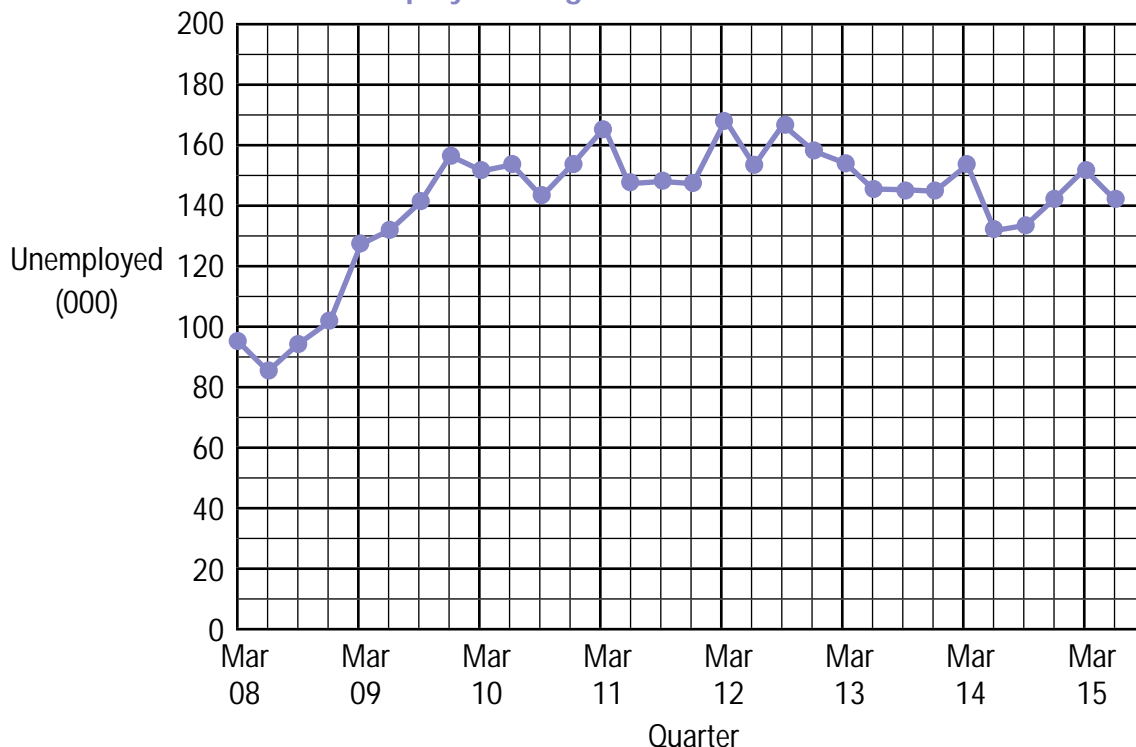
b. *Student's own answer:* e.g. Those who held the money held the power and could ignore the activists.

Activity 2: Theory revisited – top down (page 42)

1. Country	Austerity policy	People's response in 2015
Greece	On 9 July 2015 the Greek government agreed to move more items to the 23% top rate of VAT – similar to New Zealand GST – including restaurants; raise the retirement age to 67 by 2022, and press on with privatisation of state assets, including regional airports and ports.	By 16 July 2015 there were worker strikes, peaceful marches and violent clashes between protesters and police across Athens.
Portugal	Portugal's centre-right government embarked on a major belt-tightening plan. The parliament in 2014 passed a law providing salary cuts of between 3.5% and 10% for civil servants earning 1 500 euros or more a month. It also extended the 35-hour working week by five hours to 40 hours.	On 14 March 2015 schools, hospitals, courts and state offices across Portugal were hit by a day-long strike called by civil servants who were protesting about austerity-linked salary and job cuts.
Spain	In 2013 the Spanish parliament passed a budget in which government ministries had to reduce their budgets by 8.9% on average. The budget for the health sector was to be cut by 22.6%.	On 21 March 2015 thousands of people marched in the Spanish capital of Madrid calling for an end to harsh austerity measures that increased poverty among the worst-off through budget cuts. They said the government had cut back savagely on public services such as education and the national health service.

2. a. From 2000 to 2004 interest rates in New Zealand remained relatively steady; from 2004 they increased, reaching a high point in 2008; during 2008–2009 they dropped dramatically, and for the next five years were relatively low.
- b. The years 2008 and 2009 were when the financial crisis hit New Zealand – to attract New Zealanders to borrow money to buy houses, banks had to drop interest rates on house mortgages.

3. a. **Unemployment figures for New Zealand 2008–2013**



- b. The number of people who were unemployed in New Zealand rose from 2008 until early 2012, when it started to slowly fall.
- c. The years 2008 and 2009 were when the financial crisis hit New Zealand, and New Zealanders had less money to spend than formerly, so businesses either shut down or reduced their workforce – many workers lost their jobs.
- d. Yes. As the financial crisis hit New Zealand, unemployment increased and interest rates dropped simultaneously.

Activity 3: Policy analysis (page 49)

<i>Term</i>	<i>Definition</i>
red tape	A series of actions or complicated tasks that seem unnecessary but that a government or organisation requires you to do in order to get or do something.
Genuine Progress Index	Used to measure the economic growth of a country. The GPI indicator takes everything the GDP uses into account, but also adds other figures that represent the cost of negative effects related to economic activity, such as the cost of crime, cost of ozone depletion and cost of resource depletion. The GPI nets the positive and negative results of economic growth to examine whether or not the growth has benefited people overall.
post-settlement iwi	Those Māori tribes/iwi that have settled land claims with the government.
economic consortiums	Short-term arrangement in which several firms from the same or different industries or countries pool their money and people to undertake a large project that benefits all members of the group.
intellectual property protection	Is about protecting the time, money and effort you put into a good or service you have created.
tax incentives	A reduction in taxes that encourages companies or people to do something that will help the country's economy.
Trans-Pacific Partnership agreement	The Trans-Pacific Partnership (TPP) is a proposed trade agreement between twelve Pacific Rim countries concerning economic policy, about which preliminary agreement was reached on 5 October 2015 after five years of negotiations.
food safety	Describes the handling, preparation, and storage of food in ways that prevent food from causing illness.
cartel behaviour	Is when a collection of businesses or countries act together as a single producer and agree to influence prices for certain goods and services by controlling production and marketing.
loan sharks	Are moneylenders who charge extremely high rates of interest, typically under illegal conditions.
energy companies	Are all the industries involved in the production and sale of energy, including <ul style="list-style-type: none"> • the petroleum industry • the gas industry • the electrical power industry • the coal industry • the nuclear power industry • the renewable energy industry • traditional energy industry based on the collection and distribution of firewood.
government procurement	The act of buying/obtaining goods or services for the government.

2. a.

	<i>Unemployment</i>	<i>Resources</i>	<i>Inflation</i>	<i>Economic growth</i>
<i>ACT</i>		X		X
<i>Greens</i>	X	X		X
<i>Labour</i>	X			X
<i>Maori</i>	X	X		X
<i>National</i>	X	X		X
<i>NZ First</i>	X	X	X	

b. For example: **ACT: Policy about resources**

Allow more mining when the economic benefits outweigh the environmental costs.

Greens: Policy about economic growth

Growth in GDP is not an adequate measure of the success of our economy. GDP counts as a positive growth in 'bads' like crime, pollution and waste, but does not measure depletion of our resources, or sustainability of our economy.

Labour: Policy about employment

[Needs] more investment, to become a high-tech economy with better jobs and higher wages.

Māori: Policy about resources

Because iwi are major contributors to the economy, and owners of large natural resources, we support their investments in geothermal and hydro power plants.

National: Policy about economic growth

Invest in new public assets such as schools and hospitals. Negotiate Trans-Pacific Partnership agreement and trade agreements.

New Zealand First: Policy about inflation

Reform the Reserve Bank Act to better manage our currency.

3. Student's own answer. Check with your teacher.

Activity 4: Summary task (page 51)

- The financial crisis started in the United States where banks lent money to people as mortgages for houses the people could not afford. House prices rose but as supply exceeded demand, prices then dropped sharply, leaving many owners with negative equity. Consequently, banks had increasing difficulty getting the money owed to them on house loans and the banks themselves were in a difficult financial position.

2.	<i>Top-down (Austerity)</i>	<i>Bottom-up (OWS)</i>
	Cutting or lowering government spending by: <ul style="list-style-type: none"> cuts in social welfare benefits cutting the pay of those who work for the government, which may lead to cuts in public-sector employment reductions in public services. 	Not cutting or lowering government spending by: <ul style="list-style-type: none"> not cutting social welfare benefits, especially to those who are vulnerable making sure the pay of government workers is not cut not reducing access to public services or increasing the price of them.

- When the financial crisis hit New Zealand, New Zealanders had less money to spend so businesses shut down or reduced their workforce and many workers lost their jobs. To attract New Zealanders to borrow money to buy houses, banks had to drop interest rates on house mortgages.

The future

Activity 1: Defining a citizen (page 53)

1. a. 1, 9
- b. 1, 8, 9
- c. 2, 3, 8
- d. 2, 6
- e. 4, 7

2. a.

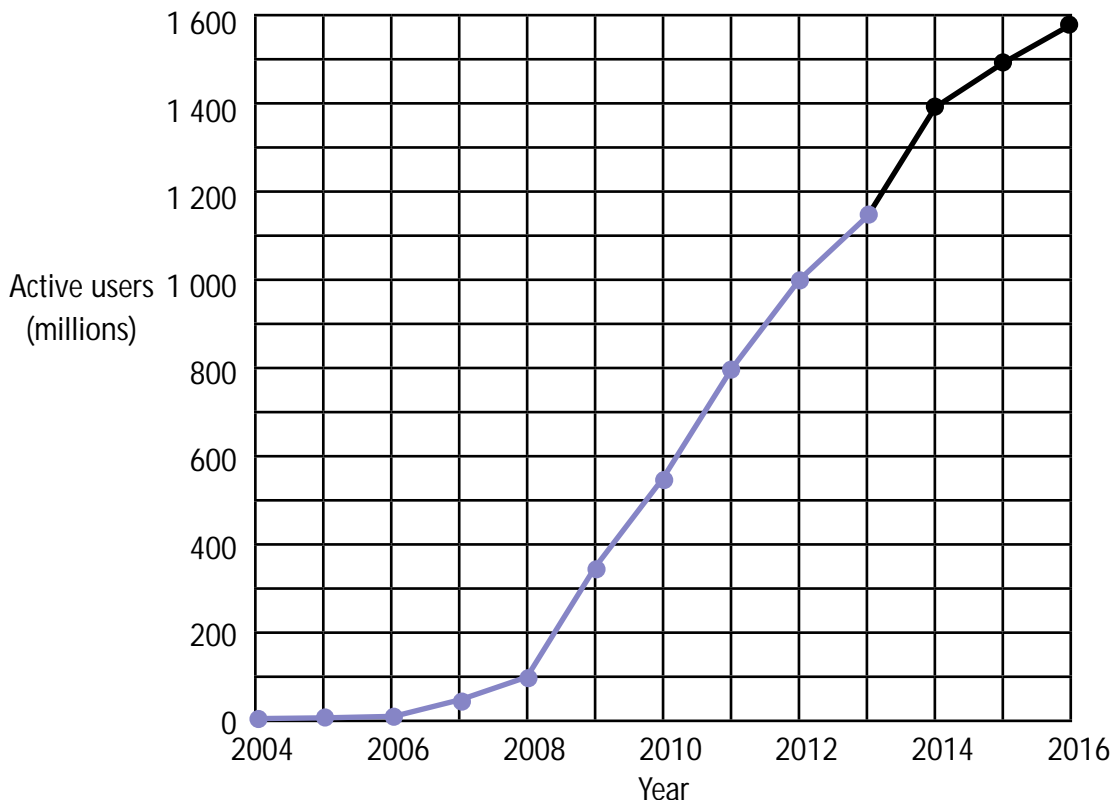
Word	Meaning
alien	person who is not a citizen of a country
civilian	person who is not serving in the armed forces
franchise	right to vote
loyalty	always firmly supporting your country
native	person born in a particular place
naturalised	a person with full rights as a citizen of a country although not born there
privilege	special right or advantage given to one person or group
resident	person living in a certain place

b. Student's own answer.

3. A citizen:
 - is a member of a specific country
 - is protected by that country
 - can vote
 - has various rights.

Activity 2: The rise of Facebook (page 55)

1. **The rise of Facebook**



2. **a.** Almost half the country's population are Facebook users. Approximately 2.5 million New Zealanders use Facebook every month.
- b.** A Nielsen survey reported on the *StopPress* website, 23 April 2015
3. In terms of people, 1 billion would make Facebook the third-largest grouping of people in the world after the countries of China and India.
4. **a.** Advantages include:
 - being connected with others worldwide
 - meeting with others who share your interests
 - quickly sharing information
 - 'free' advertising for businesses
 - having speedy news reports
- b.** Disadvantages include:
 - loss of face-to-face relationships
 - risk of cyber-bullying
 - risk of fraud
 - wasting time
 - invasion of privacy

Activity 3: Reflection on attitudes (page 56)

No right/wrong answers – students note their own reflections.

Activity 4: Source analysis (page 57)

1. **a.** Privacy; what kind of information and how much of it is stored.
- b.** No – to make money, social networks and companies with an online presence need to **exploit** the data they collect on people who use their services.
2. By passing laws, such as the cyber-bullying legislation in New Zealand; setting up Privacy Commissioners; providing advice about protecting personal information.
3. *Any or all of:*
 - Carefully choose how much personal information you post or share online.
 - Use privacy settings and categories such as 'friends only' to limit who can see your information.
 - Don't put date of birth, your mother's maiden name or contact details on your page.
 - Think before you upload.
 - Get consent from friends and family before posting information about or photos of them.
 - Be wary of strangers.
 - Read the privacy policy regularly.
 - Use familiar websites.
 - Be wary of advertisements, even for companies you know.

Activity 5: Defining sustainability (page 62)

1. **a.** maintain, support, endure.
- b.** 'Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.'
- c.** environmental, social and economic demands
2. If there is no forest, then a sawmill is useless because there are no trees for the mill to process. The forest is therefore more important than the mill – the environment is of primary importance.
3. The environment would be at the centre of decision making rather than the economy – consequently, decisions would be made on an environmental basis, not on an economic basis, as happens now.