

MARKER CODE


 Pacific
Community
Communauté
du Pacifique


Student Personal Identification Number

South Pacific Form Seven Certificate

ECONOMICS

2019

QUESTION and ANSWER BOOKLET

Time allowed: Three hours

(An extra 10 minutes is allowed for reading this paper.)

INSTRUCTIONS

Write your **Student Personal Identification Number (SPIN)** in the space provided on the top right-hand corner of this page.

Answer **ALL QUESTIONS**. Write your answers in the spaces provided in this booklet.

If you need more space for answers, ask the Supervisor for extra paper. Write your SPIN on all extra sheets used and clearly number the questions. Attach the extra sheets at the appropriate places in this booklet.

Major Learning Outcomes (Achievement Standards)	Skill Level & Number of Questions				Weight/ Time
	Level 1 <i>Uni- structural</i>	Level 2 <i>Multi- structural</i>	Level 3 <i>Relational</i>	Level 4 <i>Extended Abstract</i>	
Strand 1: Resource Allocation via the Market System Demonstrate understanding of the key ideas about the operation of the market system, and how decisions are made and their outcome in a modern market economy.	7	5	3	1	30% 76 min
Strand 2: Resource Allocation via the Public Sector Demonstrate understanding of resource allocation via the public sector.	6	2	2	1	20% 52 min
Strand 3: Aggregate Economic Activity and Policy Demonstrate understanding of aggregate economic activities and policies.	5	4	1	1	20% 52 min
TOTAL	18	11	6	3	70% 180 min

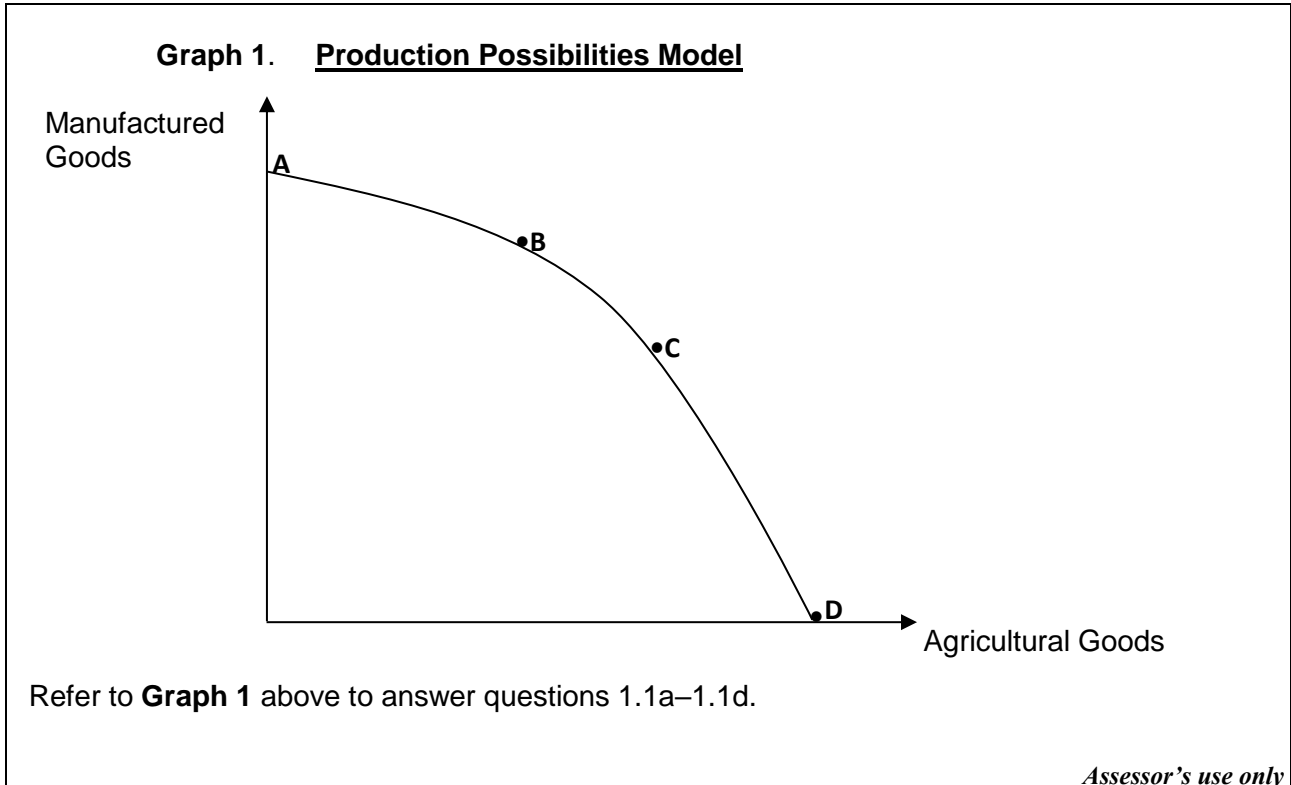
Check that this booklet contains pages 2–20 in the correct order and that none of these pages are blank.

HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.

STRAND 1: RESOURCE ALLOCATION VIA THE MARKET SYSTEM

Answer **ALL** five questions in this strand.
As a guide spend no more than **76 minutes** on this strand.

1.1: Demonstrate Understanding of Economic Problems Associated with Scarcity and Allocation

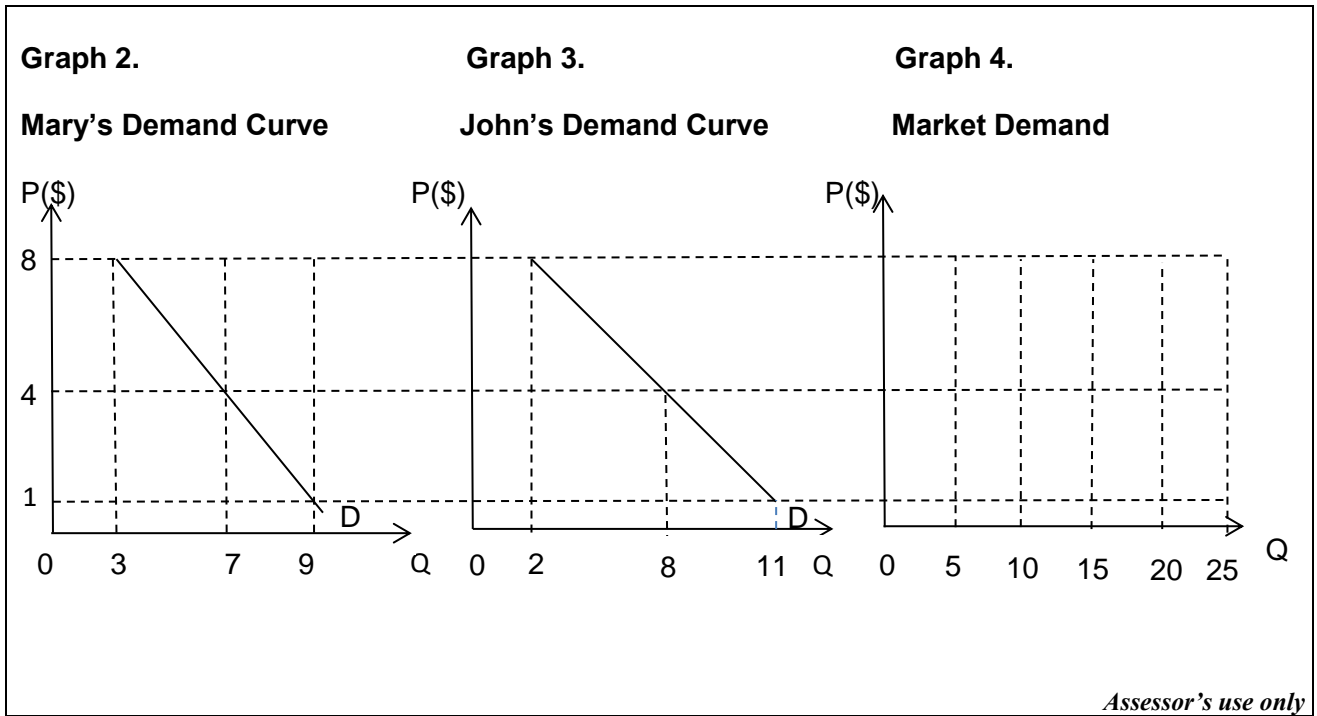


Assessor's use only

1.1a	Describe the production possibilities model. <hr/> <hr/> <hr/> <hr/> <hr/>	<table border="1" style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <tr style="background-color: #cccccc;"> <th colspan="2">Multistructural</th> </tr> <tr> <td style="text-align: center;">2</td> <td style="width: 20px;"></td> </tr> <tr> <td style="text-align: center;">1</td> <td></td> </tr> <tr> <td style="text-align: center;">0</td> <td></td> </tr> <tr> <td style="text-align: center;">NR</td> <td></td> </tr> </table>	Multistructural		2		1		0		NR	
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1.1b	Point C is said to be the allocative efficiency point. Define allocative efficiency . <hr/> <hr/> <hr/> <hr/>	<table border="1" style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <tr style="background-color: #cccccc;"> <th colspan="2">Unistructural</th> </tr> <tr> <td style="text-align: center;">1</td> <td style="width: 20px;"></td> </tr> <tr> <td style="text-align: center;">0</td> <td></td> </tr> <tr> <td style="text-align: center;">NR</td> <td></td> </tr> </table>	Unistructural		1		0		NR			
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1.1c	<p>Describe the shape of the Production Possibilities Curve in Graph 1.</p> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>	<table border="1"> <thead> <tr> <th colspan="2">Multistructural</th> </tr> </thead> <tbody> <tr> <td>2</td> <td></td> </tr> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Multistructural		2		1		0		NR			
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1.1d	<p>Explain a factor that influences the shape of the Production Possibilities Curve in Graph 1.</p> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>	<table border="1"> <thead> <tr> <th colspan="2">Relational</th> </tr> </thead> <tbody> <tr> <td>3</td> <td></td> </tr> <tr> <td>2</td> <td></td> </tr> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Relational		3		2		1		0		NR	
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1.2: Demonstrate Understanding of Demand and Factors Affecting Demand



Assessor's use only

<p>1.2a</p>	<p>On Graph 4, construct the market demand curve from the individual demand curves for Mary and John.</p>	<table border="1"> <thead> <tr> <th colspan="2">Relational</th> </tr> </thead> <tbody> <tr> <td>3</td> <td></td> </tr> <tr> <td>2</td> <td></td> </tr> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Relational		3		2		1		0		NR	
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<p>1.2b</p>	<p>An increase in demand will shift the demand curve to the right.</p> <p>List two reasons for the increase in demand.</p> <hr/> <hr/> <hr/> <hr/>	<table border="1"> <thead> <tr> <th colspan="2">Multistructural</th> </tr> </thead> <tbody> <tr> <td>2</td> <td></td> </tr> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Multistructural		2		1		0		NR			
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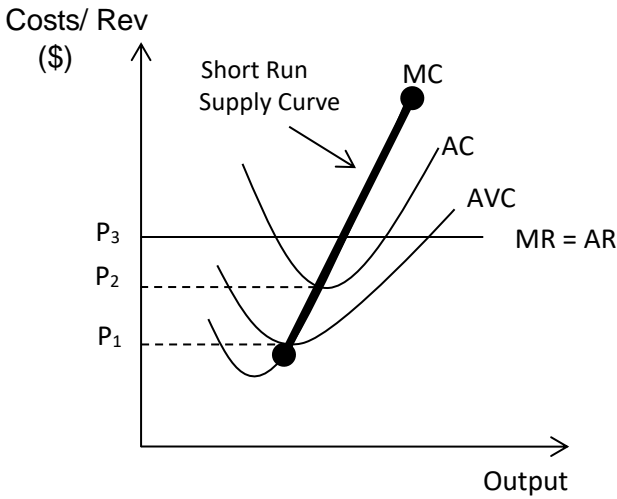
1.2c	<p>Define price elasticity of demand.</p> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>	<table border="1"> <thead> <tr> <th colspan="2">Unistructural</th> </tr> </thead> <tbody> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Unistructural		1		0		NR									
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1.2d	<p>Table 1. Demand Schedule for Potatoes at a Local Supermarket</p> <table border="1" data-bbox="395 779 1088 931"> <thead> <tr> <th>Price per kg (\$)</th> <th>Quantity Demanded</th> </tr> </thead> <tbody> <tr> <td>2</td> <td>12</td> </tr> <tr> <td>3</td> <td>8</td> </tr> </tbody> </table> <p>Use the mid-point formula to calculate price elasticity of demand when the price of potatoes increased from \$2 to \$3 per kg.</p> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>	Price per kg (\$)	Quantity Demanded	2	12	3	8	<table border="1"> <thead> <tr> <th colspan="2">Multistructural</th> </tr> </thead> <tbody> <tr> <td>2</td> <td></td> </tr> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Multistructural		2		1		0		NR	
Price per kg (\$)	Quantity Demanded																	
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1.3: Demonstrate Understanding of the Concept of Supply and Market Equilibrium

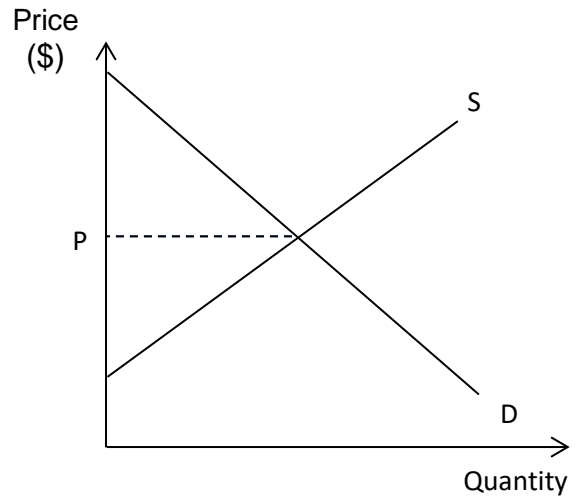
Graph 5 shows the cost and revenue curves for a Perfectly Competitive Firm. The short run supply curve for the firm is that part of the firm's MC curve that is above minimum AVC (in bold).

Graph 6 shows the Market Supply and Demand curves.

Graph 5. Perfectly Competitive Firm



Graph 6. Market



Assessor's use only

<p>1.3a</p>	<p>From Graph 5, identify the break-even price for the firm.</p> <p>_____</p>	<table border="1"> <tr> <th colspan="2">Unistructural</th> </tr> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table>	Unistructural		1		0		NR	
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<p>1.3bi</p>	<p>On Graph 6, shade the area of consumer surplus.</p>	<table border="1"> <tr> <th colspan="2">Unistructural</th> </tr> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table>	Unistructural		1		0		NR	
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<p>1.3bii</p>	<p>Define consumer surplus.</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>	<table border="1"> <tr> <th colspan="2">Unistructural</th> </tr> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table>	Unistructural		1		0		NR	
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<p>1.3c</p>	<p>Describe the market forces that will lead to market equilibrium.</p> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>	<table border="1"> <tr> <th colspan="2">Multistructural</th> </tr> <tr> <td>2</td> <td></td> </tr> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table>	Multistructural		2		1		0		NR	
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<p>1.3d</p>	<p>State the law of supply.</p> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>	<table border="1"> <tr> <th colspan="2">Unistructural</th> </tr> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table>	Unistructural		1		0		NR			
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1.4: Demonstrate Understanding of the Role of Firms in a Market Economy

Assessor's use only

Refer to **Table 2** in answering questions 1.4a–1.4c.

Table 2. Revenues of a Monopolist who Produces at a Constant Marginal Cost of **\$3**.

Price (\$)	Output (units)	Total Revenue (\$)	Marginal Revenue (\$)
9	1	9	9
8	2	16	7
7	3	21	5
6	4	24	3
5	5	25	1
3	6	18	-3
2	7	14	-4

1.4a Define **marginal revenue**.

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1.4b Explain how the use of marginal cost and marginal revenue contributes to profit maximisation.

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STRAND 2: RESOURCE ALLOCATION VIA THE PUBLIC SECTOR

Answer **ALL** questions in this strand.
As a guide spend no more than **52 minutes** on this strand.

2.1: Understand Market Failure as a Basis for Government Intervention

Photograph 1.

Rising Market Failure Puts Planet in Jeopardy



Plastic debris on a Hawaiian beach.

Until the world makes polluters pay for the damage they cause, market failure like climate change will increase the environmental risks we all face.

Source: Article by Kieran Cooke, 17 January 2018.

Assessor's use only

2.1a	<p>Define market failure.</p> <hr/> <hr/> <hr/> <hr/>	<table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <tr style="background-color: #cccccc;"> <th colspan="2">Unistructural</th> </tr> <tr> <td style="width: 20px;">1</td> <td style="width: 20px;"></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table>	Unistructural		1		0		NR	
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2.1b	<p>Define negative externalities of consumption.</p> <hr/> <hr/> <hr/> <hr/>	<table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <tr style="background-color: #cccccc;"> <th colspan="2">Unistructural</th> </tr> <tr> <td style="width: 20px;">1</td> <td style="width: 20px;"></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table>	Unistructural		1		0		NR	
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<p>2.1c</p>	<p>Describe conditions under which government decides to intervene in a market failure.</p> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>	<table border="1"> <tr> <th colspan="2">Multistructural</th> </tr> <tr> <td>2</td> <td></td> </tr> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table>	Multistructural		2		1		0		NR	
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<p>2.1d</p>	<p>Government can establish property rights over a resource in order to intervene against market failure. Define property rights.</p> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>	<table border="1"> <tr> <th colspan="2">Unistructural</th> </tr> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table>	Unistructural		1		0		NR			
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2.2: Demonstrate Understanding of Economies of Scale and Natural Monopolies

Natural monopolies exist in networks, mostly in the infrastructure of towns and cities as in the distribution of household utilities such as water, communications and electricity. A natural monopoly will have some features of a private monopoly, but the main distinguishing feature is that of economies of scale.

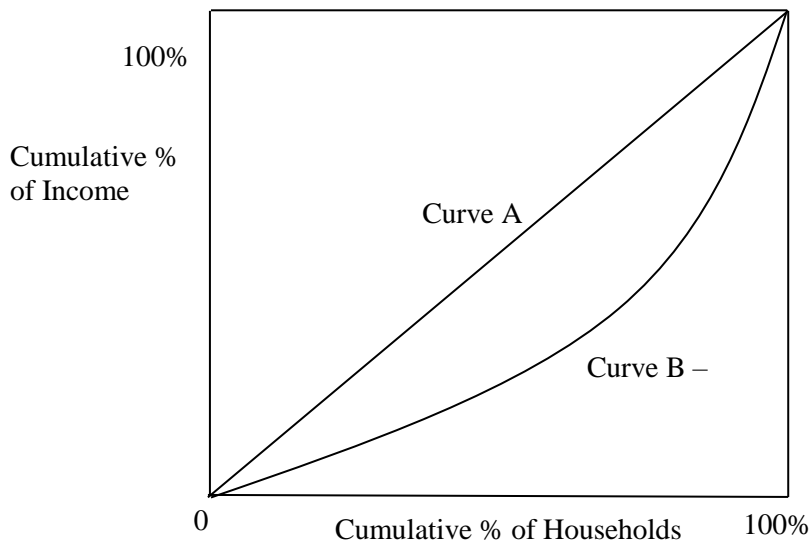
Adapted from: Senior Economics, Second Edition by Geoff Evans, pp. 244–245.

Assessor's use only

<p>2.2ai</p>	<p>Define economies of scale.</p> <hr/> <hr/> <hr/> <hr/> <hr/>	<table border="1"> <tr> <th colspan="2">Unistructural</th> </tr> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table>	Unistructural		1		0		NR					
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<p>2.2aii</p>	<p>Explain how economies of scale can lead to natural monopolies.</p> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>	<table border="1"> <tr> <th colspan="2">Relational</th> </tr> <tr> <td>3</td> <td></td> </tr> <tr> <td>2</td> <td></td> </tr> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table>	Relational		3		2		1		0		NR	
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2.3: Explain Inequality of Wealth and Income using the Lorenz Curve

Graph 7 Lorenz Curve for Economy Y



Use the Lorenz Curve for Economy Y above to answer questions 2.3a–2.3c.

Assessor's use only

<p>2.3a</p>	<p>Define equality.</p> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>	<table border="1"> <tr> <th colspan="2">Unistructural</th> </tr> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table>	Unistructural		1		0		NR			
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<p>2.3b</p>	<p>List two ways by which the state can attempt to achieve greater equality.</p> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>	<table border="1"> <tr> <th colspan="2">Multistructural</th> </tr> <tr> <td>2</td> <td></td> </tr> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table>	Multistructural		2		1		0		NR	
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2.3c	Explain the distribution of wealth and income in Economy Y. <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>	<table border="1" data-bbox="1241 1153 1426 1451"> <thead> <tr> <th colspan="2">Relational</th> </tr> </thead> <tbody> <tr><td>3</td><td></td></tr> <tr><td>2</td><td></td></tr> <tr><td>1</td><td></td></tr> <tr><td>0</td><td></td></tr> <tr><td>NR</td><td></td></tr> </tbody> </table>	Relational		3		2		1		0		NR	
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2.3d	Equity differs from equality. State one feature or example of equity. <hr/> <hr/> <hr/> <hr/>	<table border="1" data-bbox="1241 1635 1426 1832"> <thead> <tr> <th colspan="2">Unistructural</th> </tr> </thead> <tbody> <tr><td>1</td><td></td></tr> <tr><td>0</td><td></td></tr> <tr><td>NR</td><td></td></tr> </tbody> </table>	Unistructural		1		0		NR					
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STRAND 3: AGGREGATE ECONOMIC ACTIVITY AND POLICY

Answer **ALL** questions in this strand.
As a guide spend no more than **52 minutes** on this strand.

3.1: Demonstrate an Understanding of Balance of Payments and Terms of Trade

Table 3. Balance of Payments for an Economy																							
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 70%;">Category</th> <th style="width: 30%;">\$ million</th> </tr> </thead> <tbody> <tr><td>Export of Goods</td><td style="text-align: right;">10 800</td></tr> <tr><td>Net International Transfer Income</td><td style="text-align: right;">300</td></tr> <tr><td>Net Private Borrowing Overseas</td><td style="text-align: right;">100</td></tr> <tr><td>Export of Services</td><td style="text-align: right;">2 600</td></tr> <tr><td>Import of Services</td><td style="text-align: right;">3 200</td></tr> <tr><td>Import of Goods</td><td style="text-align: right;">11 400</td></tr> <tr><td>Net International Investment Income</td><td style="text-align: right;">-2 100</td></tr> <tr><td>Net Government Borrowing Overseas</td><td style="text-align: right;">600</td></tr> <tr><td>Changes in foreign reserves</td><td style="text-align: right;">300</td></tr> </tbody> </table>	Category	\$ million	Export of Goods	10 800	Net International Transfer Income	300	Net Private Borrowing Overseas	100	Export of Services	2 600	Import of Services	3 200	Import of Goods	11 400	Net International Investment Income	-2 100	Net Government Borrowing Overseas	600	Changes in foreign reserves	300		
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3.1a	<p>Define Balance of Payments.</p> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: center;">Unistructural</th> </tr> </thead> <tbody> <tr><td style="text-align: center;">1</td><td style="width: 40px;"></td></tr> <tr><td style="text-align: center;">0</td><td></td></tr> <tr><td style="text-align: center;">NR</td><td></td></tr> </tbody> </table>		Unistructural		1		0		NR													
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3.1b	<p>Identify one major item in the balance of payments capital account.</p> <hr/> <hr/> <hr/>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: center;">Unistructural</th> </tr> </thead> <tbody> <tr><td style="text-align: center;">1</td><td style="width: 40px;"></td></tr> <tr><td style="text-align: center;">0</td><td></td></tr> <tr><td style="text-align: center;">NR</td><td></td></tr> </tbody> </table>		Unistructural		1		0		NR													
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3.1c Describe **one** element of the **Current Account** Balance of Payments.

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3.1d Discuss the impact of changes in net exports on domestic economic activity. Use examples to support your answer.

Extended Abstract	
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Movements in the **terms of trade** are classified as either favourable or unfavourable.

New Zealand is a net importer of oil while dairy products are one of its largest exports. An increase in the world price of dairy products would have a favourable impact on New Zealand's terms of trade but an increase in the world price of oil will have an unfavourable impact on New Zealand's terms of trade.

Adapted from: Senior Economics by Geoff Evans pp.371–372.

Assessor's use only

<p>3.1ei</p>	<p>Define terms of trade.</p> <hr/> <hr/> <hr/> <hr/>	<table border="1"> <tr> <th colspan="2">Unistructural</th> </tr> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table>	Unistructural		1		0		NR			
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<p>3.1eii</p>	<p>Describe the meaning of favourable terms of trade.</p> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>	<table border="1"> <tr> <th colspan="2">Multistructural</th> </tr> <tr> <td>2</td> <td></td> </tr> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table>	Multistructural		2		1		0		NR	
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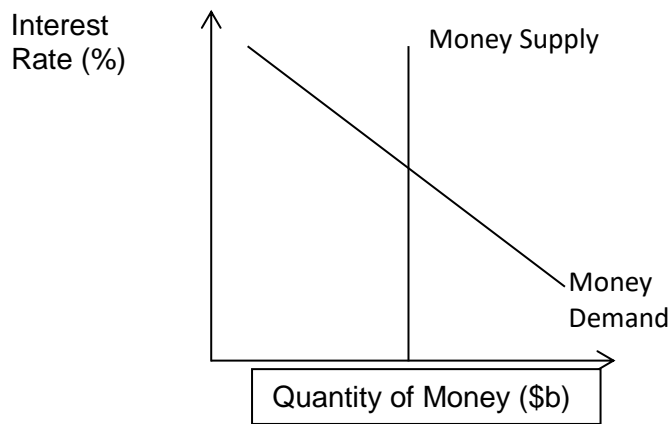
3.2: Demonstrate Understanding of the Money Supply and the Money Market.

Combined Registered Banks Balance Sheet			
ASSETS	\$m	LIABILITIES	\$m
Reserves	20	Demand Deposits	350
Loans (or advances)	380	Term Deposits	50
	\$400		\$400

Assessor's use only

3.2a	Identify the component of narrow money supply as shown in the balance sheet above. <hr style="border: 0; border-top: 1px solid black; margin-bottom: 10px;"/>	<table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr style="background-color: #cccccc;"> <th colspan="2">Unistructural</th> </tr> </thead> <tbody> <tr><td style="width: 30px;">1</td><td style="width: 30px;"></td></tr> <tr><td>0</td><td></td></tr> <tr><td>NR</td><td></td></tr> </tbody> </table>	Unistructural		1		0		NR					
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3.2b	Explain how the credit multiplier works to increase money supply. <hr style="border: 0; border-top: 1px solid black; margin-bottom: 5px;"/> <hr style="border: 0; border-top: 1px solid black; margin-bottom: 5px;"/> <hr style="border: 0; border-top: 1px solid black; margin-bottom: 5px;"/> <hr style="border: 0; border-top: 1px solid black; margin-bottom: 5px;"/> <hr style="border: 0; border-top: 1px solid black; margin-bottom: 5px;"/> <hr style="border: 0; border-top: 1px solid black; margin-bottom: 5px;"/> <hr style="border: 0; border-top: 1px solid black; margin-bottom: 5px;"/> <hr style="border: 0; border-top: 1px solid black; margin-bottom: 5px;"/> <hr style="border: 0; border-top: 1px solid black; margin-bottom: 5px;"/> <hr style="border: 0; border-top: 1px solid black; margin-bottom: 5px;"/> <hr style="border: 0; border-top: 1px solid black; margin-bottom: 5px;"/> <hr style="border: 0; border-top: 1px solid black; margin-bottom: 5px;"/> <hr style="border: 0; border-top: 1px solid black; margin-bottom: 5px;"/> <hr style="border: 0; border-top: 1px solid black; margin-bottom: 5px;"/>	<table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr style="background-color: #cccccc;"> <th colspan="2">Relational</th> </tr> </thead> <tbody> <tr><td style="width: 30px;">3</td><td style="width: 30px;"></td></tr> <tr><td>2</td><td></td></tr> <tr><td>1</td><td></td></tr> <tr><td>0</td><td></td></tr> <tr><td>NR</td><td></td></tr> </tbody> </table>	Relational		3		2		1		0		NR	
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3.2c	Define monetary policy . <hr style="border: 0; border-top: 1px solid black; margin-bottom: 10px;"/> <hr style="border: 0; border-top: 1px solid black; margin-bottom: 10px;"/> <hr style="border: 0; border-top: 1px solid black; margin-bottom: 10px;"/> <hr style="border: 0; border-top: 1px solid black; margin-bottom: 10px;"/> <hr style="border: 0; border-top: 1px solid black; margin-bottom: 10px;"/>	<table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr style="background-color: #cccccc;"> <th colspan="2">Unistructural</th> </tr> </thead> <tbody> <tr><td style="width: 30px;">1</td><td style="width: 30px;"></td></tr> <tr><td>0</td><td></td></tr> <tr><td>NR</td><td></td></tr> </tbody> </table>	Unistructural		1		0		NR					
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Graph 8. Money Market



3.2d Describe Supply and Demand analysis in relation to the money market.

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3.2e Describe the effects of an increase in real interest rate on consumption.

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