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NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

QUALIFY FOR THE FUTURE WORLD
KIA NOHO TAKATŪ KI TŌ ĀMUA AO!

Scholarship 2017 Economics

9.30 a.m. Tuesday 21 November 2017

Time allowed: Three hours

Total marks: 24

Check that the National Student Number (NSN) on your admission slip is the same as the number at the top of this page.

Pull out Resource Booklet 93402R from the centre of this booklet.

You must answer ALL questions in this booklet.

If you need more room for any answer, use the extra space provided at the back of this booklet.

Check that this booklet has pages 2–28 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.

Question	Mark
ONE	
TWO	
THREE	
TOTAL	/24

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QUESTION ONE: Allocative efficiency in the rental accommodation market

Use information from **Resources A to D**, and your knowledge of micro-economic theory, to answer this question.

In some areas of New Zealand such as Christchurch and Queenstown, the cost of rental accommodation has changed significantly in recent years. In areas where rents are particularly high, some people have argued for rent controls to be put in place.

Discuss and analyse the differing changes in the rental accommodation markets in Christchurch and Queenstown, the impact of these changes on allocative efficiency in each market, and the likely impact of rent controls on allocative efficiency. Use appropriate economic models to support your answer.

In your answer:

- use the market model to analyse the different changes occurring in each market
- explain how these changes would be likely to affect consumer surplus, producer surplus, and allocative efficiency in each market
- evaluate how the introduction of rent controls in each market would affect allocative efficiency.

Use this space for planning your essay. This plan will NOT be marked.

PLANNING

QUESTION TWO: Income inequality and market failure

Use information from **Resources E to J**, and your knowledge of micro-economic theory, to answer this question.

The income and wealth gap between households in New Zealand has increased during the past 35 years.

Analyse the impact of the increase in income and wealth inequality on equity and efficiency in New Zealand, and the case for government intervention as a result of that increase. Evaluate the likely effectiveness of policies to reduce income and wealth inequality in improving equity and/or efficiency. Use appropriate economic models to support your answer.

In your answer:

- illustrate and explain how income and wealth inequality have changed during the past 35 years
- explain the impact of high levels of income and wealth inequality on equity and efficiency in New Zealand and why market failure exists as a result
- evaluate the likely effectiveness of at least TWO suggested key policies to reduce the level of income and wealth inequality in New Zealand
- evaluate whether the concept of an efficiency/equity trade-off applies for the suggested policies.

Use this space for planning your essay. This plan will NOT be marked.

PLANNING

QUESTION THREE: The New Zealand Current Account

Use information from **Resources K to O**, and your knowledge of macro-economic theory, to answer this question.

Each year, the New Zealand Current Account balance fluctuates considerably and is influenced by a range of factors, including the exchange rate. Most economists forecast that the New Zealand exchange rate will fall during the next 18 months.

Analyse the factors that affect the Current Account balance, and evaluate the impact that a depreciation of the New Zealand dollar would have on the Current Account and on the New Zealand economy. Use appropriate economic models to support your answer.

In your answer:

- describe the components of the Current Account and explain the key factors that may affect the Current Account balance
- analyse the factors that could lead to a depreciation of the New Zealand dollar during the next 18 months
- evaluate the impact that a depreciation would have on the Current Account and on the New Zealand economy.

Use this space for planning your essay. This plan will NOT be marked.

PLANNING

Extra space if required.
Write the question number(s) if applicable.

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