

93402R



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

Scholarship 2006 Economics

9.30 am Friday 8 December 2006

RESOURCE BOOKLET

Refer to this booklet to answer the questions for Scholarship Economics 93402.

Check that this booklet has pages 2–7 in the correct order and that none of these pages is blank.

YOU MAY KEEP THIS BOOKLET AT THE END OF THE EXAMINATION.

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RESOURCE A**A bad season for apple growers**

The 2005 season was disastrous for many New Zealand apple growers. World over-supply meant some local growers getting a price less than \$14 per case, while facing post-harvest and shipping cost of \$20 per case...

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... Demand is outstripping supply, but it is a very volume- and price-sensitive market.

(Sources: Adapted from Pipfruit documentary Radio New Zealand, 09/04/06, *New Zealand Herald*, 29/04/06, and <http://www.monbiot.com/archives/2006/03/14/ beholden-to-the-mob/> and <http://www.stuff.co.nz/stuff/0,2106,3633853a13,00.html>

* The New Zealand Apple & Pear Marketing Board introduced the brand "ENZA" for its export pipfruit. The letters don't stand for any words – ENZA was chosen because it is culturally acceptable, has a strong association with New Zealand and is short and snappy – to fit neatly within the apple and pear logo.

** Mergers and takeovers have meant the supermarket industry is dominated by a small number of larger sellers.

RESOURCE B**Auckland's traffic congestion problem**

Auckland's traffic congestion reduces the quality of life throughout the region and affects businesses and residents through delays, unreliable journey times, and the opportunity cost of time spent sitting in traffic jams ...

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... A summary of the supply- and demand-side congestion management strategies is shown below.

Supply-Side

Demand-Side

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(Source: <http://www.transport.govt.nz/business/land/arpes/>, and <http://www.vtpi.org/tdm/tdm35.htm>)

RESOURCE C**Auckland's proposed road pricing schemes**

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(Source: *New Zealand Herald*)

(* Cordon refers to a ring of cameras)

An example:**London congestion pricing**

Since February 2003 the city of London has charged a fee for driving private automobiles in its central area during weekdays as a way to reduce traffic congestion and raise revenues to fund transport improvements. This has significantly reduced traffic congestion, improved bus and taxi service, and generates substantial revenues. Public acceptance has grown and there is now support to expand the program to other parts of London and other cities in the UK. This is the first congestion pricing program in a major European city, and its success suggests that congestion pricing may become more politically acceptable elsewhere.

(Source: www.vtpi.org/london.pdf; Richards, 2006)

RESOURCE D

Globalisation and monetary policy

Globalisation means economic potential is no longer contained by political and geographic boundaries ...

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... Globalisation creates a new economic structure, and upsets all conditions of location, all cost calculations, all production functions, ... and hardly any ways of doing things which have been optimal before remain so afterward."

(Adapted from a speech "Globalisation and Monetary Policy", Richard W. Fisher, president and CEO of the Federal Reserve Bank of Dallas)

Despite the slower growth, inflation and cost pressures remain persistent. Labour market and resource pressures have built up over many years of high growth and will take some time to dissipate. The other key inflation risk over the next two years remains the housing market. We need to see this market continue to slow, so that consumption moderates and helps to reduce inflation pressures.

(Extract from Monetary Policy Statement, RBNZ, March 2006)

Obsession with inflation damaging and distorting

Because of this boom we are experiencing inflationary pressures. We have the highest interest rates in the Western world ...

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... Unsurprisingly, he does not acknowledge the role of the Reserve Bank's monetary policy in underpinning the entire process.

(Extracts from an article by Peter Lyons, *New Zealand Herald*, 25.01.06)

Contributions to GDP growth
(annual per cent change)

The OCR and the effective mortgage rate

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CENTRAL BANK RATES

CPI inflation
(*annual percentage change*)

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Source: Statistics New Zealand, RBNZ estimates

The high exchange rate dampens export earnings

Unemployment rate

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Source: Statistics New Zealand, RBNZ estimates

Source: Statistics New Zealand

Tradables and non-tradables CPI inflation
(*annual per cent change*)

**Annual current account, goods and services
balances**

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Source: Statistics New Zealand

Source: Statistics New Zealand