

93402



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SUPERVISOR'S USE ONLY



NEW ZEALAND QUALIFICATIONS AUTHORITY  
MANA TOHU MĀTAURANGA O AOTEAROA

## Scholarship 2012 Economics

9.30 am Wednesday 28 November 2012

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.

Answer ALL the 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: THE PRICE OF MILK (8 Marks)

Note: in the resources the word 'milk' may refer to raw milk or milk products.

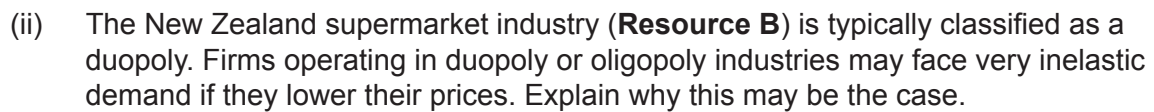
- ## New Zealand market for milk products



## World market for milk products



- ### Cost and revenue curves for a dairy farmer





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- (c) Different market structures exist in the New Zealand dairy industry. These are: the New Zealand dairy farming industry, the New Zealand milk processing industry, and the New Zealand supermarket industry.

Evaluate the extent to which these market structures affect the allocative efficiency of the New Zealand market for milk and milk products, and the impact that this has on New Zealand consumers, suppliers, and supermarkets.

Refer to **Resources A–E**, your analysis in parts (a) and (b), and your knowledge of microeconomic theory, in making this evaluation. Use appropriate diagrams/models in your answer.

Use the space below to plan your essay. This plan will **not** be marked.

### PLANNING

Begin your essay here.

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**QUESTION TWO: THE TRAGEDY OF THE COMMONS (8 Marks)**ASSESSOR'S  
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Refer to **Resources F–L** when answering this question.

Wild fish stocks are exploited by both commercial and recreational fishers.

- (a) (i) Explain why wild fish stocks are classified as a common good rather than a private good or a public good. Use the economics terms from **Resource F** in your answer.

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- (ii) Using the context of New Zealand's wild fisheries, explain how unregulated exploitation of a common good can lead to the "**tragedy of the commons**" described in **Resource G**.

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- (iii) With reference to **Resources I and J**, analyse reasons why the conflict of interest between commercial and recreational fishers **is worsening** in New Zealand's inshore fishery.

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- (c) Evaluate how bringing all forms of inshore fishing under the quota management system, and thereby establishing property rights, can improve its sustainability. In your evaluation, discuss the impact on the equity of various groups fishing in New Zealand's inshore wild fishery (eg commercial, recreational, charter, and local iwi and hapū with customary fishing rights).

Refer to **Resources F–L**, your analysis in parts (a) and (b), and your knowledge of microeconomic theory, in making this evaluation. Use appropriate diagrams / models in your answer.

Use the space below to plan your essay. This plan with **not** be marked.

### PLANNING

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**QUESTION THREE: DEBT AND AUSTERITY (8 Marks)**ASSESSOR'S  
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Refer to **Resources M–Q** when answering this question.

There are increasing concerns world-wide about the high level of debt many economies face.

- (a) (i) Explain the reasons why New Zealand has a significant level of **net external debt**.

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- (ii) Explain the reasons why New Zealand has had an increase in the level of **public debt**.

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- (iii) Determine which of the two types of debt above is more likely to increase in New Zealand, and analyse the reasons for your choice.

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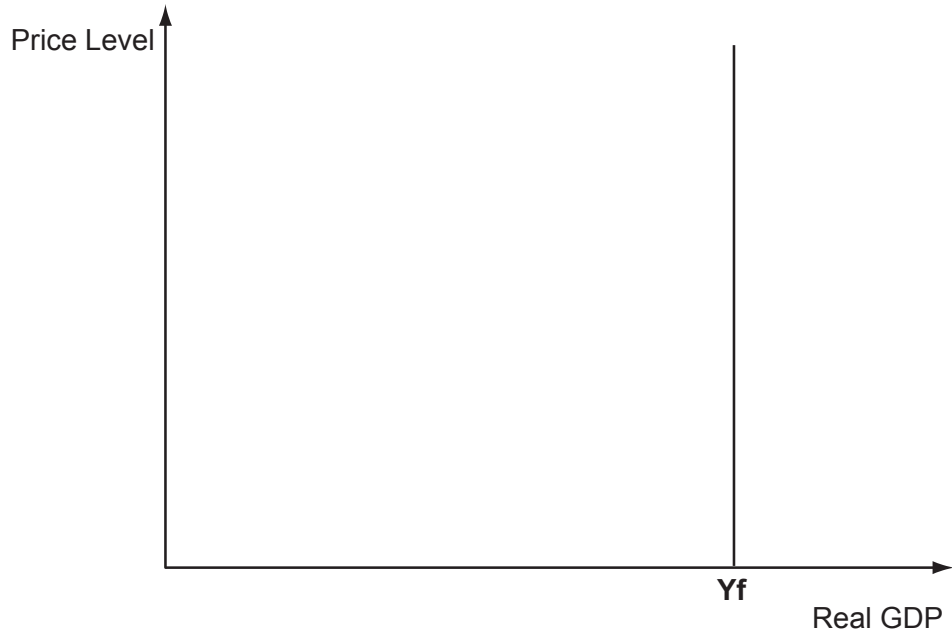
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(b) (i) Analyse the likely impacts of these downgrades on government finances and the current account of the balance of payments.

- (ii) On the graph below, illustrate the New Zealand macroeconomy with a **significant** recessionary gap, and show the impact of government austerity measures used to balance the operating budget. In the space provided below the graph, explain the impact of the austerity measures on the New Zealand macroeconomy.

ASSESSOR'S  
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**New Zealand macroeconomy**



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- (c) Given that the New Zealand macroeconomy has a significant recessionary gap, evaluate the extent to which the New Zealand Government should be concerned about its level of debt when making macroeconomic policy decisions to achieve its macroeconomic goals. Make specific reference to **Resource Q**.

Refer also to **Resources M–P**, your analysis in parts (a) and (b), and your knowledge of macroeconomic theory, in making this evaluation. Use appropriate diagrams/models in your answer.

Use the space below to plan your answer. This plan will **not** be marked.

### PLANNING

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ASSESSOR'S  
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**Extra space if required.**  
**Write the question number(s) if applicable.**

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