S

93402



For Supervisor's use only



## Scholarship 2007 Economics

9.30 am Monday 26 November 2007 Time allowed: Three hours Total marks: 48

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

You should answer ALL the questions in the spaces provided in this Answer Booklet.

Show ALL working.

If you need more space for any answer, use the page(s) provided at the back of this booklet and clearly number the question.

Check that this booklet has pages 2-22 in the correct order.

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

## **QUESTION ONE**

(a)	Dairy	prices have increased, whereas lamb prices have decreased (see Resources A and B).
	(i)	Using supply and demand analysis, illustrate and explain why the world price of milk powder has increased.
		I

use

(b)	The s	size of dairy farms is increasing, leading to economies of scale (see Resource C).
	(i)	Illustrate and explain how dairy farmers can gain economies of scale.

economies of scale			

achieve a	sm in reallocating resources in response to changes in the global market, so as to allocative efficiency. You should use a range of <b>microeconomic models</b> in your see Resource D).	


_

## **QUESTION TWO**

(i)	Calculate the change in the level of real wages for the year to December 2006 and explain why wage earners would be more interested in this figure than in the change nominal wages.
(ii)	Explain why a government imposes a minimum wage.

(iii)	Some people do not support government intervening in the labour market by imposing a minimum wage. Use a supply and demand diagram to analyse the implications of increasing the minimum wage.	Assessor's use only
		_
		_
		_
		_
		_
		_
		_
		_
		_
		_

(b)

(i) Identify and explain the welfare gains and losses that will occur in the market for rental accommodation if a government imposes rent control (ie a ceiling or maximum price on rental accommodation).	econ	ome people, rent controls may seem like a good idea (see Resource F). However, most comists would recommend that governments use other ways to ensure that those on low mes have access to accommodation.	Assessor's use only
	(i)	accommodation if a government imposes rent control (ie a ceiling or maximum price on	

ertical equity. Discuss what economists mean by economic efficiency, and evaluate the nce of the equity efficiency trade-off.

_

Assessor's
use only

	_	_	_	-	_		_				
- 1	r	ΙF	<u>.                                    </u>		7	NI		_	_	_	

(a)	As s	tated in resources I, J, and K, saving can mean different things to different people.						
	(i)	With the aid of a diagram, explain why saving is vital for the New Zealand economy.						
		(Space for diagram)						
		(4)						

	antly increase		. Jarnig.			
Referring household	to Resource I	, outline how	v the saving	performanc	e of the New	/ Zealand
Referring household	to Resource I sector has ir	, outline how	the saving v Zealand's	performanc current acco	e of the New ount balance	/ Zealand e since 1990.
Referring household	to Resource I sector has ir	, outline how	the saving v Zealand's	performanc current acco	e of the New ount balance	/ Zealand e since 1990.
Referring household	to Resource I sector has ir	, outline how	the saving v Zealand's	performanc current acco	e of the New ount balance	v Zealand e since 1990.
Referring household	to Resource I sector has ir	, outline how	the saving v Zealand's	performanc current acco	e of the New ount balance	/ Zealand e since 1990.
Referring household	to Resource I sector has ir	, outline how	the saving v Zealand's	performanc current acco	e of the New bunt balance	/ Zealand e since 1990.
Referring household	to Resource I sector has ir	, outline how	the saving v Zealand's	performanc current acco	e of the New	v Zealand e since 1990.
Referring household	to Resource I sector has ir	, outline how	the saving v Zealand's	performanc current acco	e of the New ount balance	v Zealand e since 1990.
Referring	to Resource I	, outline how	v the saving v Zealand's	performanc current acco	e of the New	v Zealand e since 1990.
Referring household	to Resource I	, outline how	the saving v Zealand's	performanc current acco	e of the New	v Zealand e since 1990.
Referring	to Resource I	, outline how	the saving v Zealand's	performanc current acco	e of the New bunt balance	v Zealand e since 1990.
Referring	to Resource I	, outline how	v the saving v Zealand's	performanc current acco	e of the New	/ Zealand e since 1990.
Referring	to Resource I	, outline how	the saving v Zealand's	performanc current acco	e of the New	v Zealand e since 1990.
Referring	to Resource I	, outline how	the saving v Zealand's	performanc current acco	e of the New	v Zealand e since 1990.

(b)

The	New Zealand economy is experiencing inflationary pressures.	Assessor's use only
(i)	Draw an AD/AS diagram showing the New Zealand economy with an inflationary gap. Identify and explain evidence in the resource material provided that supports the existence of this inflationary pressure.	

(ii)	With the government's fiscal surplus increasing, there have been calls from many sectors for the government to cut taxes.  Use the axes below to illustrate and then explain the impact on the economy if the government cuts direct taxes.	Assessor's use only

Zeala discu:	ss the extent to which current monetary and fiscal policies are in conflict as the New nd government attempts to manage the macro economy. Include in your answer a ssion on the issues of rational savings, national investment, and the country's balance ments position.
Zeala discu:	nd government attempts to manage the macro economy. Include in your answer a
Zeala discu:	nd government attempts to manage the macro economy. Include in your answer a ssion on the issues of rational savings, national investment, and the country's balance
Zeala discu:	nd government attempts to manage the macro economy. Include in your answer a ssion on the issues of rational savings, national investment, and the country's balance
Zeala discu:	nd government attempts to manage the macro economy. Include in your answer a ssion on the issues of rational savings, national investment, and the country's balance
Zeala discu:	nd government attempts to manage the macro economy. Include in your answer a ssion on the issues of rational savings, national investment, and the country's balance
Zeala discu:	nd government attempts to manage the macro economy. Include in your answer a ssion on the issues of rational savings, national investment, and the country's balance
Zeala discu:	nd government attempts to manage the macro economy. Include in your answer a ssion on the issues of rational savings, national investment, and the country's balance
Zeala discu:	nd government attempts to manage the macro economy. Include in your answer a ssion on the issues of rational savings, national investment, and the country's balance
Zeala discu:	nd government attempts to manage the macro economy. Include in your answer a ssion on the issues of rational savings, national investment, and the country's balance
Zeala discu:	nd government attempts to manage the macro economy. Include in your answer a ssion on the issues of rational savings, national investment, and the country's balance
Zeala discu:	nd government attempts to manage the macro economy. Include in your answer a ssion on the issues of rational savings, national investment, and the country's balance

-


For Assessor's Use Only				
Question Number	n Number Marks			
	(a) and (b)			
One	(8)			
Offic	(c)			
	(8)			
	(a) and (b)			
Two	(8) (c)			
	(8) (a) and (b)			
	(a) and (b)			
Three	(8)			
	(c)			
	(8)			
TOTAL	-			
	(48)			

For Assessor's Use Only.

Keep Flap Folded In.