

93402R



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

Scholarship 2011 Economics

9.30 am Wednesday 30 November 2011

RESOURCE BOOKLET

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

Check that this booklet has pages 2–14 in the correct order and that none of these pages is blank.

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

Resources A to H are to be used for Question One.

RESOURCE A

Why the price of food is rising in 2011

Firstly, there are the extreme climatic events like the heat wave in Russia ...

... and we see it translate into riots, political instability and potentially falling governments around the world.

Source (adapted): Lester Brown, a leading US environmentalist, head of the Earth Institute, in conversation with Leslie Curwen on *Business Daily*, BBC World Service, 31 January 2011 – a podcast.

RESOURCE B

Soaring food prices

You might ask why a production shortfall of 5% leads

... that is, it would take a 25% rise in price to induce a 1% fall in consumption.

Source (adapted): <http://krugman.blogs.nytimes.com/2011/02/05/soaring-food-prices/>

RESOURCE C

Climate change and disease will spark new food crisis, says UN

The Food and Agriculture Organisation (FAO), an agency of the ...

... non-food crops, adverse weather effects, disease, and speculative activities which bring a great deal of volatility.

Source (adapted): *The Independent*, 18 November 2010, www.independent.co.uk/news/business/news/climate-change-and-disease-will-spark-new-food-crisis-says-un-2137020.html

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RESOURCE D**UN sees risk of 'widespread' hoarding, wheat gains**

Global wheat harvests may trail demand for a second year, spurring hoarding and further price gains, said the United Nations ...

... Without a sufficient increase in plantings and normal weather, output may lag behind demand in 2011–2012.

Source (adapted): *Bloomberg*, 10 February 2011, www.businessweek.com/news/2011-02-10/un-sees-risk-of-widespread-hoarding-wheat-gains.html

RESOURCE E**Sowing the seeds of a food price crisis**

It is impossible to get away from the food story in 2011 ...

... which could make the financial crisis of 2008 look orderly and benign.

Source (adapted): *New Zealand Herald*, 5 February, 2011, www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=10704189

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RESOURCE F**Agricultural staple's price tipped to surge**

US farmers are planting fewer hectares with rice just as global demand ...

... at the economics of it. Now, the economics on rice is very dim."

Source (adapted): *New Zealand Herald* 1 February, 2011, www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=10703245

RESOURCE G**Effects of high food prices**

There are winners and losers on the back of high food prices ...

... products, and the lost revenue will either need to be recovered through other taxes, further borrowing, or lead to a reduction in Government spending.

Source (adapted): *NZIER Insight 23 – Food prices*, January 2011, <http://nzier.org.nz/publications/high-food-prices-will-harm-the-new-zealand-economy-nzier-insight-23>

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RESOURCE H**Tackling diminishing returns in food production**

The world's population is set to go on rising – at least to 2050 ...

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... these pressures would present substantial challenges to food security; together they constitute a major threat that requires a strategic reappraisal of how the world is fed.

Source: John Sloman, <http://pearsonblog.campaignserver.co.uk/?p=1096>

Resources I to P are to be used for Question Two.

RESOURCE I

A new study suggests alcohol is more harmful than other drugs

Most people would agree that some drugs are worse than others: heroin ...

... and methamphetamine (crystal meth) for harm to the individual.

Source (adapted): www.economist.com/blogs/dailychart/2010/11/drugs_cause_most_harm

RESOURCE J

Passive smoking

Passive smoking means breathing tobacco smoke produced ...

... in New Zealand passive smoking leads to at least 20 deaths and 1000 admissions to hospitals.

Source (adapted): www.ash.org.nz/site_resources/library/Secondhand_smoke/Passive_smoking_in_New_Zealand_health_risks_and_control_measures.pdf

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RESOURCE K**Dramatic slump in cigarette sales**

Demand for tobacco has fallen 15% at supermarkets since the tax rise in April 2010 – a far greater reduction than expected ...

... of calls it received from people wanting to quit smoking rose to twice the normal rate for the eight weeks after the April tax increase.

Source (adapted) *New Zealand Herald*, 30 August 2010.

RESOURCE L**Teenage drinking shocks students from overseas**

Foreign students coming to New Zealand say they are shocked ...

... this is the way things are" in New Zealand.

Source (adapted): *New Zealand Herald*, Thursday, 14 October 2010.

RESOURCE M

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Potentially hazardous drinking

Source (adapted): www.socialreport.msd.govt.nz/health/potentially-hazardous-drinking.html

RESOURCE N**Booze cheaper than water in New Zealand: study**

Alcohol has become cheaper than bottled water in New Zealand, ...

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... argued the government should adopt the same policies that helped curb tobacco consumption.

Source (adapted): www.physorg.com/news/2010-10-booze-cheaper-zealand.html (accessed 15 October 2010).

RESOURCE O**Alcohol in our lives: Curbing the harm**

While there had been many benefits associated with the liberalisation ...

... because research shows low-cost alcohol is favoured by young and heavy drinkers.

Source (adapted): www.lawcom.govt.nz/sites/default/files/press-releases/2010/04/Publication_154_465_Press%20Release%20Alcohol%20in%20our%20Lives%20R114.pdf

RESOURCE P**Government intervention in the market for alcohol**

The government in New Zealand uses a number of strategies to address alcohol-related issues including the following: ...

- excise duties on alcohol.

Source (adapted): www.alac.org.nz

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Resources Q to Y are to be used for Question Three.

RESOURCE Q

Commodity prices rise

The ANZ Commodity Price Index surged another 3.8% over the ...

... venison prices rose 3% and timber prices increased 2%. Price increases of up to 1% were recorded for wood pulp, sheepmeat and seafood.

Source (adapted): www.anz.co.nz/commercial-institutional/economic-markets-research/commodity-price-index/

RESOURCE R

Crude oil price forecast 2010–2012 (per barrel)

2010	2011	2012

Source (adapted): www.investingin.org/buysell/oil-price-forecast-chart-2009-2010-2011-2012-long-term/

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RESOURCE S**Economy struggling to regain balance**

Getting the economy on the level is becoming a tougher task. But the interest rates ...

... will assist manufacturers exporting across the Tasman, but the Aussie dollar has strengthened even more against other currencies, including the US dollar.

Source (adapted): *New Zealand Herald*, 7 October 2010.

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RESOURCE T**Neutral policy stance for Official Cash Rate (OCR)**

The Reserve Bank of New Zealand has indicated in

where monetary policy is neither contractionary nor expansionary.

Source (adapted): <http://econfix.wordpress.com/2010/09/18/ocr-stays-at-3-but-beware-of-the-pipeline-effect/>, 18 September 2010.

RESOURCE U**OCR update**

The pace of economic growth appears to have moderated. Corporate investment

and underlying inflationary pressures show more obvious signs of increasing.

Source (adapted): www.rbnz.govt.nz/news/2010/4257850.html, 9 December 2010.

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RESOURCE V

Reserve Bank of New Zealand – Monetary Policy Transmission Mechanism

Source (adapted): www.rbnz.govt.nz/speeches/2361827.html

RESOURCE W

New Zealand economic forecasts

Calendar Years – annual average % change	2011	2012	2013
Real GDP	0.8	1.9	4.2
TWI	67.8	65.2	65.6

Source (adapted): *Westpac Economic Overview*, Jan 2011; *Monthly Economic Indicators*, Treasury, Feb 2011, www.nbnz.co.nz/economics/forecasts/summary.aspx

RESOURCE X**Cost of quake double-whammy**

The Treasury says it will take more than four years to make good the physical ...

... against the Australian dollar will make life easier for manufacturers exporting across the Tasman.

Source (adapted): *New Zealand Herald*, 7 March 2011.

RESOURCE Y**The impact of the Christchurch earthquakes**

In the near term, the latest earthquake is clearly having a negative impact on activity. It is ...

... for monetary policy to be stimulatory during reconstruction.

Source (adapted): RBNZ Monetary Policy Statement, 10 March 2011.

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