

93402



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NEW ZEALAND QUALIFICATIONS AUTHORITY  
MANA TOHU MĀTAURANGA O AOTEAROA

## Scholarship 2011 Economics

9.30 am Wednesday 30 November 2011

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 2–26 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.**

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- (a) (ii) Use economic theory to identify and briefly explain how the increases predicted in world food prices will affect each of the following in different ways: New Zealand consumers, farmers, and food processors.

New Zealand consumers: \_\_\_\_\_

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New Zealand farmers: \_\_\_\_\_

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New Zealand food processors: \_\_\_\_\_

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- (b) (i) On the axes provided draw a production possibilities curve (PPC) to show the re-allocation of resources in world agriculture production that is likely to occur as a result of the predicted increase in the world food price. In the space below explain the changes you have made **and** how this is allocatively efficient.

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**PPC of World Agriculture**



- (ii) With reference to Resource H, briefly discuss the relevance of the law of diminishing returns in determining the reasons for the food price crisis.

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- (c) Economists distinguish between the short and long run; they also recognise the importance of price signals and that sometimes there is a need for government intervention to achieve allocatively efficient outcomes.

Discuss whether the free market or government intervention is likely to be more successful in achieving allocative efficiency in the world food market.

You should refer to **Resources A to H**, as well as your analysis in parts (a) and (b), and your knowledge of micro-economic theory, in making this evaluation. Use appropriate diagrams/models in your answer.

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

### PLANNING

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Refer to **Resources I to P** when answering this question.

- ## Market for Tobacco

- (b) Referring to **Resource K**, comment on how the price elasticity of demand for tobacco has changed in recent years, and suggest reasons for this.

- (c) Government intervention in the market for tobacco has been far more effective than in the market for alcohol.

Evaluate the reasons for the differences in the effectiveness of government policies designed to reduce tobacco consumption and those used to reduce the social costs of alcohol consumption. Based on your evaluation, make recommendations as to the most effective range of policy measures that would achieve a more socially desirable outcome in the market for alcohol.

You should refer to **Resources I to P**, as well as your analysis in parts (a) and (b) and your knowledge of micro-economic theory, in making this evaluation. Use appropriate diagrams/models in your answer.

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

### PLANNING

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**QUESTION THREE: THE MONETARY POLICY DILEMMA (8 marks)**ASSESSOR'S  
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Refer to **Resources Q to Y** when answering this question.

- (a) (i) Using the resources and data provided, explain what part of the business cycle New Zealand is operating in during 2011.

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- (ii) On the axes below, add an AD and AS curve to reflect the position of the New Zealand economy you have explained in (i). Explain how your graph reflects the economy's position in 2011.

**The New Zealand Economy**




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- (iii) On the graph in part (ii), show the effect of rising commodity prices and rising oil prices. Explain the changes that you have shown.

- (b) With reference to **Resource V**:

- (i) Briefly outline how an increase in the Official Cash Rate impacts consumer expenditure, investment, and net exports.

Consumer expenditure: \_\_\_\_\_

Investment spending: \_\_\_\_\_

Net exports: \_\_\_\_\_



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- (c) There are conflicting inflationary and disinflationary factors that will impact the New Zealand economy in 2012. Based on the resources and forecast data provided, evaluate the extent to which the Reserve Bank should move more toward a neutral monetary policy setting over the next twelve months.

You should refer to **Resources Q to Y**, as well as your analysis in parts (a) and (b) and your knowledge of macro-economic theory, in making this evaluation. Use appropriate diagrams and models in your answer.

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

### PLANNING

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

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[Question]	Mark
<b>ONE</b>	(8)
<b>TWO</b>	(8)
<b>THREE</b>	(8)
<b>TOTAL</b>	(24)

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**Keep flap folded in.**