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MANA TOHU MĀTAURANGA O AOTEAROA

QUALIFY FOR THE FUTURE WORLD
KIA NOHO TAKATŪ KI TŌ ĀMUA AO!

Scholarship 2018
Economics

2.00 p.m. Monday 19 November 2018
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.

You should answer ALL the questions in this booklet.

Pull out Resource Booklet 93402R from the centre of 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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INSTRUCTIONS: Write an essay in response to each of the three questions in this paper.
Question Two is on page 10, and Question Three is on page 18.

QUESTION ONE: TOURIST ACCOMMODATION IN THE INTERNET ERA

Refer to **Resources A to D** and your knowledge of microeconomic theory to answer this question.

Over the past 10 years there have been significant changes in the tourist accommodation market, in terms of how people learn about travel options, how they book their trips, and where they choose to stay.

Evaluate the impact of the internet and social media on allocative efficiency in the tourist accommodation market. Use appropriate economic models to support your answer.

In your answer:

- analyse the impact of the internet and social media on supply and demand
- analyse the impact of the internet and social media on price elasticity of supply and demand
- discuss the impact of the changes within the market on the level and nature of supply, and the type of market structure
- evaluate the overall impact of these changes on allocative efficiency.

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

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QUESTION TWO: SINGLE-USE PLASTIC BAGS

Refer to **Resources E to K** and your knowledge of microeconomic theory to answer this question.

Various groups in New Zealand have called for action to reduce consumption of single-use plastic bags, reflecting concerns about the environmental impact these cause. Others argue that consumer choice is more important.

Evaluate the issue of market failure associated with the consumption of single-use plastic bags (SUPBs). Use appropriate economic models to support your answer.

In your answer:

- explain and illustrate the externalities associated with the consumption of SUPBs, and why market failure might occur
- evaluate the case for government intervention, including the importance of consumer sovereignty
- explain and analyse three options for government intervention, and evaluate which option is most likely to achieve allocative efficiency.

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

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QUESTION THREE: MONETARY POLICY AND THE RESERVE BANK ACT

Refer to **Resources L to O** and your knowledge of macroeconomic theory to answer this question.

> In March 2018, the Finance Minister and new governor of the Reserve Bank of New Zealand signed a new Policy Targets Agreement (PTA) that added the goal of "supporting maximum levels of sustainable employment within the economy" to the existing goal of price stability.

Analyse how monetary policy is currently used to achieve price stability, and evaluate the impact on the New Zealand economy of a change requiring maximising employment to be considered **alongside** price stability in monetary policy decisions. Use appropriate economic models to support your answer.

In your answer:

- explain the Policy Targets Agreement, and how monetary policy is currently used to influence the rate of inflation to achieve price stability
- analyse how monetary policy could be used to influence the level of employment in New Zealand
- evaluate the impact the change to monetary policy could have on the New Zealand economy, and on the effectiveness of monetary policy.

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

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