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Draw a cross through the box (X) if you have NOT written in this booklet

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OUTSTANDING SCHOLARSHIP EXEMPLAR



Mana Tohu Mātauranga o Aotearoa
New Zealand Qualifications Authority

Scholarship 2024 Economics

Time allowed: Three hours
Total score: 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.

Do not write in the margins (XXXX). This area will be cut off when the booklet is marked.

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

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. There is planning space for each question. The plan will NOT be marked.

QUESTION ONE: Allocative efficiency in the New Zealand market for eggs

Use information from **Resources A to F** to answer this question.

From the beginning of 2023, battery cages for farming eggs were banned, resulting in significant changes in the New Zealand market for eggs. These changes, along with ongoing increases in demand, were impacted by the inability of the egg industry to respond.

Analyse the impact of the Government's policy of banning battery cages on allocative efficiency in the New Zealand market for eggs. Using elasticity of supply theory, evaluate the impact of increasing demand in the market for eggs on consumers, producers, and allocative efficiency in the short and long term.

In your answer, use appropriate economic models throughout to:

- ✓ explain the key features of the four different market structures. Identify and justify the market structure that exists in the New Zealand egg farming industry
- ✓ illustrate and analyse, using the supply and demand model, the impact of banning caged egg farming on the egg market and allocative efficiency at the beginning of 2023
- ✓ explain price elasticity of supply and evaluate the factors influencing price elasticity of supply in the short run and long run in the egg market
- evaluate how ongoing increases in the demand for eggs will impact the market price for eggs, consumer and producer surplus, and allocative efficiency in the short run and long run.

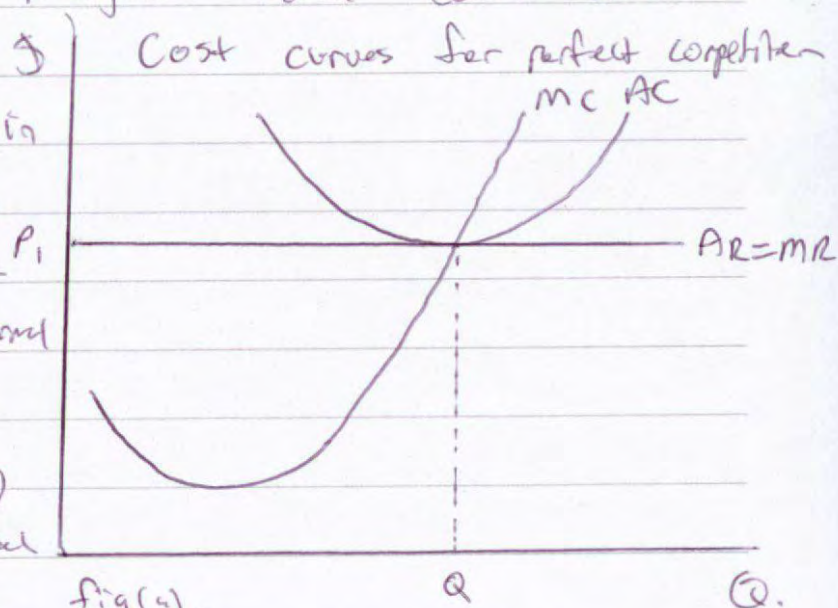
PLANNING

Perfect Comp	→ May comp no barriers to entry Price taker un differentiated	Monop	1 comp high barriers to entry price maker no substitutes
oligopoly	few comp high barriers interdependent little diff	monopol comp	my comp 100 barriers small control differentiation

The four different market structures are perfect competition, monopolistic competition, Oligopoly and monopoly (A). Each has these has several defining and differentiating features.

Perfect competition is the market structure that exists when there are many ~~competitor~~ firms selling undifferentiated products. ~~There~~ There are ~~no~~ barriers to entry or exit, so firms are able to enter and exit at will in the long run. Because there are many firms, each firm has negligible market share, and hence they must take the price that is set by the free market. This results in the horizontal average and marginal revenue curves seen in fig(a).

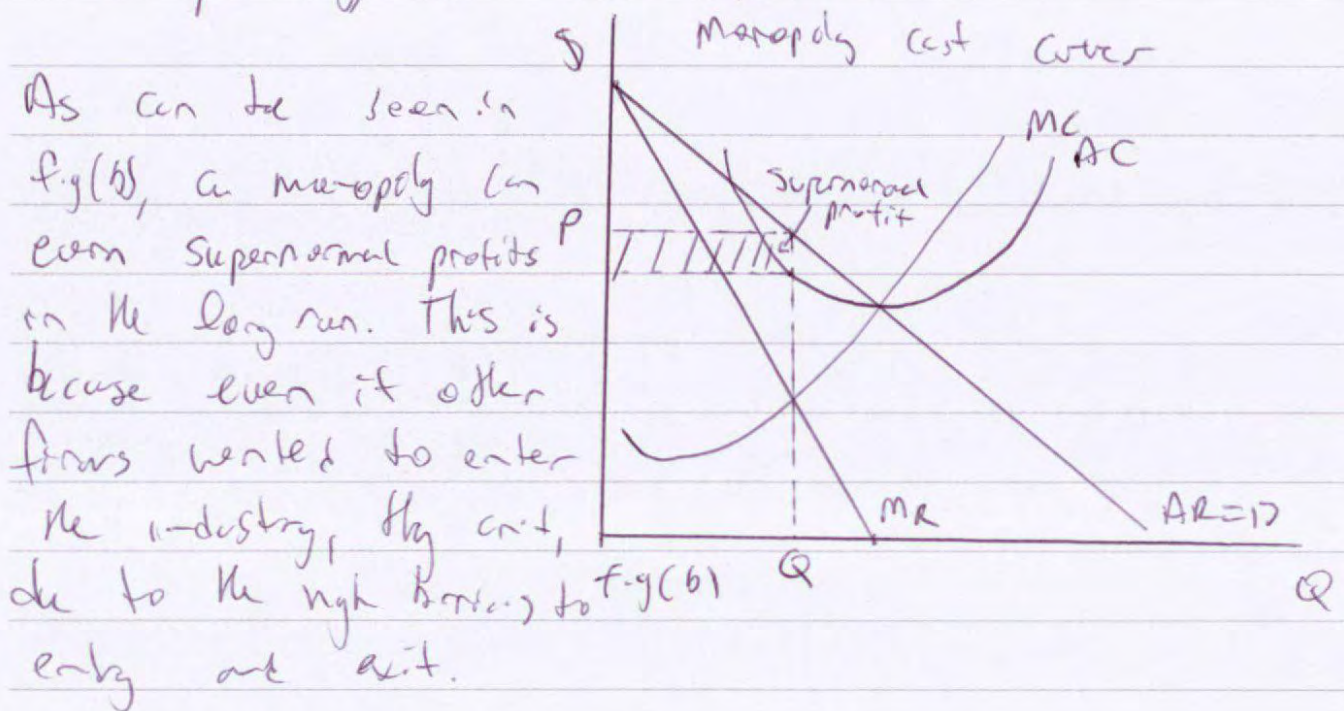
As shown in fig(a), in the long run a perfectly competitive firm will produce Q_1 where $AC = AR$, making normal profits. This is because the low barriers to entry means that any supernormal profit will result in an influx of firms into the market, thus reducing the price level, and hence the profits. The opposite is true when the firms are making subnormal profits, so the perfectly competitive firm always makes long run normal profits.



The second type of market structure is

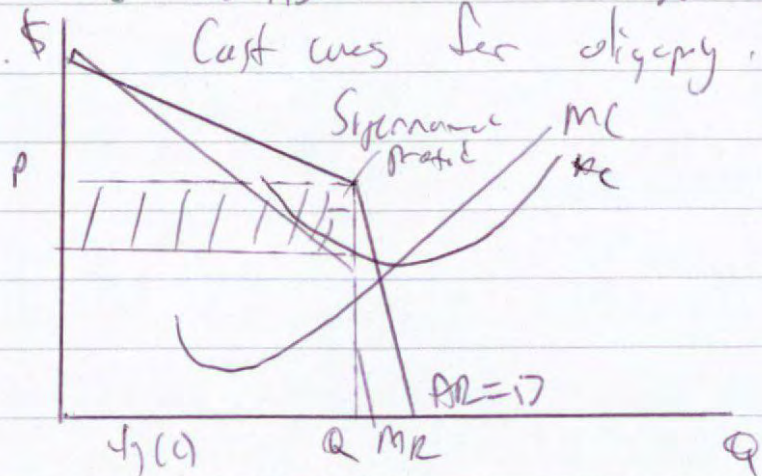
and no close
substitutes

a monopoly. These are characteristics by markets in which there is only 1 firm. This occurs due to high barriers to entry and exit. As the firm is the entire market, its demand curve is the market demand curve, so it is downward sloping. This means that the monopolist can set the price on the quantity, but not both.

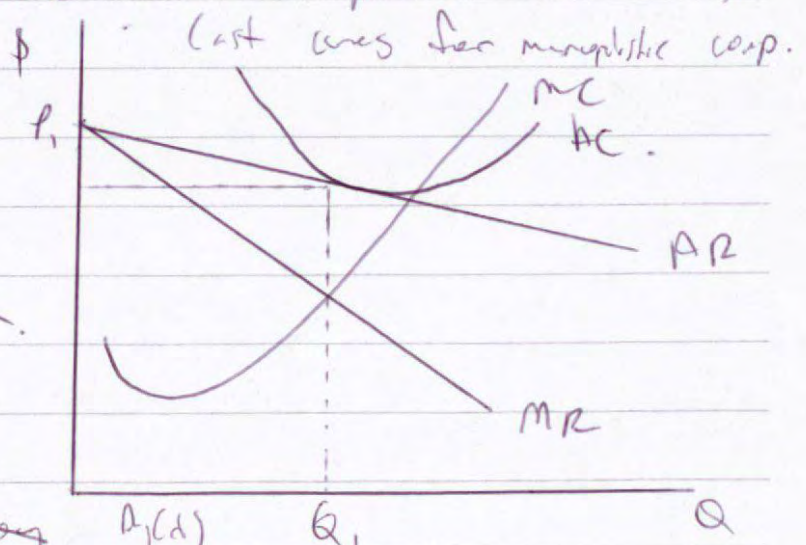


The third market structure is an oligopoly. They are characterised by a few major firms ~~to~~ controlling most of the market share, each selling products with little differentiation. Similarly to the monopoly, they have high barriers to entry and exit, meaning that they can earn long-run Supernormal profit. Their ~~downward~~ demand curve is a kinked demand curve, with high elasticity at high prices, and low elasticity at low prices. As ~~an~~ ~~there~~ this occurs because if an oligopoly raises prices, then the other firms will not follow, causing that firm to lose market share.

Conversely, if they lower prices, the other firms will follow in order to not lose market share, so they don't gain market share. This results in the cost curves seen in fig(c). Cost curves for oligopoly.



The final market structure is the monopolistic competition. This occurs when there are many firms in the market, but they each sell different products. This means that they have some control over prices, and there is a downward-sloping demand curve. There are low barriers to entry, so firms are able to enter and exit the market. Therefore, unlike a monopoly, they will make normal profits in the long run.



The NZ egg farming industry is an example of monopolistic competition.

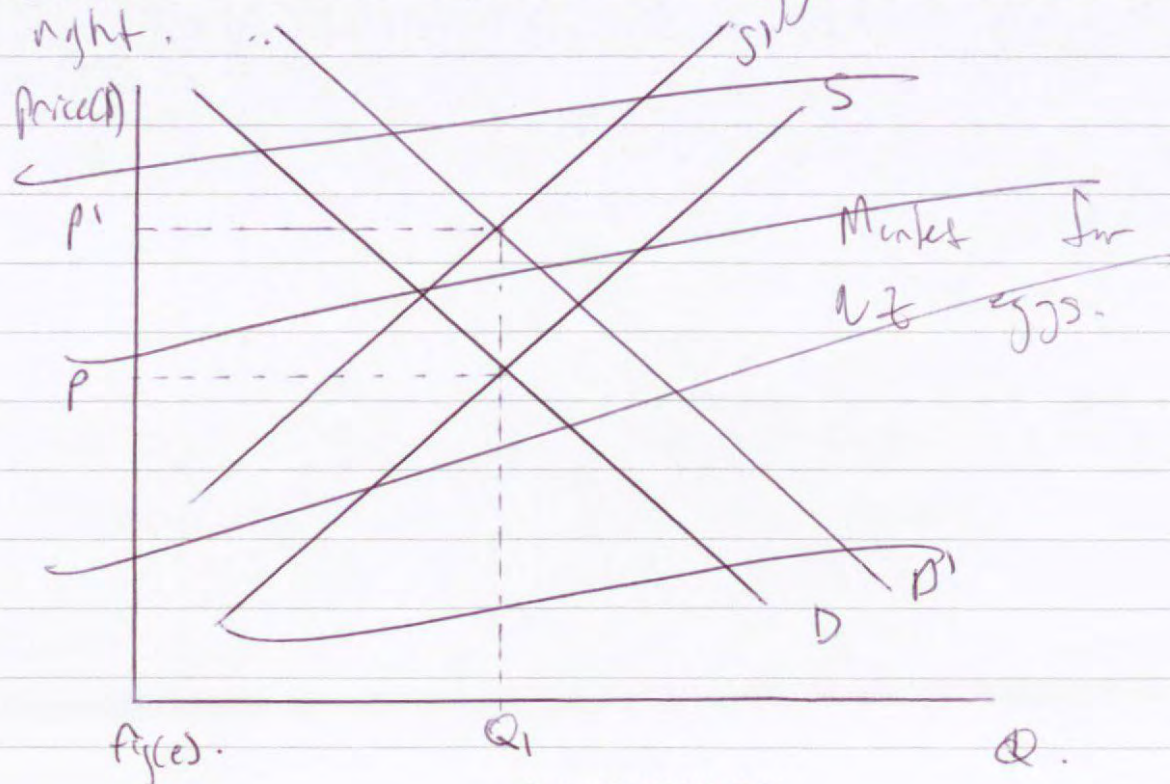
From (c), we can see that NZ has

130 egg farmers, showing

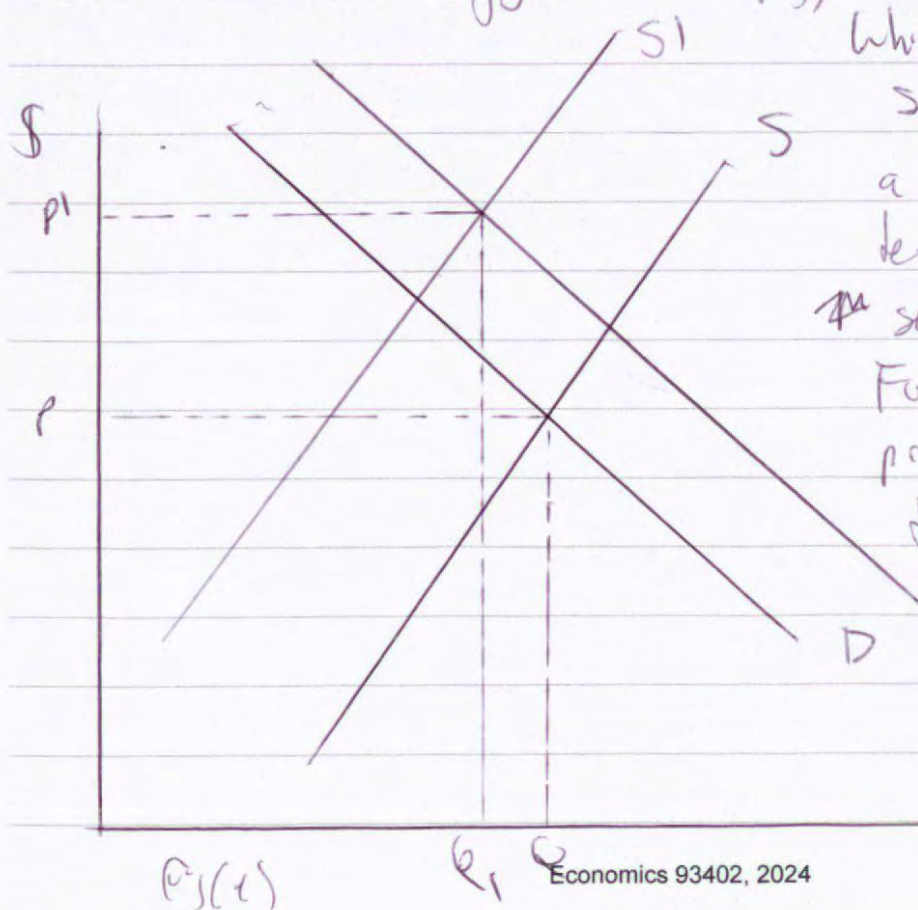
This demonstrates that there are many firms in the market, so it cannot be a monopoly or an oligopoly. Furthermore, the egg share in 1951 was

each have different poultry/advertising. This means that there is some amount of product differentiation, and here it cannot be perfect competition. There would also be some barriers to entry, though the cost seems to have significant amount of loss or chicken to start, thus confirming that it is indeed monopolistic competition and not perfect competition.

At the start of 2023, hatched farm eggs were banned in NZ (E). Banning farm eggs allows for a greater concentration of chickens, and thus greater egg production for the same input. Therefore, this results in an increased cost of production, shifting supply right, leading to a decrease in supply. Furthermore, demand for eggs has increased due to changing consumer preferences through the retort of health concerns and the inclusion in eight loss programs (N). Therefore, demand for eggs shifts to the right.



In fig(c), Supply has shifted to S_1 , while demand has shifted to D_1 . This results in an increase in price from P to P_1 . At the original price of P , the ~~shifted~~ demand was significantly greater than supply, resulting in the '400,000' egg shortage referred to as reserve E . As a result of this, consumers will bid up prices, causing the price of eggs to increase to P_1 . This means that consumers are consuming ~~the same amount~~ of eggs, but at a higher price. As the shift in supply is relatively larger than the shift in demand, there is an overall decrease in the quantity of eggs consumed, from Q to Q_1 . As consumers are consuming less units than which to gain surplus, and at a lesser difference between the price they are willing to pay, and the price they actually market for N_1 eggs. P_1 , Consumer surplus decreases.

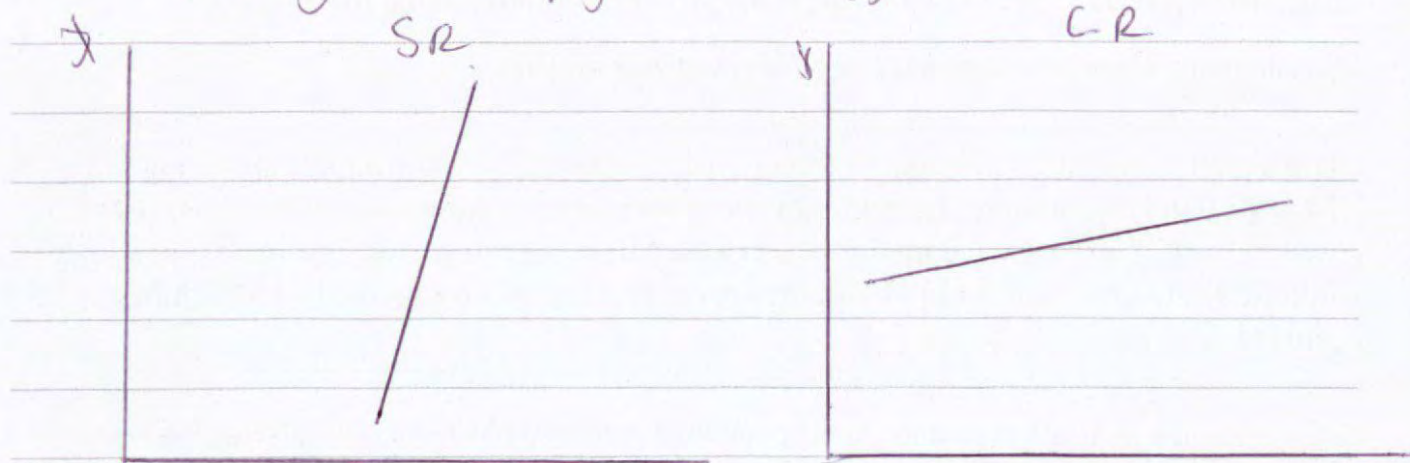


While producers are selling their eggs at a higher price, P_1 , the before, P , they are also selling at less quantity. Furthermore, the lower price they are willing to accept has decreased due to increase costs of production. This means that Producer surplus

will also decrease, so there is an overall decrease in total welfare as a result of the shift in supply and demand. ~~the shift~~

Price elasticity of supply measures how quickly firms are able to respond to changes in price. Firms will want to increase their quantity when prices are high in order to maximize profits, so a high elasticity of supply will mean that the % change in quantity exceeds the % change in price. In the egg market, supply is inelastic in the short run. This is because even if the price of chickens like '18 weeks' (E) in order to commence laying, so this puts a firm level hand on when they are able to have much they are able to increase their short-run quantity supplied. This makes it impossible to 'quickly' adjust production. However, in the long run, all factors of production are variable. This means that egg farmers will be able to expand their production between seasons in response to the change in egg prices. However, there are still some limitations, such as amount of land and chickens, so it is not perfectly elastic. The relative elasticities can be seen in $\epsilon_s(P)$.

Effect of supply for eggs



In the short run, increasing demand will mean that the price will continue to be unchanged as eggs. Due to the relatively inelastic supply, this means that the price of eggs will increase. Hence, an increase in price of eggs means that profits for egg sellers will increase. Furthermore, the lack of the cost pressure from having to switch to free range production will not exist, meaning a cost pressure from suppliers. Therefore, suppliers will be able to increase their egg production with lesser increases in price, while new suppliers will be attracted into the market by higher profits. This means that there will be a large increase in the amount of eggs sold with a relatively small increase in the price. Therefore, consumer surplus will increase, as the greater amount of units bought which is greater surplus outweighs the loss to surplus as a result of higher prices. For producers, by selling at a higher price while also selling more eggs, so producer surplus will increase. Therefore, in the short run.

QUESTION TWO: Cost of living crisis and the consumers price index (CPI)

Use information from **Resources G to L** to answer this question.

During 2022 and 2023, the cost of living crisis was the most important issue facing many New Zealand households. The inflation rate reached 7.2%; however, some categories within the CPI experienced higher price rises than other categories. The impact of a high inflation rate on a household's living standards was therefore affected by its spending pattern.

Explain how the high rate of inflation throughout 2022 and 2023 has negatively affected the cost of living for different types of households in New Zealand. Evaluate the effectiveness and equity of government intervention policies to resolve the cost of living crisis for different households.

In your answer, use appropriate economic models throughout to:

- explain the difference between an increase in the price of a particular market and an increase in the consumers price index
- explain how high inflation has negatively affected households, and explain why the impact on different household types has been uneven
- use the Lorenz curve model to analyse the impact, effectiveness, and equity of the three policies from Resource L on reducing the cost of living crisis for households
- evaluate which policy would be most effective at reducing the cost of living crisis for New Zealand households while improving equity.

PLANNING

Interest
prices

The ~~cons~~ consumer price index ^(CPI) measures the relative prices of a 'basket' of goods. Therefore, an increase in the CPI would indicate inflation in the overall economy. However, this does not mean that the price increase is uniform across every market, as the CPI is an average of separate price increases. Therefore, the price rises in some markets, such as grocery food (H) while it is less in others.

If ~~the price~~ inflation means that each unit of currency can buy less. Therefore, if prices rise faster than incomes, each household can now afford to buy less than before, this results in a decrease in spending power (6). In Dec 2022, the CPI percentage change rate was $\approx 7\%$, while the ~~percentage change~~ labour-cost index only increased to 4% , so this means that the spending power of households is being eroded. For higher income households, this can mean an increase in mortgage repayments, while lower income households will find it harder to afford necessities such as prices (4). The impact on each type of household is different due to the different types of goods that they tend to consume. Low interest rates meant that many middle or high income people buy houses (H). However, interest repayments increased significantly, up 28.8% (H), so this represents a large increase in expenses for

these households. Conversely, low income people ~~do not~~ ^{cannot} afford to purchase property, and are less affected by their price increase. However, they tend to spend a larger proportion of their income on necessities such as groceries, which are up 13.2% (H). Therefore, the unequal distribution of prices increases, as well as differs in how people spend their income means that ~~the~~ groups are ~~being~~ affected by the inflation.

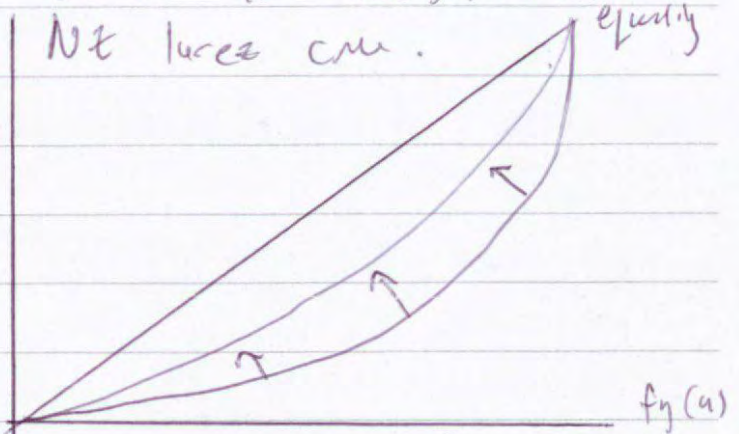
Three policies that could be used to alleviate the cost of living crisis are a cost of living payment, an increase to the minimum wage, or a rise in the tax thresholds. (L)

A cost of living payment would result in the disposable income of low income people increasing by £350. This would therefore mean that ~~they have more~~ their disposable income has not depreciated as much in comparison to the ~~cost of the~~ CPI, and hence reduce the burden that inflation will have on them. We can visualise it's impact using the

Furthermore, lower income people tend to spend more of their psychology than higher income people, so price rises on necessities such as food tend to affect them more than high income people (H).

Lorenz curve model. As the incidence of cost of living falls more on low-income people, the cost of living crisis resulted in the Lorenz curve shifting outward, increasing the GINI coefficient. The cost of living payment is tax & transfer payment, and it is tax-payer funded. As higher income people pay more tax, this means that wealth is redistributed more to low income people.

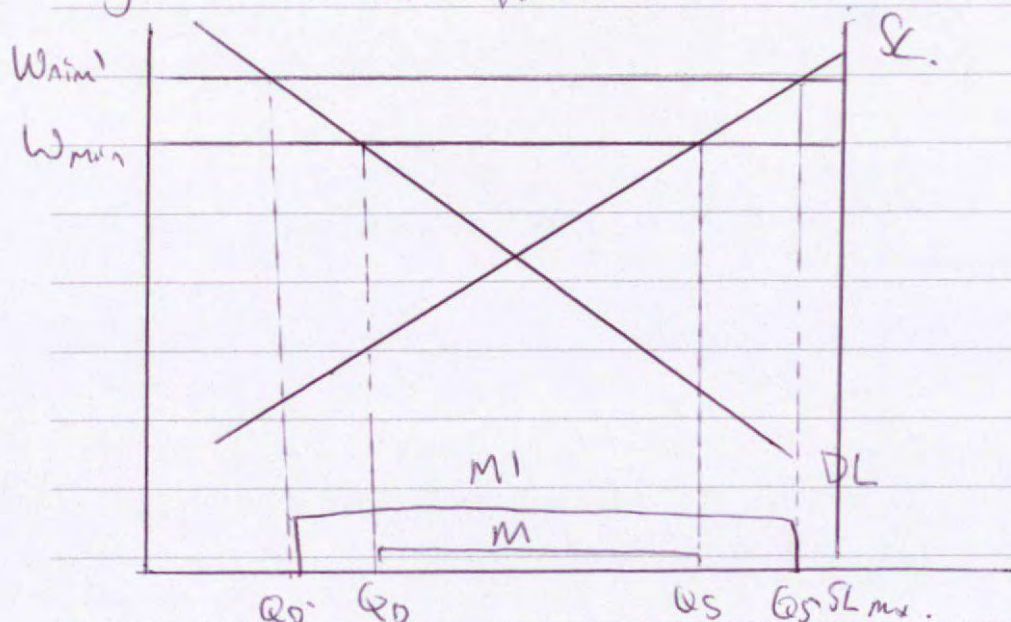
As can be seen in the diagram, the transfer payment results in the Lorenz curve moving inward, as more income is given to low-income people. This % of pop. with the area under the Gini coefficient, and hence by us closer to equality, as the income distribution before the cost of living crisis.



This policy may be effective in helping low income people as it directly increases their disposable income, which has been eroded by inflation. However, for resource (T), 'It's affected a much higher group of people who previously would have been middle earners'. Therefore, the cost of living crisis has also had a significant effect on middle income people. Therefore, it would not be equitably, as an effective policy would need to address the impacts of the cost of living crisis on New Zealanders as a whole, not just a-

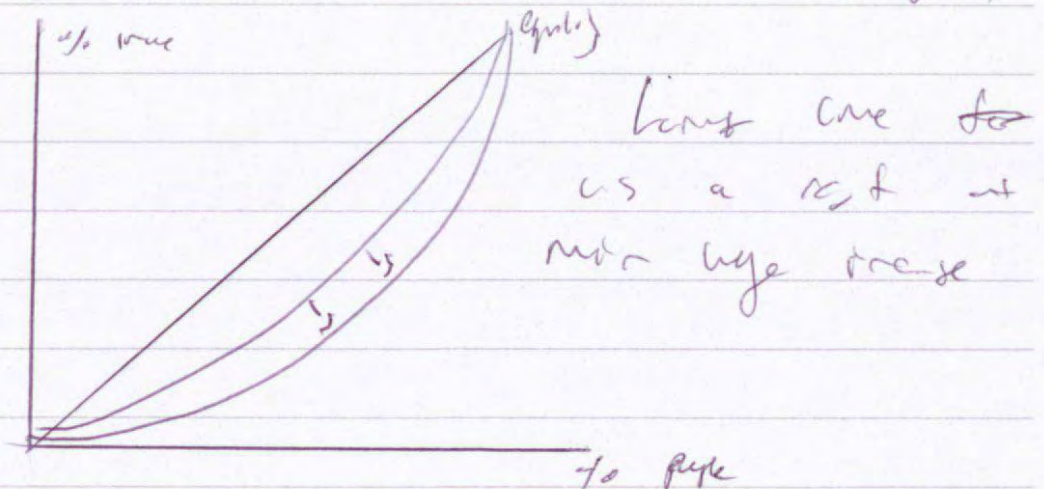
those who make less than £10,000.

The second proposed policy is an increase to the minimum wage. We can visualise its impacts using a labour market model.



The policy increases the cost of hiring new workers for minimum wage jobs from W_{min} to W_{min}' . This means that the number of people who firms want to hire decreases from Q_d to $Q_{d'}$, while the number of people who want to work increases from Q_s to $Q_{s'}$. Therefore, this means that the involuntary employment gap increases from m to m' . Overall, this means that for those who have minimum wage jobs, their wage ~~cost~~ would increase. However, this would decrease the gap between inflation and wage increases. However, this policy would increase costs for firms, thus making them less willing to hire new workers, as shown by the increasing involuntary employment, and also the decrease in labor

employees. ~~As this policy only affects those who~~
 This means that it may not be entirely
 effective at addressing the rise in cost of
 living that has occurred for all people, not just
 those who have jobs. For the same reason, it
 is also inequitable, as it favors those who
 are already employed in low income jobs, but
 not those who either are unemployed, or have a high-
 paying job (L). As the amount of people with low
 paying jobs decreases, this contradicts the reason for
 so the income distribution will not be significantly
 affected by this policy. This means that the
 broader one will continue its trend of shifts
 outward.



The fine policy that has been proposed is an increase in the income tax brackets by the rate of inflation. This would reduce the amount of tax that each earner would pay. Therefore, each household should now have a larger disposable income, and hence this reduces the widening disparity between two incomes and the rate of inflation.

~~A factor that may dampen its effectiveness is~~
 that my ~~per~~ As brackets tend to be
 denser at low income levels, this may have
 lower income people will see a greater relative
 rise in income than high income people. This is
 quite the case lower income people are more affected
 by the rise cost of living. This policy also
 recognizes that ~~my~~ many middle ~~income~~
 people are also affected by the cost of living,
 and they need a rise in disposable income. Due
 to the progressive nature of this policy, it results in
 a transfer shift in the lower end, counterbalancing the
 downward shift caused by the cost of living crisis.
 This is the same shift seen in Fig 1.

Overall, a rise in the minimum wage has
 mixed impacts at best for alleviating the
 cost of living crisis. This is because it reduces
 the amount of jobs, which would worsen
 the crisis. Furthermore, it is inequitable, as it
 favors lower income people who already have jobs,
 who are not the group affected by the
 cost of living crisis. Both a cost of
 living payment and a raise in the income tax
 threshold would result in an increase in
 the average disposable income, as here the gap
 between inflation and income decreases. However, the
 cost of living payment is all or nothing, only
 affecting those with $< 70,000$ in income. (Clearly

a raise the true tax threshold would be progressive, as
 for income the returns at all groups, just in
 so low income people. As the cost of living crisis
 has led to a sharp increase in all echelons of
 life costs, this means that the raising of
 income tax threshold would be the most effective
 or equitable policy.

QUESTION THREE: Increasing net migration at different stages of the business cycle

Use information from **Resources M to S** to answer this question.

New Zealand had a record net migration gain of 110 200 in the year ended August 2023. Experts hold differing views about the inflationary impact of increasing net migration. A Productivity Commission report warns, “The relationship between productivity and immigration requires a balance of trade-offs between government objectives and a consideration of short-run and long-run impacts”.

Analyse the impact on the New Zealand economy of increasing net migration at high and low levels of output. Evaluate the extent to which pursuing a policy of increasing net migration could simultaneously reduce high inflation levels and achieve other government macro-economic goals.

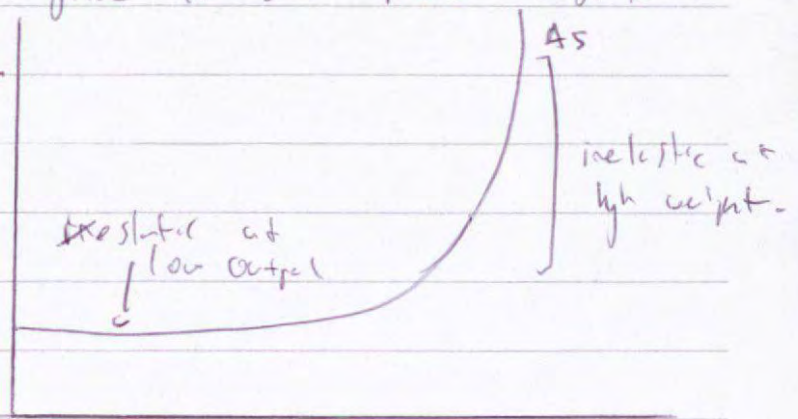
In your answer, use appropriate economic models throughout to:

- explain the shape of the aggregate supply (AS) curve and how a shortage of labour at full employment contributes to a high level of inflation
- discuss the advantages and disadvantages of increasing net migration for the New Zealand economy
- analyse and evaluate, using the AS/AD model, the impact of increasing net migration on the three government macro-economic goals in Resource S, in particular in reducing high inflation, in an economy operating near full capacity compared to one operating at low output levels.

PLANNING

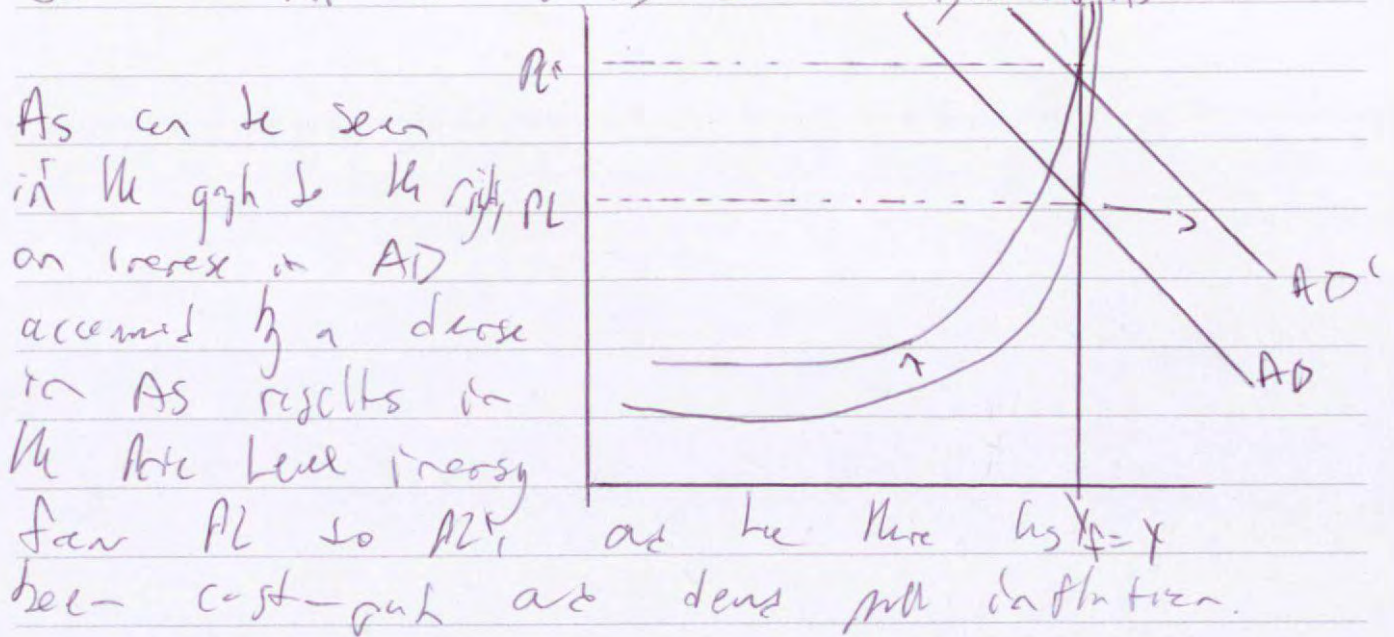
The aggregate supply curve is elastic at low output levels, but inelastic at high levels of output. This is because at low output levels, there are a lot of un or under utilised resources. This means that there is little competition for resources, so the ~~ess~~ marginal cost of production is less, so output can be increased for little increase in cost, and therefore price. Conversely, at high levels of output, the pool of unutilised resources is significantly less. This means that there is much more competition for said resources, so the ^{marginal} cost of production is much higher. If we are operating at or over full employment, then increasing output may mean that firms have to pay overtime wages or the like, which increases the marginal cost. Overall, this means that the cost of each additional unit of production is greater, so the curve is inelastic, or there is a constantly higher price increase. This reflects in the shape in fig (a). A

A shortage of labour means that firms will have to raise wages in order to encourage



voluntarily unemployed people to work, and by output will be so pay overtime to current workers. Overall, this means that the cost of production for firms is higher, so there is a decrease in aggregate supply. Furthermore, an increase in wages means that households now have a greater disposable income.

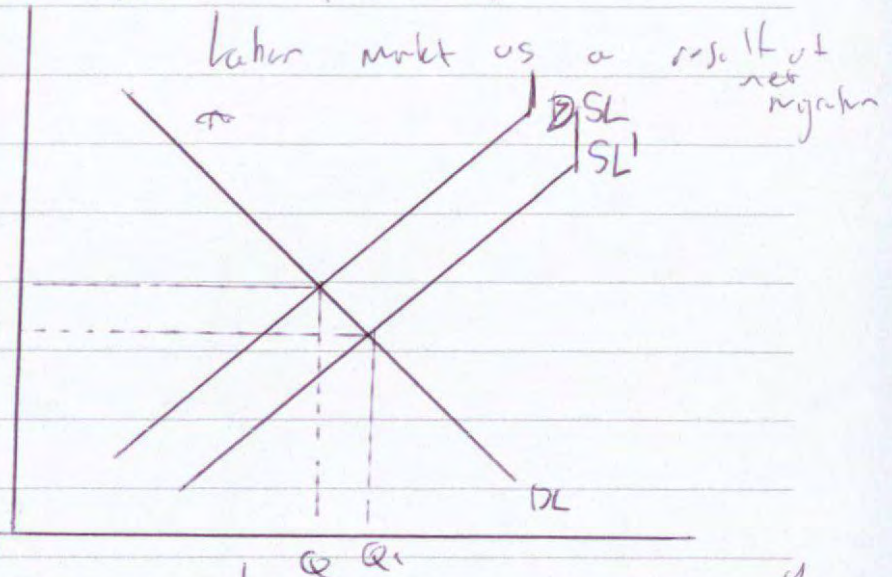
Therefore, this results in an increase in consumer expenditure, which is a component of aggregate demand, so the AD curve shifts to the right as AS .



Net migration has both positive and negative impacts on the New Zealand economy. Over the year ending August 2023, there was net migration of 110,200 people into New Zealand (NZ). This means that New Zealand now has a greater amount of consumers for things such as houses, infrastructure and education (etc). Therefore, consumer expenditure increases, so aggregate demand will shift to the right. Therefore, ~~the~~ ~~will be~~ if the economy is operating at a high level of output, then this ~~not~~ would put high levels of ~~fast~~ demand pull inflation on the New Zealand economy. Conversely, if it were operating at a lower level of output, then it would increase the output of the New Zealand economy without a significant amount of inflation.

The most significant ~~imp~~ positive impact of net migration is on aggregate supply. This is because most migrants are aged between 20 and 60⁺ and have to contribute. This means that the working population, and hence the supply of labour, increases.

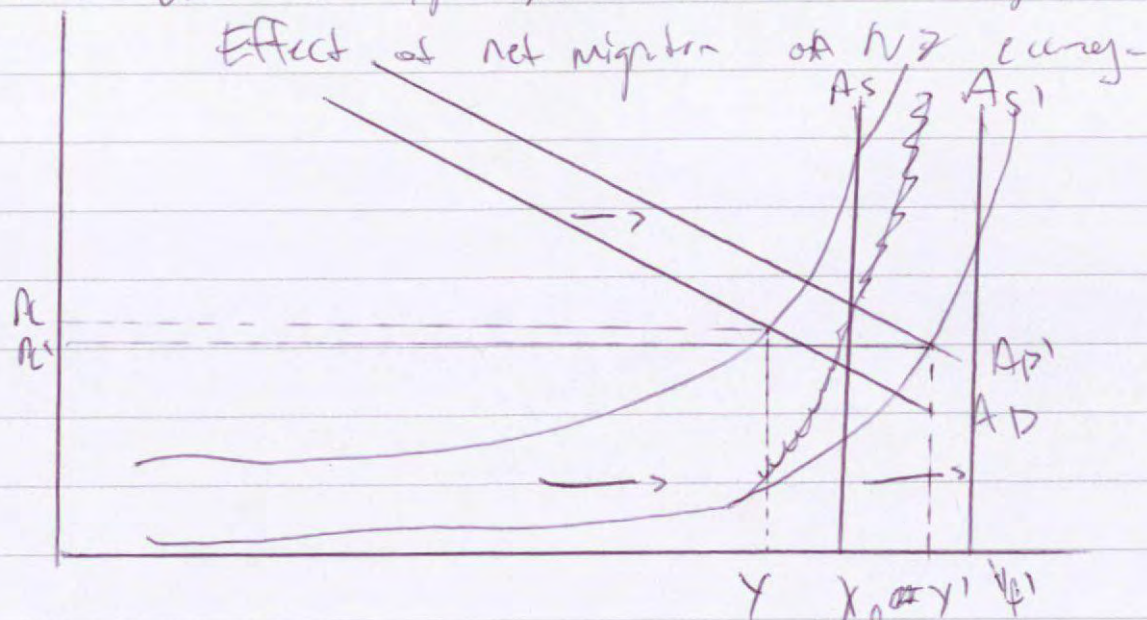
A shift in labour supply to SL' means that the quantity of employed workers rises to Q_1 , while the wage decreases to w_1 . This is beneficial for businesses



as it reduces the cost of hiring new workers. This means that they can increase output, without which they a reduced increase in cost, this reduces the inflationary impacts of increasing output. Another, as cost of production decreases, aggregate supply shifts to the left.

As a result of supply chain disruption, there has been a shortage of labour in New Zealand over recent years, as well as cost pressures experienced by businesses (1). The migrants means that firms are able to clear the labour shortage without having to greatly increase wages, in fact putting it down with pressure (1) on wages. This means that the average ~~income~~ wage income for households will decrease, and so they have less disposable income. Another, they will consume less, so consumption

expensive, as the AD will go down. This counteracts the increase to AD that may come from migrants' cases, so the relative increase in AS is greater than the relative increase in AD. This corroborates what the spokesperson for the Treasury says on (N).



Therefore, the overall impact of shifting AS to AS' as AD to AD' is that the output of the New Zealand economy will increase from Y to Y' , while the price stays roughly similar, shifting slightly down to P' . The overall productive capacity of the New Zealand economy would also increase, as the amount of workers at 95% employment will have increased. This is seen as the P shifts to P' .

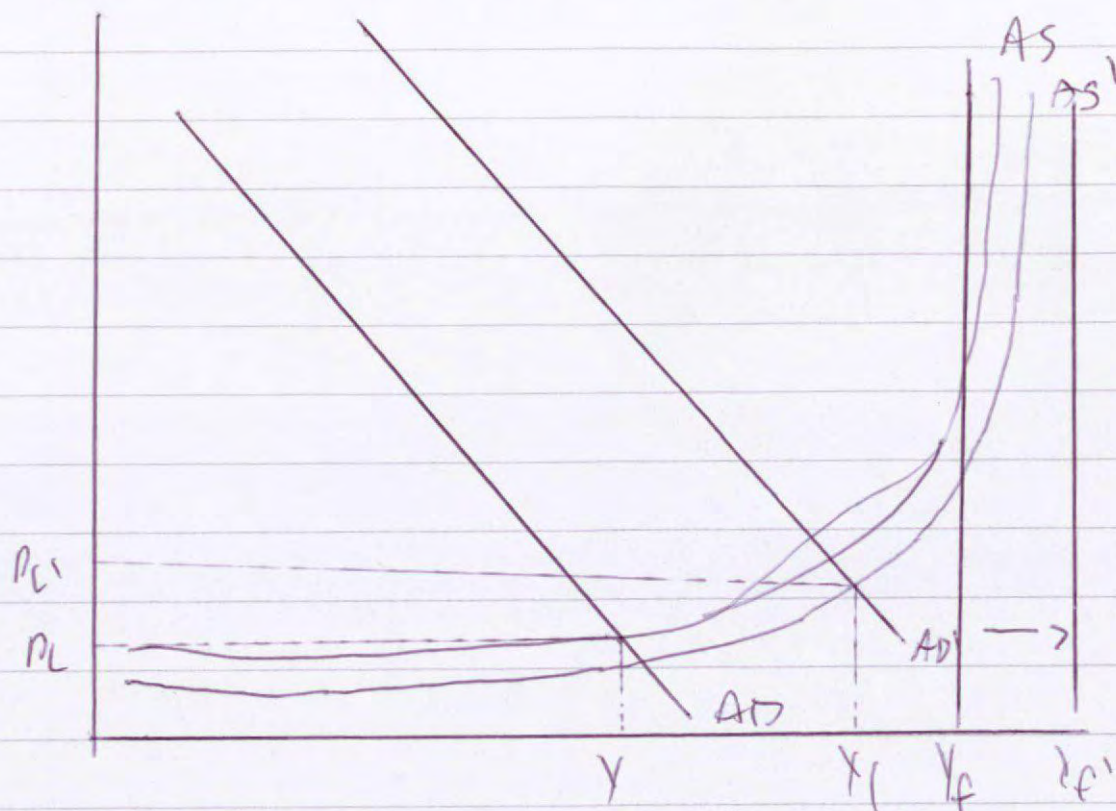
At high levels of employment, the shifts as a result of increased net migration will be as illustrated above. It will result in an increase in employment from Y to Y' . Hence, it also will increase the total amount of workers in the workforce, so its effect on sustainable

employment will be dependent on how many of the ~~cheap~~ find work. As New Zealand has been having a labour shortage (M), as many of them are willing to work (W), it is likely that they will find employment at greater numbers than NZers. Therefore, employment may increase.

As migrants increase the aggregate supply and the aggregate demand of the economy. This will result in an increased output, from Y to Y_1 . However, this has a mixed impact on inflation depending on whether the effects of supply-side shift or increased demand dominate. However, research predicts that large migration will reduce persistently high inflation levels. Therefore, we can say that supply effects dominate, and hence there will be no large increase in price level, this helps with, or at least by neutral with price stability.

At low levels of output, there are many underutilised resources. This tends to be a higher ~~level~~ unemployment rate, indicating that we have a labour surplus rather than a shortage. This means that adding any new immigrants, even if they want to work would result in a larger amount of people who are not working. This may limit the AD impacts of increased net migration are less dominant at low levels of output, while the AD effects are roughly equal regardless of output. Therefore, the shift in AD will be

larger than the shift in AS.



As a result of these shifts, output increases from Y to Y_1 , while the price level also increases from P_L to P_L' . As a result of the increase in aggregate demand, the output of the economy has increased. However, as the economy is at a low output level, the increase in aggregate output does not cause a large increase in the price level, only from P_L to P_L' . However, compared to a economy operating at full employment, there is still a large increase in price level, or this ~~worsened price~~ stability or worsened price stability. While the increased AD means more output, and hence more jobs, labor was already at a surplus. Therefore, increased migration still increases the full employment to Y_f' , so the net impact

will be a reduction in the percentage of the population that is employed. However, the overall impact on economic growth is positive, due to the increased output.

Overall, increased net migration means that the output level of the economy will increase, regardless of the situation in the business cycle. Its effect on inflation and price stability is dependent on whether the AD or AS effects predominate. If AS rises more than AD, then it will be deflationary and vice versa. At high level of output, the tendency to be surplus, so the AD is more important, leading to an increase in the price level. However, in low output economies inflation tends to be low, so an increase in inflation may be positive as it would result in increased spending, and thus economic expansion. At high levels of output, the tendency to be a labour shortage, so AS predominates. Therefore, it would cause a overall decrease in inflation, helping the government get at price stability. However, if the AD was dominant at high output, it would cause a shortage, the price would be high inflation due to the inelasticity of AS at high output. The overall effect on the % employment is negligible at both output levels, as it increases both the number of working and the total number of workers in the workforce.

Overall, therefore, the effects of net migration differ

Extra space if required.

Write the question number(s) if applicable.

QUESTION
NUMBER

- 1) The dual income to both consumer surplus and producer surplus causes an increase in total surplus. Therefore, total welfare in the market increases, so the market will be more attractive, effort in the long run than in the short run.
- 3) Depending on the position in the business cycle, though it tends to be a net positive for the goals of price stability, sustainable employment and economic growth.

Outstanding Scholarship

Subject: Economics

Standard: 93402

Total score: 20

Q	Score	Marker commentary
1	05	This candidate invested lots of time into comprehensively analysing each of the four market structures from the resource (perfect competition, monopolistic competition, oligopoly and monopoly). Unfortunately, this would have meant that they had less time to complete the remainder of this essay. They use the resources to justify why the egg market in NZ is monopolistic competition, plus they also use the characteristics to rationalise why it is not one of the other market structures. The resources are used to explain both the decrease in supply and the increase in demand, they also analyse that this creates a shortage in the short run. It is assumed that the equilibrium is restored as the analysis focusses on the changes to CS and PS at the new equilibrium. There is reference to the market model for P and Q, but not so for areas of CS and PS. A higher mark here would also see an analysis of allocative efficiency in response to the question. Price elasticity of supply was not defined precisely, nor was the short-run characterised by the FOP being fixed. The long-run was correctly justified in relation to variable FOP. It is implied that egg farming is elastic in the long-run, but the candidate would improve their mark by being more explicit. Supply curves are drawn without labels. A short explanation of CS and PS in both the short- and long-run is made, with an overall judgement about the timeframe in which total surpluses are greater. The mark here would have been higher had there been market models for the short- and long-run to illustrate the increases in demand on the market for eggs as well as more explicitness for each time period to compare proportions more comprehensively.
2	07	On page 11, the cause of the cost of living crisis is fluently explained using data from the resource. Uneven impact on household types is analysed with reference to both spending patterns and proportion of income spent on different baskets of goods. This demonstrates sophisticated integration and abstraction. The cost of living payment policy analysis explains how and why the incomes of some households changes. The candidate refers to the gini coefficient and redistribution of income, integrating economic theory. Equity and effectiveness are both discussed. There is a sophisticated analysis of the minimum wage policy, including relevant economic theory and an accurate minimum wage model. However the candidate has concluded the policy decreases equity and the Lorenz curve shifts outwards, which is not convincing. Page 16 contains a comprehensive equity analysis of the increasing tax bracket policy on different households. However, the effectiveness of the policy is not evaluated.

		On pages 16 and 17, a valid evaluation is provided, weighing up the equity and effectiveness of the three policies. Overall, the candidate produced a fluent and sophisticated economic analysis of policies to improve the cost of living crisis, whilst improving equity. For an 8, the candidate could demonstrate further perception for example, when analysing the effectiveness of policies comparing the short-term impact of a one off cost of living payment with long-term impact of tax bracket increases.
3	08	The candidate produces and effectively communicates an outstanding, sophisticated economic analysis of the impact of increasing net migration on the New Zealand economy and evaluates the effect on price stability and other government goals, at low and high levels of national output. On page 19, the candidate provides a sound explanation of the shape of the aggregate supply curve. On pages 20–22, the candidate produces a well-rounded explanation of the impacts of increased net migration on AD and AS, including a labour market model and reference to increasing productive capacity and an outwards shift in Y_f. This could have been further enhanced by further reflection on the effect of increased demand for housing and rental accommodation as well as the effect on government spending where demand for education and healthcare is on the rise. On pages 22 and 23, the candidate effectively evaluates the effect of increased net migration on employment, growth, and inflation, in particular articulating the point that the effect on price stability is determined by the relative size of shifts in AS and AD, integrating resource material. On pages 24 and 25, the candidate provides relatively sophisticated comparison of the effects on the economy at low and high output levels.