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91399



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Level 3 Economics, 2017

91399 Demonstrate understanding of the efficiency of market equilibrium

2.00 p.m. Wednesday 29 November 2017
Credits: Four

Achievement	Achievement with Merit	Achievement with Excellence
Demonstrate understanding of the efficiency of market equilibrium.	Demonstrate in-depth understanding of the efficiency of market equilibrium.	Demonstrate comprehensive understanding of the efficiency of market equilibrium.

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 attempt 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 2–10 in the correct order and that none of these pages is blank.

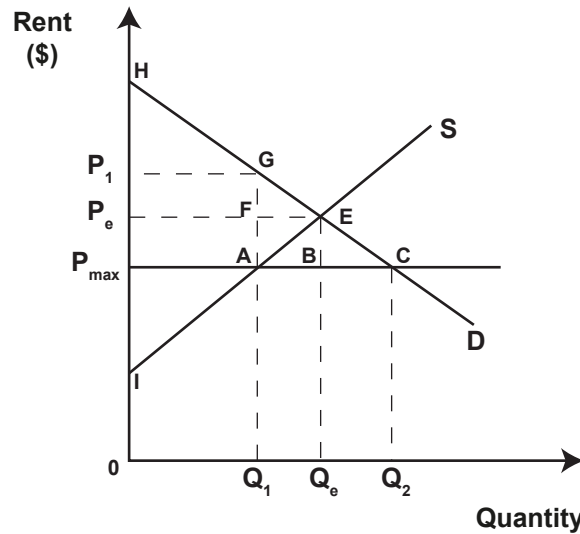
YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.

TOTAL

ASSESSOR'S USE ONLY

A possible intervention to keep rents from rising is a maximum rent control. Graph Five below shows a maximum rent (P_{\max}) set below the equilibrium rent of P_e .

Graph Five: Auckland rental housing market – maximum rent control



- (b) (i) Complete Table Two below by identifying the relevant labels from Graph Five showing the changes as a result of a maximum rent control.

Table Two

	Labels from Graph Five
Consumer surplus before maximum rent control	
Consumer surplus after maximum rent control	
Producer surplus before maximum rent control	
Producer surplus after maximum rent control	
Deadweight loss	

- (ii) Referring to both Graph Five and Table Two, compare and contrast the impact on tenants, landlords, and allocative efficiency in the Auckland rental housing market as a result of a maximum rent control. In your answer, explain the change in:

- consumer and producer surplus for tenants and landlords
- allocative efficiency.

More answer space is available on the next page.

