Question 2: Short — 5 points

(a)		Calculate the consumer surplus in New Zealand before trade as \$4,500 and show your work. $$\text{Consumer Surplus} = \frac{1}{2}\times 300\times(\$70-\$40) = \frac{1}{2}\times 300\times \$30 = \frac{\$9{,}000}{2} = \$4{,}500$$	**1 point**
(b)	**(i)**	State that New Zealand will export 400 units of wool.	**1 point**
	(ii)	State that consumer surplus in New Zealand will decrease and explain with **ONE** of the following: • The domestic price will increase to the world price, which decreases the domestic quantity demanded of wool. • The consumer surplus decreased from \$4,500 before trade to \$500 after trade.	**1 point**
	(iii)	State that total economic surplus in New Zealand will increase by \$4,000 and explain that producer surplus will increase by \$8,000 while consumer surplus will decrease by \$4,000, resulting in an increase in total economic surplus.	**1 point**
		Total for part (b)	**3 points**
(c)		State that New Zealand's exports will decrease.	**1 point**
		Total for question 2	**5 points**