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Tick this box if you have NOT written in this booklet

Scholarship 2021
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.

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

Question	Score
ONE	
TWO	
THREE	
TOTAL	

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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: The New Zealand honey market

Use information from **Resources A** to **C**, and your knowledge of micro-economic theory, to answer this question.

The beekeeping industry has seen significant growth over the past decade in response to strong demand and high prices for honey. However, over the past year honey prices dropped by as much as 25–50% on the previous season.

Analyse and evaluate the recent changes in the market for raw honey and the impact of these on individual beekeepers in the short run and long run.

In your answer:

- use appropriate economic models throughout
- explain why the raw honey production industry could be considered to be an example of perfect competition
- analyse and illustrate the impact of the recent changes in the market for raw honey on individual beekeepers and why some beekeepers may shut down in the short run
- evaluate the differing impacts of increased supply and low interest rates on the market for honey and on individual beekeepers in the short run and long run.

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

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QUESTION TWO: New Zealand waterways

Use information from **Resources D** to **H**, and your knowledge of micro-economic theory, to answer this question.

Recent research has highlighted issues with the water quality in New Zealand lakes and waterways, particularly as a result of urban development, farming, and forestry.

Analyse the externalities created from these industries for New Zealand waterways, and evaluate economic policy options that could be used to improve the quality of New Zealand waterways over time.

In your answer:

- use appropriate economic models throughout
- explain why waterways in New Zealand could be considered to be an example of public goods, and how free-rider behaviour impacts the ability to control waterway quality in New Zealand
- analyse the externalities associated with waterways as a result of waterway-polluting industries and the impact on the allocative efficiency of these markets as a result
- evaluate THREE options from **Resource E** for addressing these externalities and improving the quality of New Zealand waterways in terms of equity, efficiency, and likely effectiveness.

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

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QUESTION THREE: Repayment of government debt

Use information from **Resources I** to **O**, and your knowledge of the New Zealand economy and macro-economic theory, to answer this question.

> Net core Crown debt is forecast to hit more than 50% of gross domestic product over the next five years as the Government expects to pump more than $60 billion into the economy to offset the impact of COVID-19. By way of comparison, net core Crown debt was 19% of GDP in the year to June 2019.
>
> Source: https://www.nzherald.co.nz/business/budget-2020-debt-set-to-soar-as-govt-looks-to-recover-and-rebuild/XW7VASZN23IGTOWTGRSBRQMS74/ (14 May 2020)

Analyse the reasons for the significant increase in government (net core Crown) debt and the economic impact of potential government policies to reduce debt levels. Evaluate the extent to which the New Zealand Government should be focused on reducing government debt to "prudent" levels.

In your answer:

- use appropriate economic models throughout
- explain reasons for the 2020 budget deficit and how this has impacted net core Crown debt
- analyse THREE policies from **Resource L** that the New Zealand Government could use to reduce government debt and the impact that each would have on the New Zealand economy
- evaluate the case for the Government pursuing a policy to rapidly reduce government debt while also focusing on the key macro-economic goals of economic growth, full employment, and price stability.

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

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