

SUPERVISOR'S USE ONLY

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93402



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



Mana Tohu Mātauranga o Aotearoa
New Zealand Qualifications Authority

Scholarship 2023 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 any cross-hatched area (AREA 2411). This area may be cut off when the booklet is marked.

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

Question	Score
ONE	
TWO	
THREE	
TOTAL	

ASSESSOR'S USE ONLY

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: Dynamic pricing and market efficiency

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

Consumers are becoming increasingly aware that prices for some services are no longer fixed, but can fluctuate at different times according to the level of demand. This is called dynamic or ‘surge’ pricing. Ride shares and concerts are examples of markets where it occurs.

Using elasticity theory, analyse the impact of dynamic pricing on participants and allocative efficiency in the markets for ride shares and concerts. Evaluate the effect of a government intervention to ban dynamic pricing in each market.

In your answer:

- use appropriate economic models
- use elasticity concepts to explain why ride shares would have more elastic supply and demand than concerts
- for each market, analyse how dynamic pricing impacts consumer surplus, producer surplus, and allocative efficiency at times of increased demand
- evaluate the effect that implementing a fixed or maximum price that bans dynamic pricing would have on consumers, producers, and allocative efficiency at times of increased demand in each market.

Use the space below to plan your essay. This plan will NOT be marked.

PLANNING

QUESTION TWO: Market failure in the market for high-emission vehicles

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

The Clean Car Discount scheme, implemented in 2022, focuses on the supply and demand of different types of vehicles coming into New Zealand. The policy is part of a government strategy to reduce the consumption externality of transport emissions, by encouraging the importation of low-emission vehicles.

Analyse the market failure in the market for high-emission vehicles. Evaluate the effectiveness and impact on allocative efficiency of the Clean Car Discount scheme in encouraging buyers to switch from high-emission vehicles to cleaner, low-emission vehicles.

In your answer:

- use appropriate economic models
- explain the externality and market failure in the market for high-emission vehicles
- analyse the impact on allocative efficiency in the market for high-emission vehicles of each of the two policies in **Resource D**
- evaluate the overall effectiveness of a combination of both policies in reducing transport emissions and achieving allocative efficiency in the market for high-emission vehicles in the short and long term.

Use the space below to plan your essay. This plan will NOT be marked.

PLANNING

QUESTION THREE: Relationship between the current account and the exchange rate

Use information from **Resources G to J**, and your knowledge of macro-economic theory, to answer this question.

The current account and the exchange rate are interrelated economic issues. The current account has decreased from a surplus in June 2020 to a near record deficit in September 2022. Meanwhile the value of the New Zealand dollar against the US dollar has fluctuated but overall has trended downwards.

Discuss the interrelationship between the current account and the exchange rate within the New Zealand economy. Evaluate whether a strong or a weak exchange rate is most likely to reduce the current account deficit.

In your answer:

- use appropriate economic models
- explain how the current account balance is calculated and, using **Resource G**, explain the factors that caused the current account deficit to increase in the March 2022 quarter
- analyse the combined impact of the increased current account deficit and rising interest rates in the United States on the New Zealand exchange rate
- compare the effect of a depreciation and an appreciation in the exchange rate on the current account. Evaluate which is most likely to reduce the current account deficit.

Use the space below to plan your essay. This plan will NOT be marked.

PLANNING

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Write the question number(s) if applicable.

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