

SUPERVISOR'S USE ONLY

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93402



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

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Mana Tohu Mātauranga o Aotearoa  
New Zealand Qualifications Authority

## Scholarship 2025 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.**

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

### **QUESTION ONE: Avocados – a tough season for growers**

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

Changes in the world market for avocados and in costs for avocado growers directly impact the level of exports and the profitability of New Zealand avocado orchards.

Analyse the impact of changes in the world avocado market on the New Zealand avocado market and on individual avocado growers. Evaluate the short- and long-run effects on avocado growers' output and profitability.

In your answer, using appropriate economic models, you should:

- explain why New Zealand avocado growers can be considered to be an example of perfect competitors rather than monopolistic competitors
- explain the impact of the change in world price on exports, consumer surplus, producer surplus, and allocative efficiency in the New Zealand avocado market
- use marginal analysis to analyse the impact of:
  - the change in avocado prices and input costs on individual perfectly competitive New Zealand avocado growers in the short run
  - ongoing subnormal profits on firms and the New Zealand avocado market in the long run, and evaluate the influence that the world market price may have on this.

### **PLANNING**

















**QUESTION TWO: Public goods – Auckland roads and allocative efficiency**

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

Auckland's population is projected to increase to at least 2.2 million by 2045, placing pressure on roads, reducing their performance, and increasing congestion. The Auckland Transport Alignment Project (ATAP) concluded that investment in both infrastructure and demand management tools, such as a congestion charge, are needed to reduce congestion in Auckland.

Analyse the impact of a growing population on allocative efficiency in the provision of Auckland roads. Evaluate the effectiveness and impact on allocative efficiency and equity of government policies designed to reduce traffic congestion.

In your answer, using appropriate economic models, you should:

- explain the extent to which Auckland roads meet the characteristics of a public good
- using the public goods model, analyse and illustrate the impact of an increase in population on Auckland roads, and explain how this leads to market failure and allocative inefficiency in road provision
- analyse and evaluate the impact on allocative efficiency and equity of the three recommended policies designed to improve traffic flow (Resource D), and recommend which policy/policies would be most effective in the short and long term, taking into consideration allocative efficiency and equity.

**PLANNING**

















**QUESTION THREE: Monetary and fiscal policy to reduce inflation**

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

Tighter monetary policy should be the primary tool for containing inflation, but fiscal policy can play a supporting role.

Analyse how monetary and fiscal policies could be used to achieve price stability in the New Zealand economy. Evaluate to what extent a 'fiscally neutral' tax cut policy could support contractionary monetary policy to reduce persistently high inflation rates.

In your answer, using appropriate economic models, you should:

- explain how the implementation of contractionary monetary policy from 2021 to mid-2024 was used to reduce inflation rates
- analyse the combined impact on inflation of implementing a 'fiscally neutral' income tax cut policy with a reduction in government spending, and analyse why this result could be uncertain; use multiplier theory to evaluate the likely impact on inflation
- evaluate the overall effectiveness of using a contractionary monetary policy in conjunction with a 'fiscally neutral' income tax policy to reduce high inflation levels.

**PLANNING**

















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Write the question number(s) if applicable.**

QUESTION  
NUMBER

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### Acknowledgements

Material from the following sources has been adapted for use in this assessment:

### Question 2

Ministry of Transport. (2021). *The congestion question*. <https://www.transport.govt.nz/area-of-interest/auckland/the-congestion-question>. CC-by-4.0

### Question 3

The Treasury. (2022). *FEU Special Topic – Inflation and fiscal policy*. <https://www.treasury.govt.nz/publications/research-and-commentary/rangitaki-blog/feu-special-topic-inflation-and-fiscal-policy>. CC-BY-4.0