

WARNING

This Question Paper **MUST** be returned with your answer book(s) at the end of the Examination, otherwise marks will be lost.

Write your Examination Number here ⇒



Coimisiún na Scrúduithe Stáit State Examinations Commission

LEAVING CERTIFICATE EXAMINATION, 2010

WEDNESDAY, 23 JUNE, MORNING 9.30 – 12.00

ECONOMICS - HIGHER LEVEL (400 marks)

Answer **six** questions from Section A and **four** questions from Section B. Credit will be given for clear, precise answering and for orderly presentation of material.

Examiner use only

SECTION A (100 marks)

Answer **six** of the **nine** short response type questions in the spaces provided.

SECTION B (300 marks)

Answer **four** questions.

Write the answers in your answer book(s).

Do **not** write answers to Section B on this question paper.

All questions carry equal marks (75 marks).

Note the sub-divisions in the questions.

Q.	Mark
1	
2	
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Total	

**REMEMBER TO RETURN THIS QUESTION PAPER WITH THE ANSWER BOOK(S) USED
TO ANSWER THE QUESTIONS IN SECTION B**

SECTION A (100 marks)

Answer **six** of the **nine** short response type questions in the spaces provided.

1. State **three** reasons why prices of land for housing development have fallen in recent years in Ireland:

(i) _____

(ii) _____

(iii) _____

(16 marks)

2. Outline **two** measures the Irish Government could take to increase consumer spending in the economy.

Answer 1:

Answer 2

(16 marks)

3. A consumer spends €200 monthly on Product A when its price is €2 and continues to spend €200 monthly when its price increases to €2.50. Calculate the consumer's price elasticity of demand. (See Formulae and Tables Booklet p.28) **Show all your workings and explain your answer.**

Workings:

Answer:

Explanation:

(16 marks)

4. Define the term 'non-price competition'. State **two** examples.

Definition: _____

Example 1: _____

Example 2: _____

(16 marks)

5. State **three** economic reasons why entrepreneurship is important to the development of the Irish economy.

(i) _____

(ii) _____

(iii) _____

(16 marks)

6. It is estimated that in the Irish economy:
MPS = 0.25, MPM = 0.3, MPT = 0.2. Calculate the value of the Multiplier in the Irish economy.
Explain the economic meaning of the Multiplier figure. (See Formulae and Tables Booklet p.29)
Show your workings.

Workings

Answer:

Explanation:

(17 marks)

7. Outline **two** limitations in using the Live Register as a means of measuring unemployment.

(i) _____

(ii) _____

(17 marks)

8. Explain, with the aid of an example, the meaning of the term '**Rent of Ability**'.

(17 marks)

9. The Irish Government is considering the introduction of water charges for households. Outline **three** possible economic arguments in favour of the introduction of water charges for households in Ireland.

(i) _____

(ii) _____

(iii) _____

(17 marks)

Remember to return this question paper with the answer book(s) used to answer the questions in Section B.

SECTION B (300 marks)

Answer **four** questions.

Write the answers in your answer book(s).

Do **not** write answers to Section B on this question paper.

All questions carry equal marks (75 marks).

Note the sub-divisions in the questions.

1. (a) The data below represents the market demand and the market supply schedules for the soft drink 'Quencher'.

Price €	Quantity Demanded (^{'000} units)	Quantity Supplied (^{'000} units)
2.00	40	5
2.25	30	10
2.50	20	20
2.75	10	30
3.00	5	40

- (i) Using the above data, draw the diagram showing the market demand and market supply curves for the soft drink 'Quencher'. Clearly mark the **point of equilibrium** and the **equilibrium price and quantity**.
- (ii) Explain what it means for the market '**to be in equilibrium**'.
- (iii) Assume costs of production fell, resulting in an extra 20,000 units supplied at each of the above listed prices. With reference to your diagram in **1(a) (i)** above and assuming that demand remains unchanged, draw the **new** supply curve. Clearly indicate the new point of equilibrium and the new equilibrium price and quantity.

(30 marks)

- (b) (i) Outline **four** factors which affect price elasticity of demand (PED).
(ii) The PED for the soft drink 'Quencher' has been calculated at **-3.8**.
Using your knowledge of PED, explain the economic meaning of this figure.

(30 marks)

- (c) Many health advisors wish to reduce the consumption of soft drinks. Advise the Minister for Health and Children on possible economic actions that the Government could take to reduce the consumption of soft drinks.

(15 marks)

[75 marks]

2. (a) (i) State and explain **three** assumptions underlying the theory of monopoly.
(ii) Outline **two** possible advantages of monopoly as a market structure.

(25 marks)

- (b) Iarnród Eireann (Irish Rail) is the state monopoly in the provision of rail transport in Ireland. It operates a system of price discrimination in setting some of its prices.

- (i) Explain the underlined term, giving **one** example as practiced by Iarnród Eireann.
(ii) State and explain **three** conditions necessary for price discrimination to take place.

(20 marks)

- (c) Using suitably labelled diagram(s), **compare** the long run equilibrium position of the monopoly firm with that of a perfectly competitive firm (assuming both operate under the same cost conditions) under the following headings:

- Price and Output;
- Profits;
- Efficiency.

(30 marks)

[75 marks]

3. (a) With reference to the factor of production **labour**, explain the following terms:

- Derived Demand;
- Marginal Revenue Productivity;
- Wage Drift;
- Cyclical Unemployment.

(20 marks)

(b) (i) State and explain **four** factors which influence the efficiency of labour as a factor of production.

Recently the Organisation for Economic Cooperation and Development (OECD) recommended that lower wages are necessary to restore stability to the Irish economy and that consideration should be given to reducing the National Minimum Wage over time.

(ii) Outline **one** possible economic advantage and **one** possible economic disadvantage, to the Irish economy, of reducing the National Minimum Wage.

(30 marks)

(c) *Ireland's 'Black Economy' (underground economy) activity results in a loss of up to €6.1bn to the Exchequer annually, according to the economist Friedrich Schneider.*

(i) State and explain **three** economic effects of this activity in Ireland.

(ii) Outline **two** economic measures the Irish Government could take to discourage this activity.

(25 marks)

[75 marks]

4. (a) *"Next year, almost half of income earners will pay no income tax and 4% of income earners will pay almost half of the total tax yield".*

(Minister for Finance, Budget Statement, 9th December 2009).

The above situation is occurring at a time when **taxation revenues** have fallen considerably and there is a debate about the need to **broaden the tax base**.

(i) Explain briefly the underlined terms.

(ii) Discuss the characteristics of a good taxation system.

(30 marks)

(b) The Irish government introduced a carbon tax in its latest Budget (9th December 2009).

(i) Is this tax an example of a **progressive** or a **regressive** tax? Explain your answer.

(ii) State and explain **two** possible economic advantages and **two** possible economic disadvantages of the new carbon tax.

(25 marks)

(c) At end of December 2008 the Irish National Debt amounted to approximately **€50.4bn** and at the end of December 2009 it was approximately **€75bn**.

State and explain **four** problems associated with the Irish National Debt.

(20 marks)

[75 marks]

5. (a) Given that Gross National Product at Current Market Prices is €200m, price subsidies €5m, depreciation €12m and indirect taxes €30m.
Calculate the value of **each** of the following: **Show all your workings.**
- (i) Gross National Product at Factor Cost;
 - (ii) Net National Product at Factor Cost/National Income.
- (20 marks)*
- (b) Explain the economic effect which **each** of the following could have on the level of GNP at Market Prices:
- (i) a **reduction** in the general level of VAT;
 - (ii) a **reduction** in the subsidies paid to farmers.
- (20 marks)*
- (c) (i) Outline the main uses of National Income Statistics.
(ii) State and explain **four** reasons why care should be taken when using National Income Statistics as a measure of economic performance of a country.
- (35 marks)*
- [75 marks]**
6. (a) It has been suggested that the main commercial (retail) banks in Ireland should be nationalised.
- (i) Explain the underlined terms.
 - (ii) Outline **two** possible economic arguments for and **two** possible economic arguments against the nationalisation of the banks.
- (30 marks)*
- (b) (i) State and explain what you consider to be the **three** most important economic aims of the Irish Government.
(ii) Outline **two** examples of possible conflicts between government economic aims/objectives.
- (25 marks)*
- (c) The economist Milton Friedman was regarded as one of the major thinkers of the monetarist school of economic thought.
Outline **four** features of 'Monetarism'.
- (20 marks)*
- [75 marks]**

7. (a) *Many believe that export-led growth is the way forward for the recovery of the Irish economy.*
- (i) Explain why international trade is essential for the Irish economy.
 - (ii) Discuss **three** measures which the Irish government could take to improve the competitiveness of Irish-based firms in international markets.

(30 marks)

- (b) (i) Describe the main differences between a developed country and a developing country (LDC).
- (ii) Discuss **three** measures which the governments of developed countries could take to promote economic development in developing countries (LDCs).

(30 marks)

- (c) Write a brief account on the role of the International Monetary Fund (IMF) **or** the World Bank in the world economy.

(15 marks)

[75 marks]

8. (a) Outline, using appropriate figures, how the Irish economy has performed, in the past twelve months, in **each** of the following areas:

- (i) Price levels;
- (ii) Economic growth;
- (iii) Government current budgetary position;
- (iv) Employment/unemployment.

(25 marks)

- (b) *By 2036 one in five Irish people will be over 65 years of age, with the greatest increase being in those over 80 years.*

- (i) Outline **two** possible economic effects of an ageing population on the Irish economy.

The number of emigrants from Ireland, in the year to April 2009 was 65,100, up from 45,300 for the previous year.

- (ii) State and explain **three** economic **consequences** of the recent increase in emigration.

(25 marks)

- (c) *There has been a sharp increase in the rate of savings in Ireland in the past year.*

- (i) Discuss **two** factors currently influencing the rate of savings in the Irish economy.
- (ii) Outline **three** economic effects which an increase in the rate of savings may have on the Irish economy.

(25 marks)

[75 marks]

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