



Coimisiún na Scrúduithe Stáit
State Examinations Commission

Leaving Certificate Examination

Economics

Higher Level

2 hours 30 minutes

300 marks

Examination Number

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Day and Month of Birth

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For example, 3rd February
is entered as 0302

Centre Stamp

Instructions

There are **two** sections in this paper.

This examination carries 300 marks in total.

Section A: 75 marks
Answer **5** out of **10** questions from this section.

Section B: 225 marks
Answer **3** out of **6** questions.
All questions in this section carry 75 marks.

Write your answers in blue or black pen.

Write your answers in the spaces provided in this booklet. There is space for extra work at the end of the booklet. Label any such extra work clearly with the question number and part.

This examination booklet will be scanned and your work will be presented to an examiner on screen. Anything that you write outside of the answer areas may not be seen by the examiner.

The superintendent will give you a copy of the Formulae and Tables booklet, if required. You must return it at the end of the examination. You are not allowed to bring your own copy into the examination.

Calculators may be used.

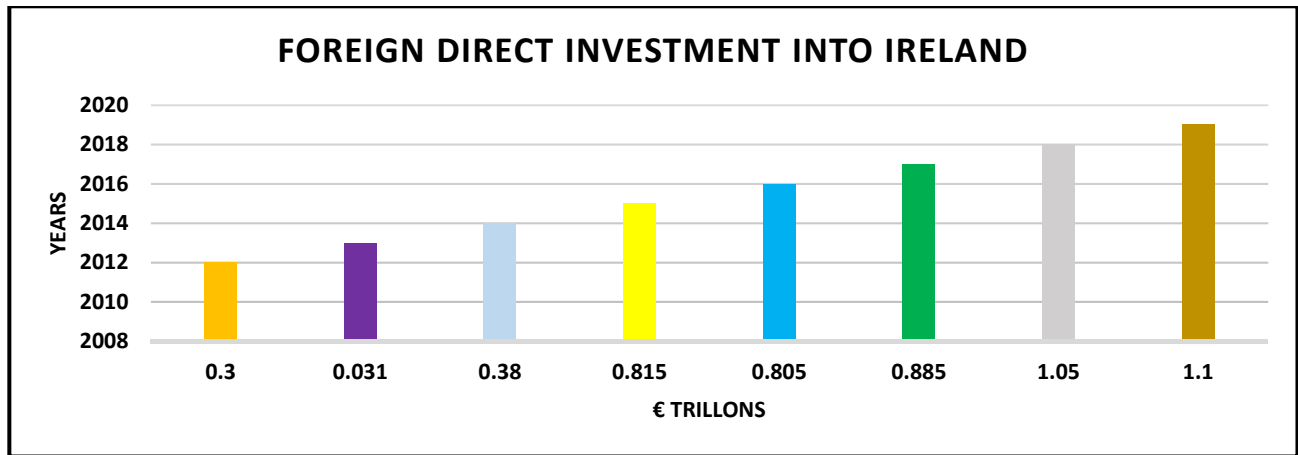
Write the make and model of your calculator here:



Answer 5 out of 10 questions

Question 1

The chart below shows the amounts of foreign direct investment (FDI) into Ireland between 2008 and 2019.



Adapted from cso.ie

(a) Using the above data, outline two positive economic consequences associated with this increase in FDI inflows into Ireland.

1.
2.

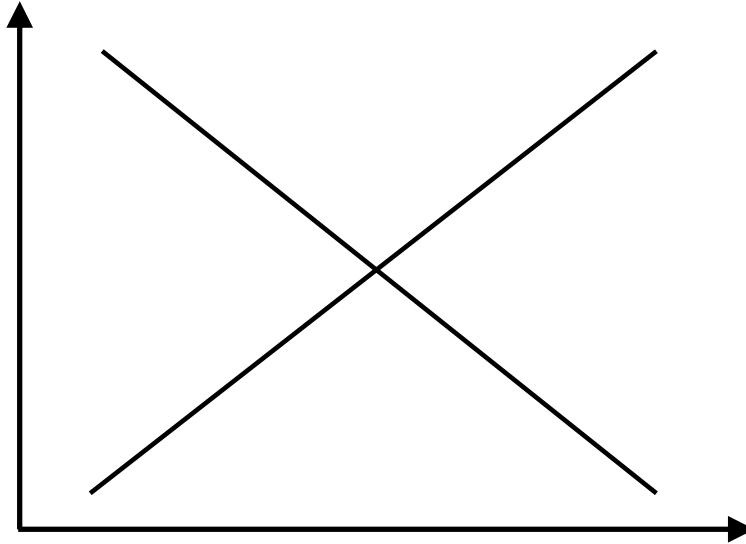
(b) Outline reasons why a firm may decide to invest in countries **outside their home country**.

Question 2

The shortage of timber is set to deteriorate as the supply of logs tightens in Ireland.

Adapted from The Irish Times

- (a) Explain, with the aid of a fully labelled diagram, the impact this undersupply of logs will have on the market equilibrium, shown below.



Explanation:

- (b) Explain the meaning of the economic concept scarcity.

Explanation:

Question 3

The table below shows the annual average level of income in a country and the corresponding demand for mobile phones for the two years 2020 and 2021.

Year	Income (€)	Mobile Phones (Units)
2020	60,000	150
2021	65,000	275

- (a) Using an appropriate formula, calculate the **income elasticity of demand (YED)** for mobile phones.

Workings:

Answer:

- (b) Using your knowledge of YED, explain the economic meaning of the figure you calculated in part (a) above.

Question 4

A new law banning ticket touting / ticket scalping came into effect in July 2021. It prohibits the reselling of tickets above face value for designated events (an attendance of above 1,000 people).


(a) Outline two reasons **why** the government introduced this legislation.

1.
2.

(b) The maximum capacity of the Croke Park stadium is 82,300 spectators.
In your opinion, will the new law alter the supply curve of tickets available for the All-Ireland finals to be held in Croke Park this year?

Yes: No:

Explain your answer with the aid of a fully labelled diagram.

Diagram	Explanation
	

Question 5

Ireland has one of the fastest growing data centre markets in Europe. Currently, most data centres in Ireland are located in Dublin with others in Cork, Limerick and Galway. (A data centre is a remote place, with many servers, used for the storage, processing and distribution of information.)

Adapted from Arizton: Ireland Data Centre Market 2021-2026

- (a) Outline two sources of comparative advantage that Ireland offers, which helps to attract data centres in particular.

1.
2.

Answer (b) or (c)

- (b) The €5.7 bn rural broadband scheme is far behind its initial roll out target. The National Broadband plan remains a focus of the Irish government.
Outline two benefits of the rural broadband scheme to rural communities.

Adapted from The Irish Times

1.
2.

OR

(c) Explain two reasons why government policies should support balanced regional development.

1.
2.

Question 6

(a) Explain the term GNP at **current market prices**.

Explanation:

(b) The data below has been adapted from Ireland's National Accounts for 2020.

Description	Value
Adjustments <i>Including</i> <ul style="list-style-type: none"> • Factor income of redomiciled companies • Depreciation on R&D imports and trade in IP • Depreciation on aircraft leasing 	€75.6bn
EU subsidies	€1.5bn
EU taxes	€0.4bn
Net factor income from abroad	- €90.2bn

Given that **Gross Domestic Product (GDP) at Current Market Prices (CMP)** is €372bn, use the information above to calculate **ANY TWO** of the following terms **A, B, OR C**. State the relationships and show all your workings.

	Adjustments/Relationships	Answer € bn's
	Gross Domestic Product at Current Market Price	ANS: €372bn
A Workings		
A	Gross National Product (GNP) at Current Market Prices	ANS:
B Workings		
B	Gross National Income at Current Market Prices	ANS:
C Workings		
C	Modified Gross National Income at Current Market Prices	ANS:

Question 7

- (a)** The Irish government is committed to protecting the environment.
Outline two measures the government introduced in Ireland to address this aim.

1.
2.

Answer (b) or (c)

- (b)** During **COP 2021**, Ireland pledged to double its contribution to assist less developed nations in their fight against climate change.
Outline two reasons, other than climate change, why Ireland is committed to assisting less developed nations.
Note: COP 2021 (Conference of the Parties on world climate change)

Adapted from rte.ie

1.
2.

OR

(c) Outline two challenges for less developed nations of relying on international aid.

1.
2.

Question 8

(a) As world population has increased, so too has CO₂ emissions. World population is estimated to reach close to 8 billion by 2040. According to some experts this could be unsustainable. Do you agree with this statement? Explain your answer.

Explanation:

(b) 5% of new private cars purchased in 2020 in Ireland were electric-powered vehicles. This is a good example of a **market failure**.

In your opinion, is the statement above true or false? Explain your choice.

Indicate your answer by ticking (✓) the box. True: False:

Explanation:

Question 9

The table below shows the daily revenue for Headhunters, a local hairdressing salon.

Quantity of Haircuts	Average Revenue	Total Revenue	Marginal Revenue
15	€21		
18	€19		
22	€17		
28	€15		

- (a) Complete the total revenue column and the marginal revenue column in the table above. Show all your workings.

Workings:

Answer (b) or (c)

- (b) Specialisation involved in hairdressing is beneficial to both the consumer and the hairdresser. Outline one benefit of this specialisation to the **consumer**.

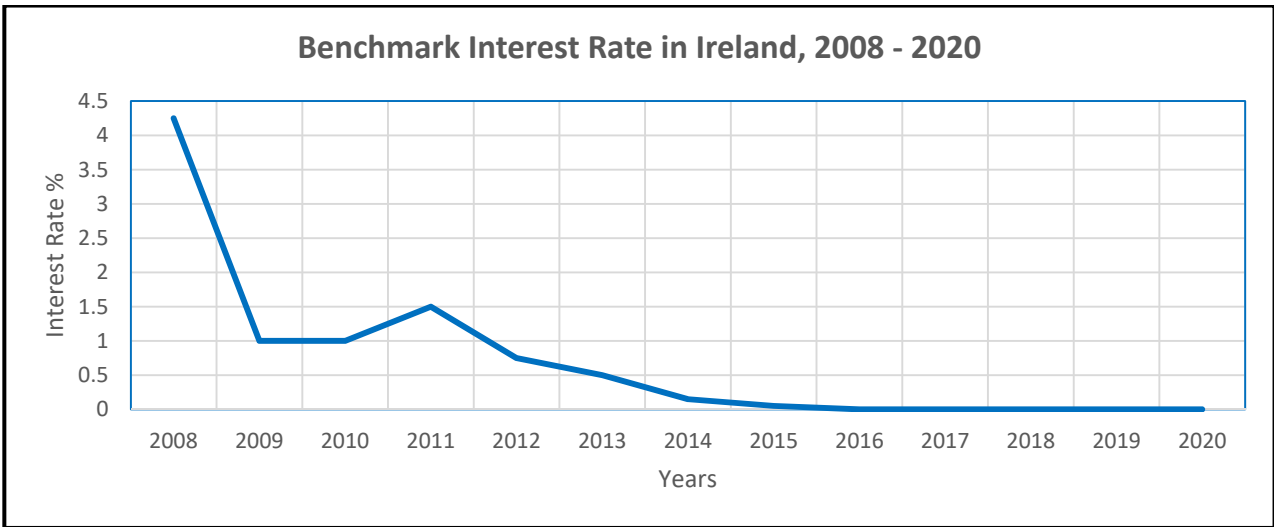
Benefit:

OR

(c) Outline one possible economic disadvantage of specialisation to the **hairdressing salon**.

Question 10

The chart below displays the benchmark interest rate in Ireland from 2008 to 2020.



Adapted from the ECB

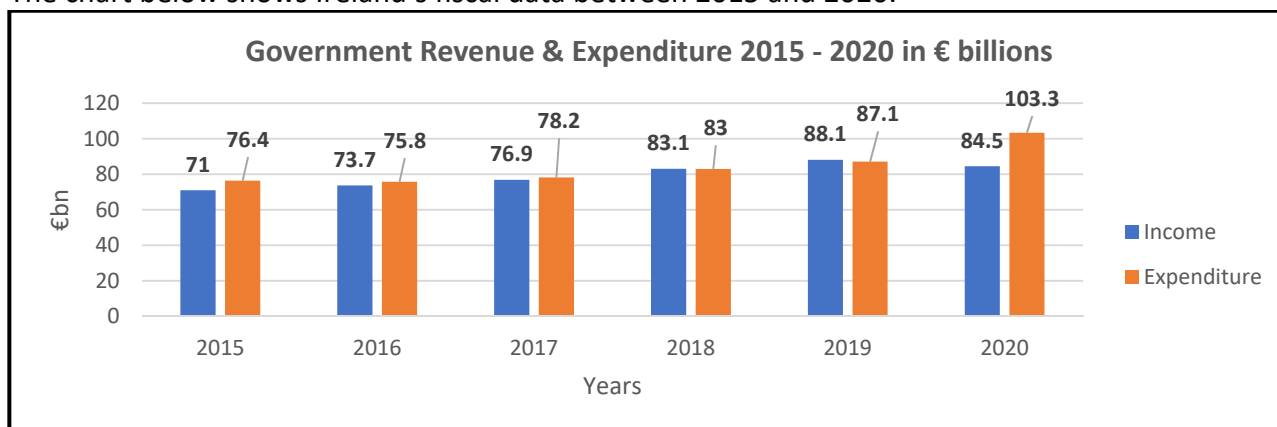
(a) Outline **two** key trends in interest rates using data from the above chart.

(b) Explain how current interest rates may affect **borrowers** in Ireland.

Answer 3 out of 6 questions

Question 11

The chart below shows Ireland's fiscal data between 2015 and 2020.



Adapted from revenue.ie

- (a) (i)** Using the data above name the years in which Ireland had a budget surplus.

Year 1:

Year 2:

- (ii)** Using the information provided in the diagram above calculate Ireland's fiscal position in 2020. Show all your workings. State clearly the budget outcome.

Workings:

Answer:

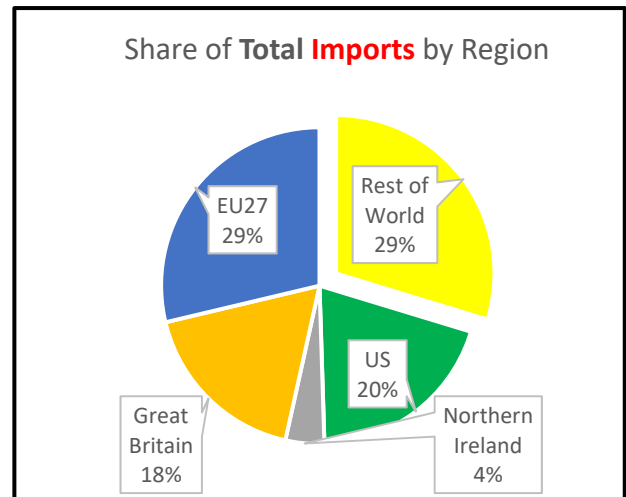
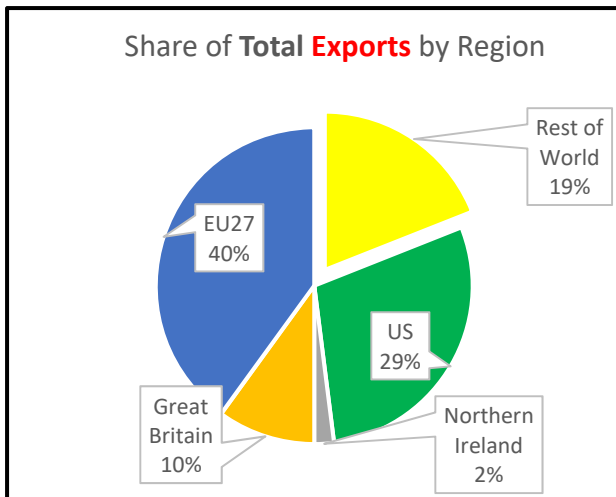
- (iii)** In your opinion, in 2020 which policy was the Irish government pursuing?

Tick (✓) your choice: Expansionary: Contractionary:

Explain your choice using a relevant example to illustrate your understanding.

Explanation:

(b) The pie charts below display the share of total exports and total imports by the Republic of Ireland in September 2021.



Adapted from cso.ie

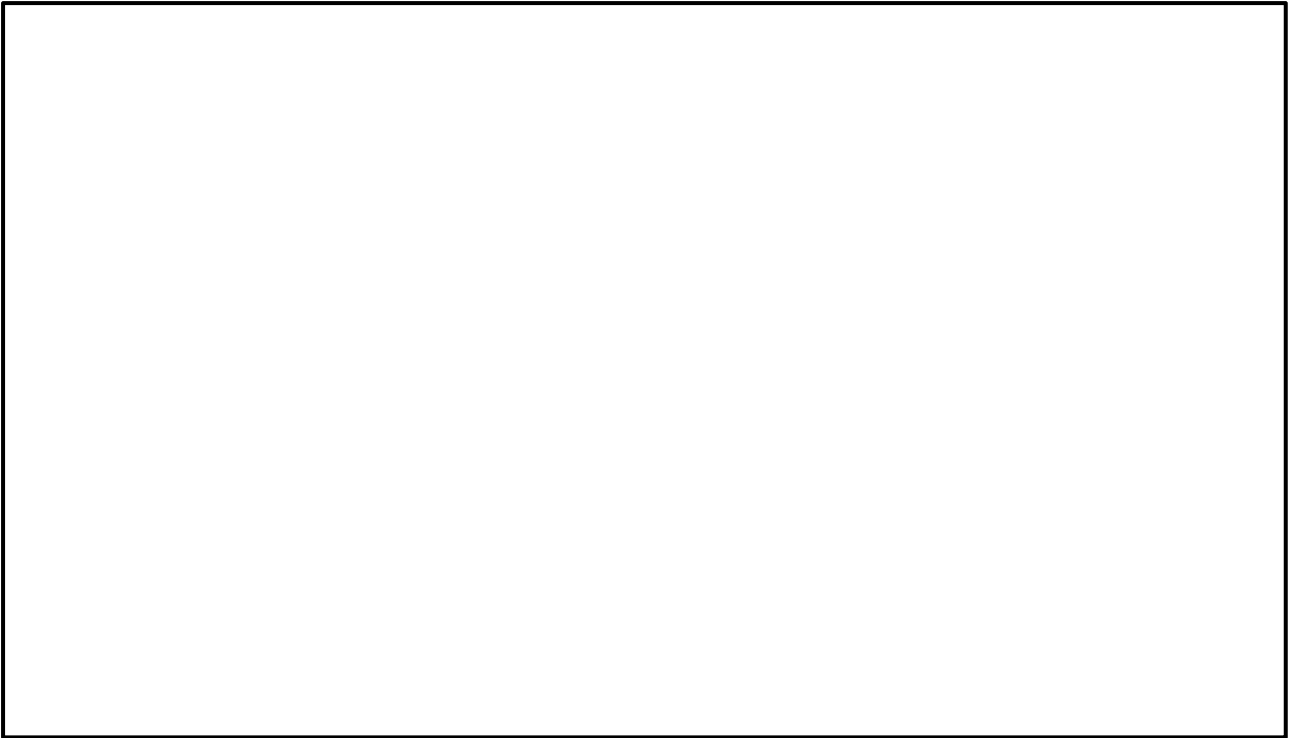
(i) Using the above data, outline the effect of the relevant information on the **Republic of Ireland's Balance of Payments** with the US and Great Britain (GB).

US:
GB:

(ii) Outline **one** possible economic benefit and **one** possible economic challenge of imports to the Irish economy, other than the impact on the Balance of Payments.

Economic benefit:
Economic challenge:

- (c) (i) Draw a fully labelled diagram, showing the Circular Flow of Income for an open economy.

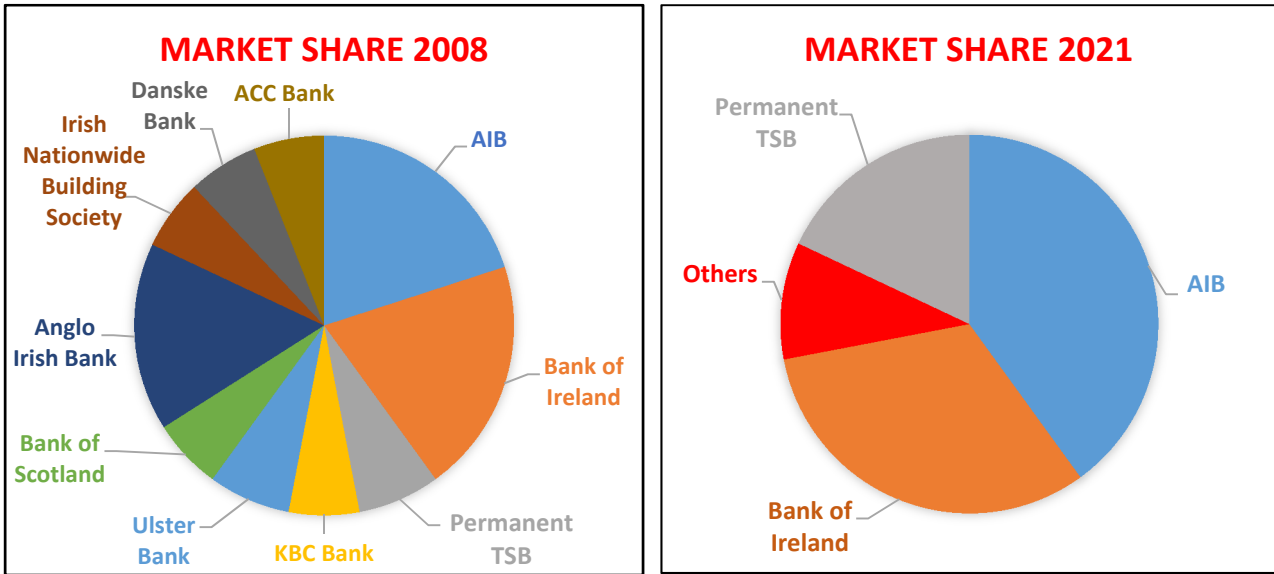


- (ii) Explain the terms injections and leakages using examples from your diagram above.

Injections:	
Example 1:	Example 2:
Leakages:	
Example 1:	Example 2:

Question 12

The pie charts below indicate the mortgage market share of the Irish banking sector in 2008 and 2021.



Approximate data - adapted from BFI

- (a) (i) Using the data in the pie charts above, comment on the change in the mortgage market share concentration between 2008 and 2021.

Answer:

- (ii) Outline **two** possible reasons why a low market concentration may present difficulties for **consumers**.

(b) Neo-classical Economists argued that the market structure **perfect competition** would produce the most favourable outcomes for consumers and society.

(i) In the space provided below, explain with the aid of a fully labelled diagram, the long run equilibrium of a firm in perfect competition.



Explanation:

- (ii) Explain one possible economic advantage **and** one possible economic disadvantage of perfect competition as a market structure.

Economic advantage:
Economic disadvantage:

- (iii) Firms in perfect competition should not engage in advertising.
Do you agree or disagree with this statement?

Agree: Disagree:

Outline two reasons for your answer.

1.
2.

- (c) In 2013 the EU blocked the takeover of Aer Lingus by Ryanair in an anti-monopoly decision.
Adapted from rte.ie

- (i) Explain why it is important for **consumers** that bodies like the EU regulate markets.

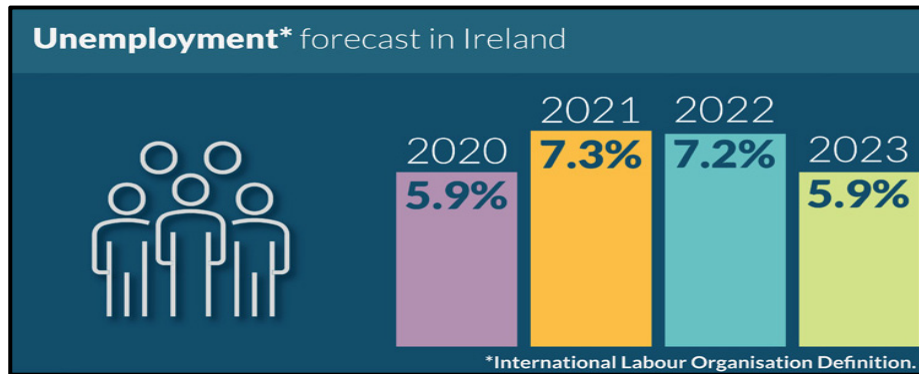
(ii) Explain **one** benefit for **employees**, of a firm possessing significant monopoly power.

(iii) Explain **one** benefit for **consumers**, of a firm possessing significant monopoly power.

75 marks

Question 13

(a) The diagram below shows the percentage (%) unemployment rate in Ireland for 2020 and 2021 and the forecasted unemployment rate for 2022 and 2023.



www.centralbank.ie

(i) Using the above information outline one possible reason for the changes in unemployment between 2020 and 2021 **and** one possible reason for the predicted trend in unemployment between 2022 and 2023.

2020 – 2021:
2022 – 2023:

(ii) Discuss why some businesses in Ireland are experiencing labour shortages, even though some people remain unemployed.

- (iii)** In May 2021, a report in the Social Justice Ireland Employment Monitor indicated that unemployment could exceed 390,000 – higher than the last recession.
Outline two possible effects of unemployment on Irelands economy.

Adapted from Social Justice Ireland

1.
2.

- (b)** The Low Pay Commission will examine how Ireland can move towards a living wage of €12.90, following authorisation by the government. This is different than the national minimum wage.

Adapted from The Journal

- (i)** Explain the term living wage.

Explanation:

- (ii)** Outline one possible economic effect on employees, businesses, and the government if Ireland did introduce the living wage of €12.90.

Employees:



Businesses:
Government:

(c) (i) In budget 2022 the government increased the old age pension by €5 per week. Given that the current rate of inflation has risen rapidly would old age pensioners be happy with this increase?
Justify your answer.

Answer:
Justification:

(ii) Suggest two measures the Irish Government could take to alleviate the effects of high inflation on citizens.

1.
2.

(iii) If inflation continues at a high rate in Europe, outline one measure the ECB could implement to address these high inflation rates.

75 marks

Question 14

(a) In 2020 Revenue Commissioners in Ireland collected €82 **billion** in gross tax receipts while incurring administration costs of €467 **million**.

Adapted from Revenue Annual Report 2020

(i) From the data above, calculate Revenue’s administration costs as a percentage of its gross receipts. Show all your workings.

Workings	Answer

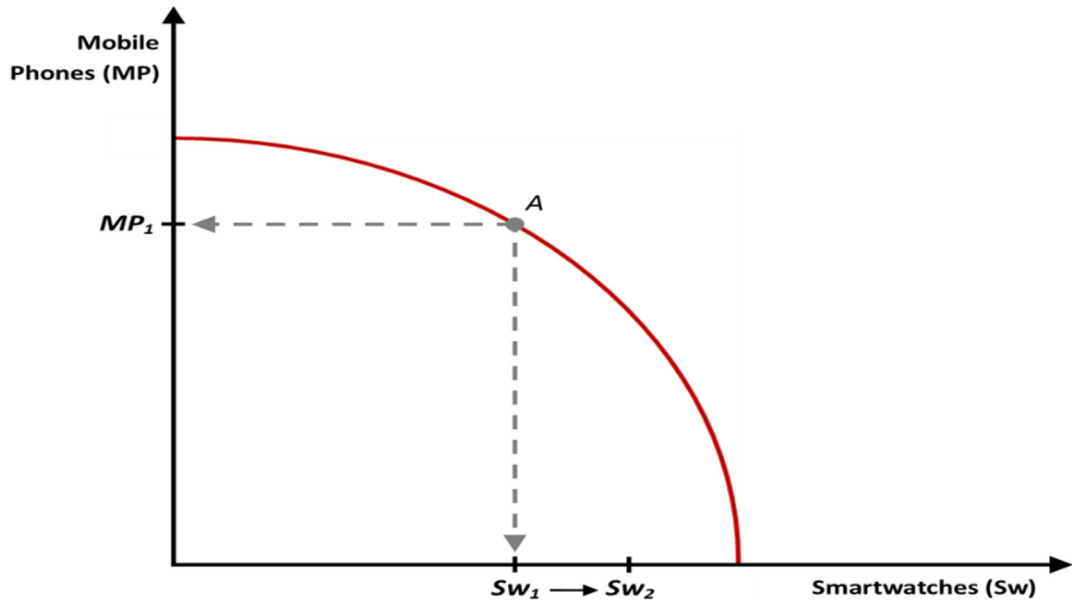
(ii) The data above clearly demonstrates that Revenue follows the principle of ‘economy’ while carrying out its responsibilities. Outline three other principles of a fair tax system.

1.
2.
3.

(iii) The Irish government increased the bands in Local Property Tax (LPT) in Ireland for 2022. LPT is a tax charged on the market value of residential property. Is LPT a progressive tax or a regressive tax? Justify your answer.

Answer:
Justification:

- (b) The diagram below shows the Production Possibility Frontier (PPF) for a firm called ABC Ltd who produce both mobile phones and smartwatches. The firm's initial production combination is shown at point A.



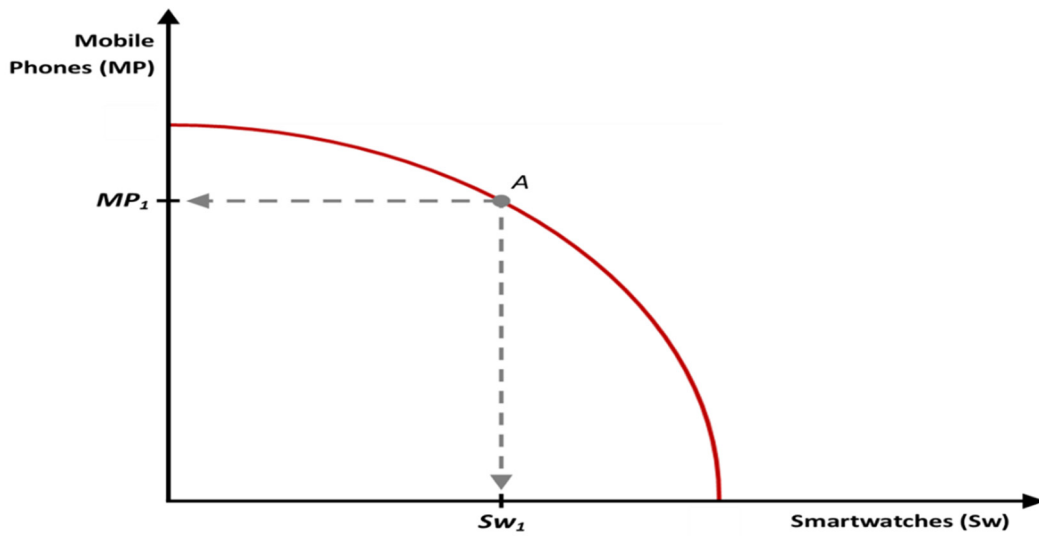
- (i) Explain, and clearly illustrate using the diagram above, the opportunity cost for ABC Ltd, if it were to increase its production of smartwatches to Sw_2 .

Explanation:

- (ii) Companies across industries, globally, have warned of an ongoing struggle to source computer chips for the IT industry.

Adapted from Reuters

Explain, and clearly demonstrate on the diagram below, how this development most likely alters the Production Possibility Frontier (PPF) for ABC Ltd.



Explanation:

- (c) (i) On one diagram, draw and fully label, the Short Run Average Cost Curve (SRAC) and the Marginal Cost Curve for ABC Ltd.

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- (ii) Explain the reasons for the shape of the SRAC.

Downward sloping part:
Upward sloping part:

- (iii) Explain the relationship between Marginal Costs (MC) and Average Costs (AC).

Explanation:

75 marks

Question 15

(a) (i) Describe by means of a clearly labelled diagram, the market demand and supply curves for electric vehicles (i.e. electric cars and vans) in Ireland.

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Explanation:

(ii) Outline two reasons for the current increase in the cost of producing electric vehicles.


1.
2.

(b) Demonstrate, with the aid of a fully labelled **diagram**, in each case, the effects which each of the following is most likely to have on the market equilibrium position for electric vehicles in Ireland. Explain your answer in each case.

(i) The Government’s decision to invest heavily in the construction of a network of high-power chargers (HPCs) across the country’s main roads.

Diagram	Explanation
	<hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>

(ii) Improvements and advances in the technology used in the production of electric vehicles.

Diagram	Explanation
	<hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>

(c) (i) Explain the economic term subsidy.

Subsidy:

(ii) Discuss one economic argument in favour **and** one economic argument against a government granting a subsidy to a business.

Argument in favour:
Argument against:

(iii) Subsidies are one method governments use to intervene in a market.

Outline two reasons why a government may intervene in a market.

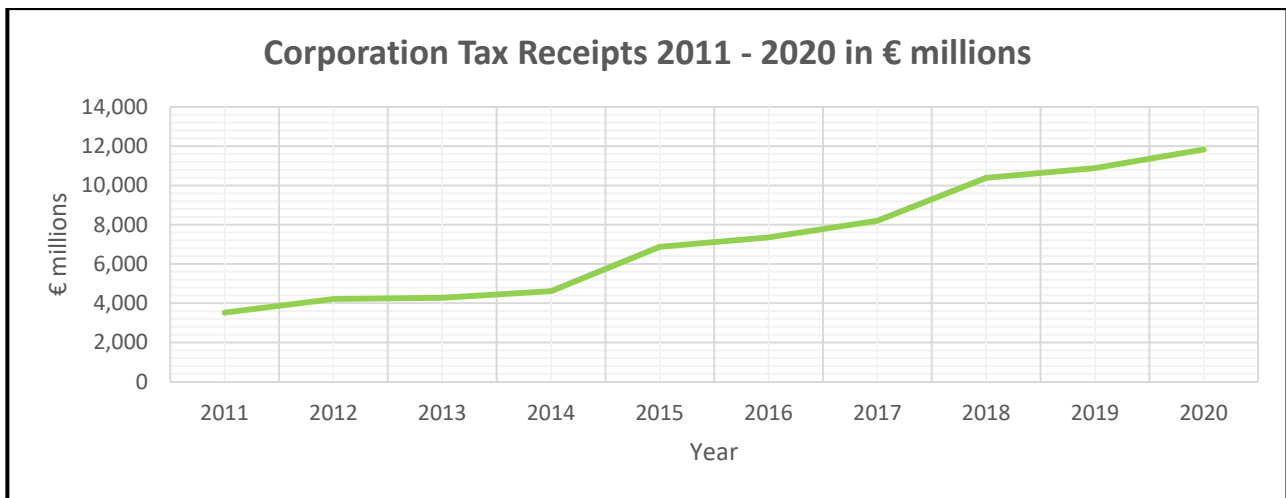
Use appropriate examples, other than subsidies, to support your answer.

1.
2.

75 marks

Question 16

The graph below shows Corporation Tax Receipts for the Irish Government from 2011 to 2020.



Adapted from revenue.ie

(a) (i) Outline **two** key trends in corporation tax receipts, using figures from the above graph.

(ii) Ireland’s Corporation Tax Rate is set to rise to 15%, as part of a global deal.

Adapted from The Irish Times

Outline one possible positive economic effect and one possible negative economic effect **for the Irish economy** of this change in the rate of corporation tax.

One positive:
One negative:

(b) A new law came into effect in Ireland in January 2022, setting a minimum price per gram of alcohol at 10c. Adapted from The Irish Independent

(i) Explain, with the use of a fully labelled diagram, how the introduction of minimum pricing (above the market equilibrium price) for alcohol drinks will impact on the market for alcoholic drinks in Ireland.

Explanation:

Per capita alcohol consumption in Ireland was 10.78 litres of pure alcohol per person aged 15+ in 2019.

Adapted from Alcohol Ireland

- (ii) Suggest two strategies, other than minimum pricing and taxation, the Irish government could implement to reduce the per capita consumption of alcohol.

1.
2.

- (iii) The per capita consumption rate of alcohol in Ireland may involve social costs. Outline two of these possible social costs.

1.
2.

- (c) The demand for land is referred to as a **derived demand**.

- (i) Explain the term derived demand with reference to the factor of production land.

Derived demand:

(ii) Explain two unique characteristics of land as a factor of production.

1.
2.

(iii) Explain, with the use of a fully labelled diagram, the demand and supply curve for land.

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Explanation:

75 marks

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Leaving Certificate – Higher Level

Economics

2 hours 30 minutes

