



Coimisiún na Scrúduithe Stáit
State Examinations Commission

Leaving Certificate Examination 2024
Economics
Higher Level

Friday 21 June Morning 9:30 - 12:00

400 marks

Examination Number

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Date of Birth

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Centre Stamp



Instructions

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

This examination carries 400 marks in total.

Section A: 100 marks
Answer **8** out of **10** questions from this section.
Questions 2, 3 and 4 contain an internal choice.

Section B: 300 marks
Answer **4** 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.

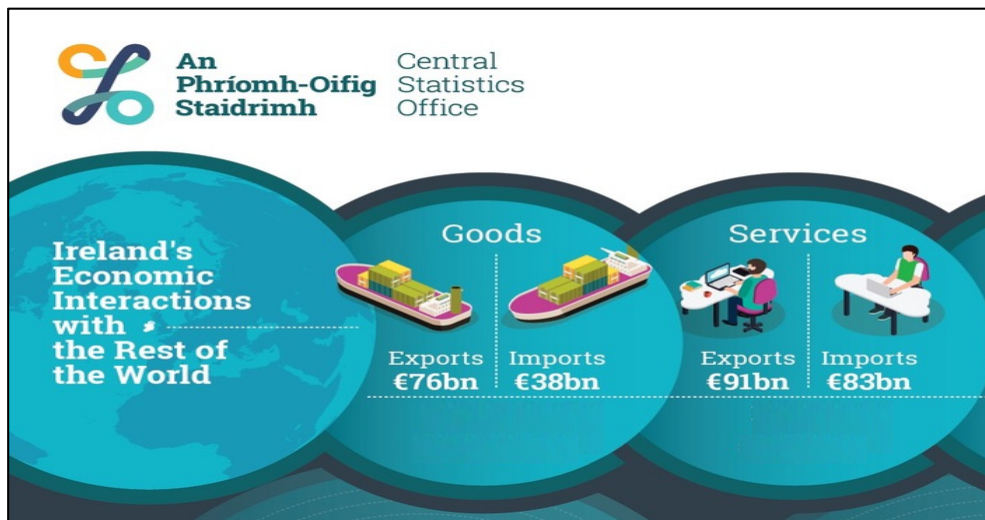
Write the make and model of your calculator here:



Answer 8 out of 10 questions

Question 1

The adapted infographic below displays data relating to Ireland's Balance of Payments on the Current Account for Q2 2023.



- (a) From the data above, calculate the balance of payments, current account balance. State whether it is a surplus or a deficit. **Show all your workings.**

Workings:

Answer:

Surplus or Deficit?

- (b) Outline one advantage of having a **surplus** on the balance of payments.

Question 2

According to Central Statistics Office (CSO) data, Ireland’s seasonally adjusted unemployment rate for October 2023 was 4.8%. This may be regarded as full employment.

(a) Explain what you understand by the term full employment.

Full employment:

Answer either (b) or (c)

(b) Explain, giving two reasons, why full employment is an economic aim of the government.

1.
2.

OR

(c) The achievement of full employment is an economic aim of the government. Explain how any other two current economic aims of the government **may conflict with this aim.**

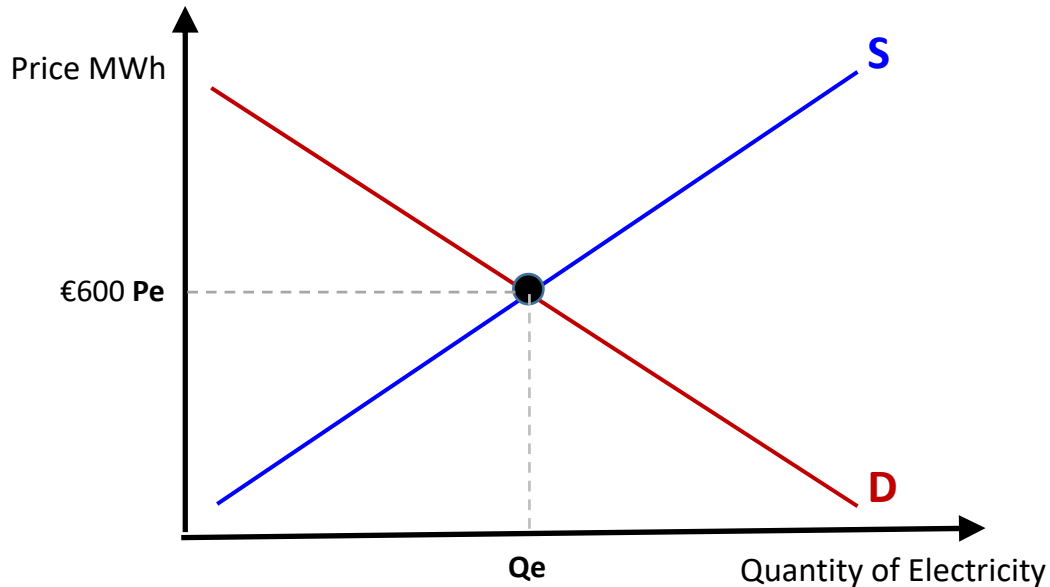
1.
2.

Question 3

During 2022, the equilibrium megawatt price per hour for electricity was €600. In an effort to combat the energy crisis, the European Commission considered a €200 per megawatt hour limit on the price of electricity.

Adapted from The Financial Times

- (a) Illustrate, on the diagram below, how the European Commission’s proposal above would alter the diagram.



Answer (b) or (c)

- (b) Explain your understanding of the economic term price ceiling.

Price ceiling:

OR

- (c) In Budget 2024 the government announced energy credits of €450 for all households. Explain why you think the government introduced this credit.

Explanation:

Question 4

(a) The table below shows a firm’s capital to labour ratio for the previous two years.

	2022	2023
No. of machines	5	10
No. of workers	5	5
RATIO	1:1	2:1

From the information given above, tick (✓) one of the boxes below to indicate whether the firm has engaged in capital widening or capital deepening and explain your answer.

Capital Widening	<input type="checkbox"/>
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Capital Deepening	<input type="checkbox"/>
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Explanation:

Answer (b) or (c)

(b) Outline two factors which may affect an individual company’s demand for labour.

1.
2.

OR

(c) Explain the term **Marginal Efficiency of Capital (MEC)**.

Explanation:

Question 5

Harry Styles performed a concert at Slane Castle on 10th June 2023 with a maximum capacity of 80,000 people. The ticket prices for the show were €97.10 each and the concert sold out in hours.

- (a) Using the information above, illustrate with the aid of a fully labelled diagram (including the axes) how a shortage of tickets for this concert may arise.



- (b) Explain your diagram above.

Explanation:

Question 6

- (a) With the aid of a fully labelled diagram below (including the axes), explain the relationship between a firm's short run average cost curve and its marginal cost curve.



Explanation:

- (b) Explain the shape of the short run average cost curve that you drew in (a) above.

Downward sloping part:
Upward sloping part:

Question 7

The number of teenagers in Ireland who vape is on the rise. Vaping poses a number of possible dangers to teenagers.

Adapted from RTÉ News

(a) Explain why the purchase of vape products are a form of **market failure**.

Explanation:

(b) Outline two ways the Irish government could intervene in the vaping market to overcome this market failure.

1.
2.

Question 8

Price discrimination remains a popular pricing strategy used by firms worldwide.

(a) Explain, using an example, what you understand by the term price discrimination.

Price discrimination:
Example:

(b) Outline two **characteristics of consumers** that permit/allow price discrimination to take place.

1.
2.

Question 9

- (a)** Coillte has pledged to add a further 100,000 hectares of woodland to the 440,000 hectares it already manages by 2050. It is estimated the proposal will cost €2 billion.

Adapted from the Irish Times

Outline one opportunity cost of this pledge by Coillte and outline one social benefit of this proposal.

Opportunity cost:
Social benefit:

- (b)** The Atlantic Technological University was launched in April 2022 creating a positive externality for counties Donegal, Sligo, and Mayo.

Explain what you understand by the term, positive externality.

Positive externality:

Question 10

The data below has been adapted from Ireland's National Accounts for 2023.

Description	Value
Net factor income from abroad	- €105bn
EU Subsidies	€2bn
EU Taxes	€0.5bn

- (a) Given that **Gross Domestic Product (GDP) at Current Market Prices (CMP)** was €430bn, use the information above to calculate part (ii). Part (i) has been completed for you. State the relationship and show all your workings.

	Relationships / Workings	Answer € bn
	Gross Domestic Product (GDP) at Current Market Prices	€430bn
↓	Relationships / Workings: Gross Domestic Product (GDP) at CMP <u>+/- Net Factor Income from Abroad</u>	430.00 <u>(105.00)</u>
(i)	= Gross National Product (GNP) at Current Market Prices	Ans: €325 bn
↓	Relationships / Workings:	
(ii)	= Gross National Income at Current Market Prices	Ans:

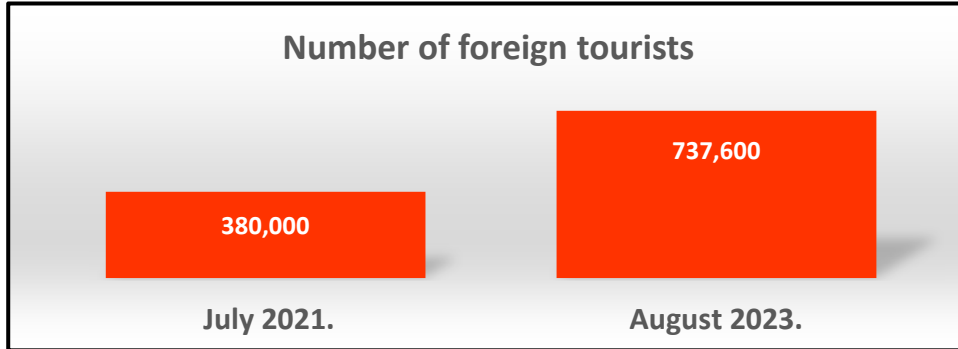
- (b) Explain the term **Net factor income from abroad**.

Explanation:

Answer 4 out of 6 questions

Question 11

The chart below shows the number of foreign tourists who arrived in Ireland in July 2021 and in August 2023.



- (a) (i) Calculate the percentage increase in foreign tourists in August 2023 compared to July 2021. **Show your workings.**

Workings:

Answer:

- (ii) Outline the effect of this increase in tourism on Ireland's circular flow of income.

- (iii) Outline one possible **disadvantage** of increasing tourism numbers in the Irish economy.

Disadvantage:

(b) It has been estimated that in the Irish economy: $MPT = 0.22$, $MPM = 0.30$ and $MPC = 0.6$.

(i) Based on the information stated above and using an appropriate formula, calculate the value of the multiplier in the Irish economy **and** explain the economic meaning of your answer. **Show all your workings.**

Workings:

Answer:

Explanation:

(ii) Explain briefly how a reduction in income tax rates would **affect** the value of the multiplier.

Explanation:


(iii) Outline two **uses** of the information provided by national income statistics.

1.
2.

(c) Assume the market for a brand of Irish organic ice cream is in equilibrium.


Explain, with the aid of a separate diagram in each case, the effects which each of the following is most likely to have on the initial equilibrium position of this market.

(i) A prolonged heatwave during the summer in Ireland.


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

(ii) An increase in lactose intolerant consumers.

*(Lactose intolerance is a digestive problem where the body is unable to digest lactose, a type of sugar, mainly found in milk and dairy products.)

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

(iii) Producers are receiving a subsidy for organic ice cream production.

Diagram	Explanation
	

75 marks

Question 12

In 2022, €313m in tax revenues was overpaid by 481,000 taxpayers in Ireland.

Adapted from the Irish Independent

- (a) (i) The principle of certainty is one of the canons of taxation, i.e. tax payers should be aware of their tax liability. Explain two **other** canons/principles of taxation.

1.
2.

- (ii) Revenue actively challenges all forms of hidden economic activity.

Adapted from Revenue Annual Report 2021

Outline two effects on the Irish economy of an increase in activities in the hidden economy.

1.
2.

- (iii) A new 30% tax rate for middle-income earners (lower than the current 40% tax rate) has not been ruled out, according to Taoiseach Leo Varadkar. Adapted from RTÉ.ie

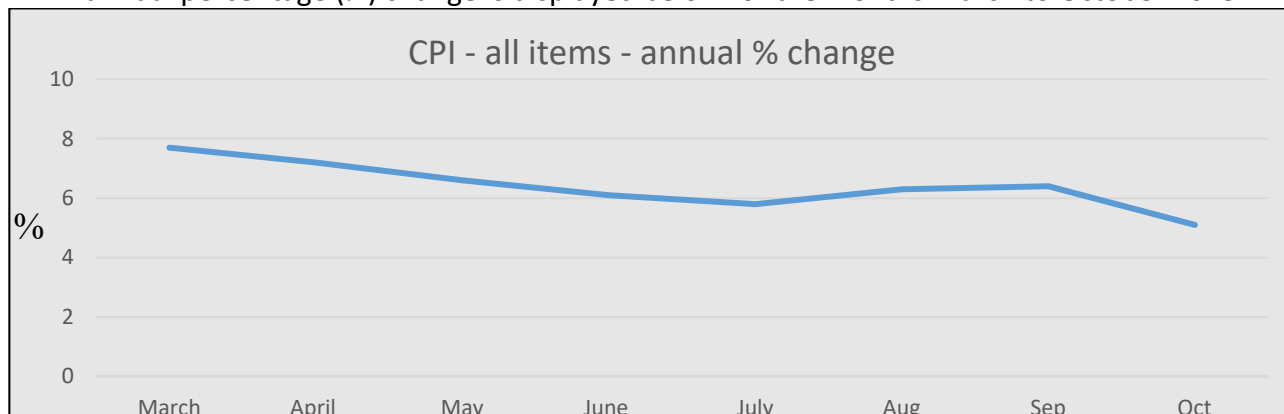
Outline one economic consequence for either the tax payer **or** the government if this new tax rate was introduced. Tick (✓) which one you are answering.

Tax payer

Government

Economic consequence:

- (b) Data from the Consumer Price Index (CPI) all items, which shows the inflation rate in Ireland, annual percentage (%) change is displayed below for the months March to October 2023.



- (i) Outline the overall trend of the CPI annual % change in data as shown in the graph above. **Use figures from the graph.**

Outline:

- (ii) The table below shows a country's composite price index for the following categories of expenditure: food; transport; and other items. Use the information in the table below to calculate the price index for the current year. The base value is 100.

Show your workings.

Category	% of income (weight) spent on item(s)	Price of item(s) in base year €	Price of item(s) in the current year €	Calculation of simple price index	Weight	Result
Food	65%	60	66			
Transport	20%	30	45			
Other Items	15%	80	96			
	100%				Price Index for the current year	

(iii) Outline two possible economic effects of high price inflation on the Irish economy.

1.
2.

(c) Up to €10,000 a minute is spent in Ireland by consumers on online gambling.
Adapted from the Irish Times

(i) Outline two reasons why it is important that the gambling industry in Ireland is regulated.

1.
2.

(ii) Cigarettes are classified as demerit goods.
Outline one possible effect of the demerit good markets.

Outline:

(iii) One assumption of consumer behaviour is that they have limited incomes.

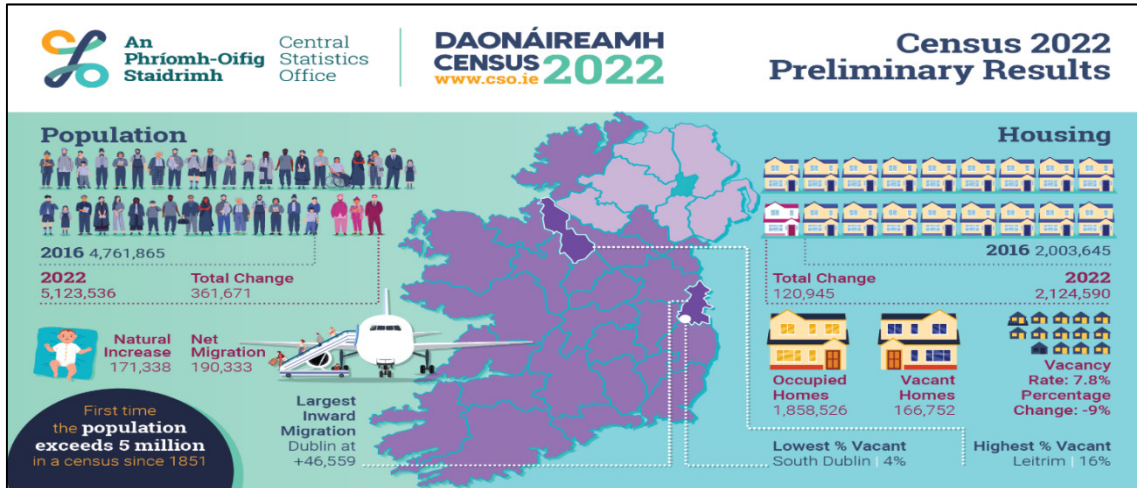
Explain two other **key** assumptions of consumer behaviour.

1.
2.

75 marks

Question 13

The infographic below is from the CSO. It shows preliminary results from Census 2022.



- (a) (i) Using the data in the table below (extracted from the infographic above), calculate what percentage of the change in the population between 2016 and 2022 consisted of net migration. **Show your workings.**

Population 2016	4,761,865
Population 2022	5,123,536
Total Change	361,671
Net Migration	190,333

Workings:

Answer:

- (ii) Discuss two economic consequences of an **increasing population**.

1.
2.

- (iii)** The infographic on page 21 also highlights why the Government introduced the Vacant Home Tax. Outline two **advantages** of the introduction of the Vacant Home Tax.

Adapted from the Irish Times

1.
2.

- (b)** Globalisation is not dead. It may not even be dying. But it is changing.

Adapted from The Financial Times

- (i)** Explain the term globalisation.

Globalisation:

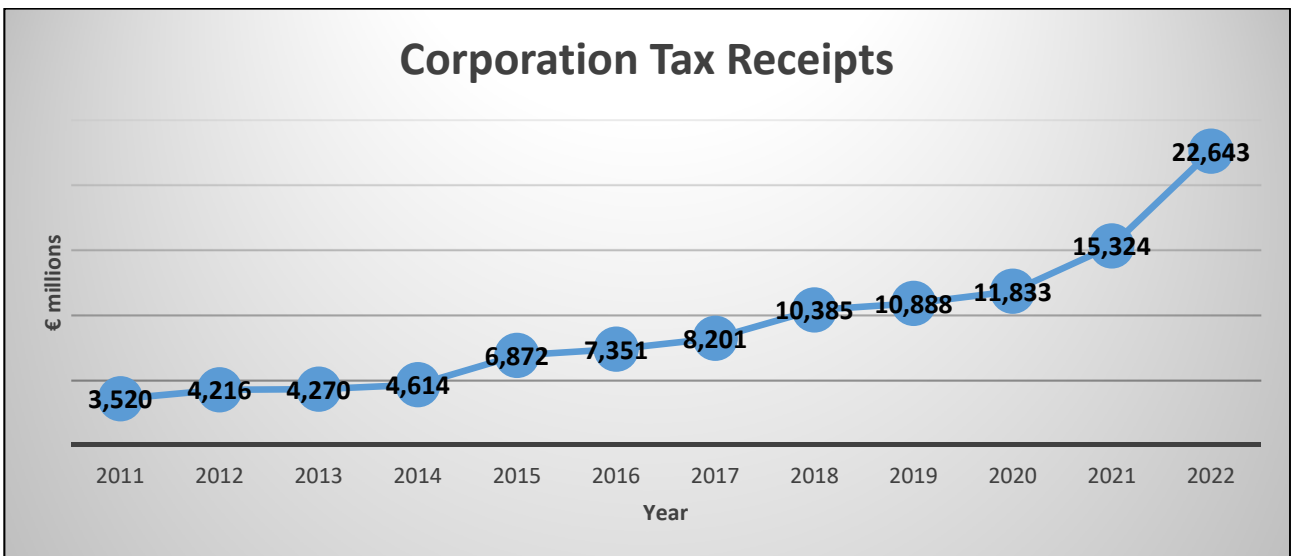
- (ii)** Explain two reasons behind the growth of globalisation in the second half of the 20th Century (i.e. between 1950 – 1999).

1.
2.

(iii) Outline one positive **and** one negative impact of globalisation.

Positive:
Negative:

(c) The diagram below shows Ireland’s Corporation Tax receipts between 2011 – 2022.



(i) Outline the overall trend in corporation tax receipts as shown in the diagram above, using data from the above line graph. Explain a reason for this trend.

Outline:
Explain:

(ii) It is essential that the government uses budget surpluses wisely.

Adapted from gov.ie

Explain the term **government current budget surplus**.

Explanation:

(iii) Outline one possible positive **and** one possible negative economic consequence of having a government budget surplus.

One possible positive:
One possible negative:

75 marks

Question 14

(a) (i) In the Irish economy there are many restaurants in the market. This is an example of monopolistic competition. Outline three characteristics (other than many sellers) of a firm operating in **monopolistic competition**.

1.
2.
3.

(ii) Firms operating under monopolistic competition waste resources. Do you agree or disagree with this statement? Indicate your choice below by ticking (✓) the relevant box and justify your choice.

Agree:

Disagree:

Justify:

- (b) (i) Explain, with the aid of a fully labelled diagram (including the axes), the long-run equilibrium of a firm operating in **monopolistic competition**.



Explanation:

- (ii) Outline one possible **economic advantage** to consumers of monopolistic competitive markets.

Economic advantage:

- (c) The President of the European Central Bank (ECB), Christine Lagarde, defended the interest rate increases made by the ECB in 2022/2023 and has said she recognised that interest rate increases were a burden for some people.

Adapted from RTÉ.ie

- (i) Explain one economic effect these interest rate increases have on **each** of the following:

Level of consumer spending:
Cost of servicing the national debt:

- (ii) Calculate the **real rate of interest** if the nominal interest rate was 2.25% and the inflation rate was 5.5%. **Show your workings.**

Workings:
Answer:

- (iii) The number of people using the services offered by Neobanks/Challenger banks such as Revolut and N26 has grown rapidly in Ireland in recent years.

Adapted from RTÉ News

Outline two reasons why so many Irish people have adopted a digital-only bank account such as Revolut.

1.
2.

75 marks

(b) In 2022, the IMD (Institute for Management Development) ranked Ireland as the third most competitive country in the euro area. Adapted from competitiveness.ie

(i) Suggest two economic measures that the Irish government could implement to continue the improvement in the competitiveness of firms in Ireland.

1.
2.

(ii) Over the past year, the American dollar (\$) has increased in value against the euro (€). Outline the effects **this increase in the value of the American Dollar** could have on each of the following:

- Ireland's exports to the US
- Ireland's imports from the US.

Ireland's exports to the US:
Ireland's imports from the US:

(iii) If competitiveness in Ireland was to deteriorate, this could increase the chance of Ireland entering into a recession. Explain the term recession.

Recession:

- (c) (i) In 2023, Ireland celebrated its 50th anniversary of its membership of the EU. Other countries like the Ukraine and Moldova wish to join the EU.
Give two reasons why countries wish to join the EU.

Adapted from ESRI

1.
2.

- (ii) According to a European Agency, Eurostat, Ireland has the second highest rate of obesity in the European Union, with 26% of the adult population classified as obese.

Adapted from the Irish Times

Explain one economic measure **and** one social measure which, if taken, could help reduce obesity levels in Ireland.

Economic measure:
Social measure:

- (iii) Amazon secured planning permission for two new data centres in Dublin despite objections from environmental groups. (A data centre is a remote place, with many servers, used for the storage, processing and distribution of information.)
Adapted independent.ie

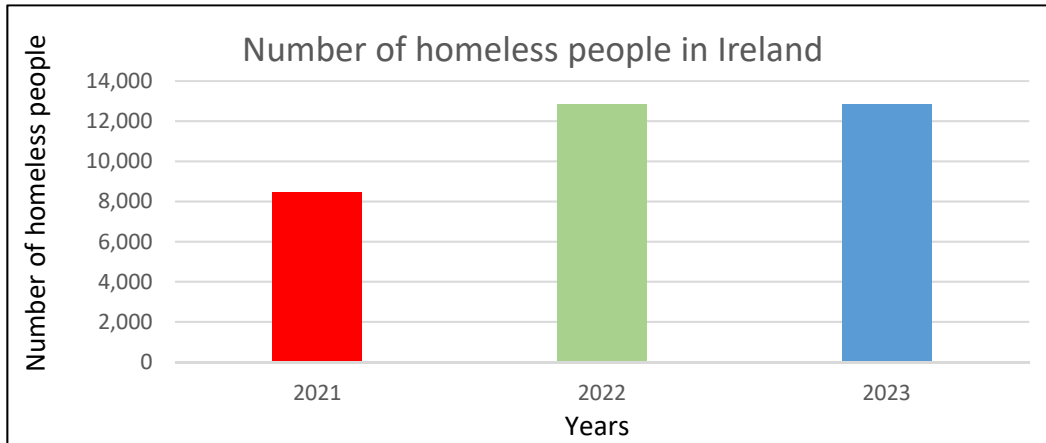
Discuss two possible **negative consequences** for the Irish economy of these data centres locating in Ireland.

1.
2.

75 marks

Question 16

12,827 people living in emergency accommodation in Ireland are facing into 2024 in homelessness.



Adapted from Independent.ie

(a) (i) Outline two reasons for the increase in the number of homeless people in Ireland.

1.
2.

(ii) Over 7,400 new social housing units were built in 2022. Discuss two benefits of increasing expenditure on social housing apart from helping to reduce the level of homelessness.

1.
2.

(b) (i) Explain the term income elasticity of demand.

(ii) Using an appropriate formula and the figures in the table below, calculate the **income elasticity of demand (YED)** for this good. Explain the economic meaning of your answer. **Show your workings.**

Year	Average Income	Quantity Demanded
2022	€40,000	150 units
2023	€50,000	180 units

Workings:

Answer:

Explanation:

(iii) Assume the income elasticity of demand (YED) for a PlayStation 5 is + 5.2 and total sales in 2023 were 10,000 units. **Calculate the expected total sales** for the year if consumers' incomes are expected to fall by 5% in 2024. **Show your workings.**

Workings:

Answer:

- (c) A major expansion to the Dublin Area Rapid Transport (DART) service (named DART+ project) is set to begin construction in 2024 with an operational target date of 2029. The DART+ project plans to extend the length of the network from 50km to over 150km at a cost of €1.1bn.

Adapted from dartplus.ie

- (i) The above expenditure is classed as capital expenditure. Explain the term **capital expenditure** using an example other than transport.

Explain:
Example:

- (ii) Outline one social cost **and** one social benefit of the proposed DART+ project.

Social Cost:
Social Benefit:

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Leaving Certificate – Higher Level

Economics

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