

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, 2011

WEDNESDAY, 22 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.

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.

Examiner use only

Q.	Mark
1	
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**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 **four** steps involved in constructing a Consumer Price Index (CPI).

Step 1 _____

Step 2 _____

Step 3 _____

Step 4 _____

(16 marks)

2. Define a mixed economy. State **two** examples of economic activity which supports the view that Ireland is a mixed economy.

Definition: _____

Example 1: _____

Example 2: _____

(16 marks)

3. Name the market structure (Perfect Competition, Imperfect Competition or Monopoly) to which each statement below is most likely to apply:

	STATEMENT	MARKET STRUCTURE
(i)	The firm has a perfectly elastic demand curve.	
(ii)	The product of the firm is unique.	
(iii)	Restaurants could be an example of this market structure.	
(iv)	Average costs of the firm are at a minimum.	

(16 marks)

4. Outline **three** areas of responsibility of the National Treasury Management Agency (NTMA).

(i) _____

(ii) _____

(iii) _____

(16 marks)

5. Define the term occupational mobility of labour. Outline **two** factors which can influence it.

Definition: _____

Factor 1: _____

Factor 2: _____

(16 marks)

6. Outline **two** possible economic effects for the Irish economy of the euro (€) falling in value relative to the US dollar (\$).

(i) _____

(ii) _____

(17 marks)

7. State **three** reasons why multinational firms are re-locating to countries like Vietnam, Indonesia and Thailand in Southeast Asia.

(i) _____

(ii) _____

(iii) _____

(17 marks)

8. A consumer buys 20 units of Good A when the price of Good B is €8. When the price of Good B rises to €10 (the price of Good A remaining unchanged) the consumer buys 12 units of Good A. Using an appropriate formula, calculate this consumer's cross elasticity of demand for Good A. (Show your workings.)

WORKINGS

Answer:

Is Good A a substitute for, or a complement to, Good B? Explain your answer.

(17 marks)

9. In September 2010 approximately 5.1% of mortgage accounts were **in arrears** (behind on mortgage payments) of 90 days or more. Outline **two** economic **reasons** for this development and **two** **actions** financial institutions could take to help mortgage customers.

Reasons:

(i) _____

(ii) _____

Actions:

(i) _____

(ii) _____

(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) (i) Define the economic terms: **individual (consumer) demand; market demand.**
(ii) Explain, with the aid of labelled diagrams, the relationship between individual (consumer) demand and market demand. (20)
- (b) (i) Distinguish between the economic meanings of a 'movement along a demand curve' and a 'shift in a demand curve' for concert tickets.
Illustrate your answer using diagrams.
(ii) State and explain **two** factors that would cause a shift in a demand curve for concert tickets. In **each** case explain how the factor affects the demand curve. (30)
- (c) The Law of Diminishing Marginal Utility states that as more of a product is consumed, eventually each additional unit of the good provides less additional utility (marginal utility).

- (i) Explain **two** assumptions underlying the Law of Diminishing Marginal Utility.

A consumer in equilibrium buys 6 health bars at €0.80 each and 9 cartons of juice at €1.50 each. The marginal utility of the 6th health bar is 40 utils.

- (ii) Using the **Equi-Marginal Principle of Consumer Behaviour** calculate the marginal utility of the ninth carton of juice. (Show all your workings.) (25)

[75 marks]

2. (a) *Some Telecoms' analysts believe the main mobile operators in Ireland – Vodafone, O2, Meteor and 3 – control an oligopoly and have little reason to make the market really competitive.* (The Irish Times, November, 2010)
- (i) Outline **three** key features of an oligopolistic market.

Firms in an oligopolistic market may have objectives other than profit maximisation.

- (ii) Outline **two** objectives firms in oligopoly may have, other than achieving the maximum level of profits. (25)

- (b) Using **one** clearly labelled diagram:

- (i) Explain the shape of the 'kinked' demand curve facing a firm in oligopoly.
(ii) Explain the long run equilibrium position of this firm. (25)

- (c) It is suggested that consumers prefer price competition in the market place, yet there are benefits for consumers arising from non-price competition.

- (i) Explain **two** reasons why consumers may prefer price competition.
(ii) Describe **two** benefits to consumers of non-price competition. (25)

[75 marks]

3. (a) (i) Define the term Marginal Revenue Productivity (MRP) of a factor of production.
(ii) State and explain **two** factors that can influence MRP.
(iii) Outline **two** difficulties that may arise in measuring MRP. (25)

(b) ‘Capital Investment has been an important driver of economic advancement in Ireland over the past ten years, providing the capacity and scope for growth’.
(The National Recovery Plan 2011 – 2014)

- (i) State and explain **three** reasons why investment is important for the Irish economy.
(ii) Describe **three** factors that currently influence the level of investment in the Irish economy. (30)

(c) Advise the Minister for Transport on **two** possible economic advantages and **two** possible economic disadvantages of investing in public transport, rather than investing in the construction of new roads. (20)

[75 marks]

4. The table below shows the short run production costs for a small firm producing and selling kitchen furniture.

Number of units of output	Fixed Costs	Variable Costs	Total Costs
	€	€	€
1	400	600	1,000
2	400	1,200	1,600
3	400	1,850	2,250
4	400	2,900	3,300
5	400	4,100	4,500

- (a) (i) Using the information in the table above calculate the following:
- The **marginal cost** of producing the 4th unit.
 - The **average cost** of producing 5 units.
 - The **profit** earned by the firm selling 5 units of output at €1,200 per unit. (Show your workings.)
- (ii) Using the information in the table above, draw the firm’s short run average cost (AC) curve. Explain the reasons for its shape. (30)

(b) ‘The cost of doing business in Ireland is falling. However, some costs continue to increase or remain relatively high’.
(National Competitiveness Council Report, 2010)

- (i) Discuss the economic advantages of falling costs of production for the Irish economy.
(ii) Outline possible restrictions on the growth of businesses in the Irish economy at present. (30)

(c) The British Petroleum (BP) oil spill in the Gulf of Mexico in 2010 is estimated to have cost a total of \$40 bn. Identify **two** costs for BP and **two** costs to society associated with this oil spill. (15)

[75 marks]

5. (a) The Budget is a statement of the Government's fiscal policy. The Irish Government, in its National Recovery Plan 2011-2014 committed to reducing the General Government Deficit to under 3% of GDP by 2014.
- (i) Explain the underlined term.
(ii) State and explain **four** possible economic effects on the Irish economy of the government's plan to significantly reduce the deficit over the next four years. (30)
- (b) It has been suggested that in order to reduce the National Debt the government should privatise state owned companies in the coming years.
- (i) Explain the term 'privatisation'.
(ii) Outline **four** economic arguments in favour of privatisation OR outline **four** economic arguments against privatisation. (25)
- (c) *'The number of staff in the Irish public sector grew by 15.5% from 2001 to 2008, according to OECD statistics'. (Report on the Sources of Ireland's Banking Crisis, 2010)*
- Discuss **four** measures the Minister for Finance could take to reduce the public sector wage bill. (20)
- [75 marks]

6. (a) Money is usually defined by reference to the functions it performs.
- (i) Outline **four** functions of money.
(ii) Explain the term 'Monetary Policy'.
(iii) Explain a central bank's function as 'lender of last resort'. (35)
- (b) Many believe that a lack of supervision ('light-touch regulation') of financial institutions in Ireland contributed significantly to the banking crisis.
- Discuss the economic reasons why commercial banks in Ireland should be regulated. (20)
- (c) It is being suggested that the ECB will increase interest rates in the 2011/2012 period. Explain the economic effects of rising interest rates on the Irish economy. (20)
- [75 marks]

7. (a) (i) Define the following terms:
- Gross Domestic Product at Current Market Prices;
 - Gross National Product at Factor Cost.
- (ii) Explain **two** reasons why **GDP** in Ireland at present is larger than **GNP**. (30)
- (b) (i) Explain what is meant by the term 'Multiplier'.
- (ii) It has been estimated that in the Irish economy:
 $MPT = 0.22$, $MPM = 0.30$, $MPS = 0.28$.
 Calculate the value of the Multiplier in the Irish economy.
- (iii) Outline briefly how taxes affect the value of the Multiplier. (25)
- (c) 'The Irish Government predicts that the rate of economic growth in 2011 will be 1.75%'.
 (The National Recovery Plan 2011-2014)

Discuss the economic effects of an increase in the rate of economic growth on the Irish economy.

(20)

[75 marks]

8. (a) Discuss the economic uses of the 2011 Census of Population data for Government and Business. (20)
- (b) 'Ireland is experiencing the highest level of net outward migration since 1989'.
 (The Central Statistics Office, 2010)
 Discuss the reasons why Ireland is now experiencing a high level of net outward migration. (25)
- (c) 'The unemployment rate in Ireland in December 2010 was 13.6%'.
 (The Central Statistics Office)
- (i) Discuss **two** economic measures which the Government could take in order to reduce the level of unemployment in Ireland.

At the end of the year 2010, the EU and the IMF agreed €85bn of financial support for Ireland.

- (ii) Discuss the economic effects of this financial support on the Irish economy. (30)

[75 marks]

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