

**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, 2014**

**WEDNESDAY 18 JUNE MORNING 9.30 – 12.00**

## **ECONOMICS – ORDINARY LEVEL** (400 marks)

Answer **six** questions from Section A and **four** questions from Section B.

### **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.

**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. Complete the following statement:

Economics is a \_\_\_\_\_ science.

It examines how scarce \_\_\_\_\_ are used to satisfy our infinite \_\_\_\_\_.

**(16 marks)**

2. Indicate by means of a tick (✓) the category to which each good or service belongs:

Statement	Visible exports	Invisible exports	Visible imports	Invisible imports
Irish farmers selling beef in the UK.				
Irish rugby supporters travelling to France.				
Americans using Aer Lingus to travel to Ireland.				
Irish consumers buying Abercrombie hoodies from USA on-line.				

**(16 marks)**

3. Choose the correct word from the **bracketed words** to complete the following statement:

As (**increasing / decreasing**) \_\_\_\_\_ quantities of a good are consumed, the marginal utility gained from consuming each extra unit of the good will eventually (**rise / fall**) \_\_\_\_\_.

**(16 marks)**

## SECTION A (continued)

4. Outline **one** economic effect which a decrease in public sector pay may have for **each** of the following:

**Retailers in Ireland:** \_\_\_\_\_

\_\_\_\_\_

**Government Finances:** \_\_\_\_\_

\_\_\_\_\_

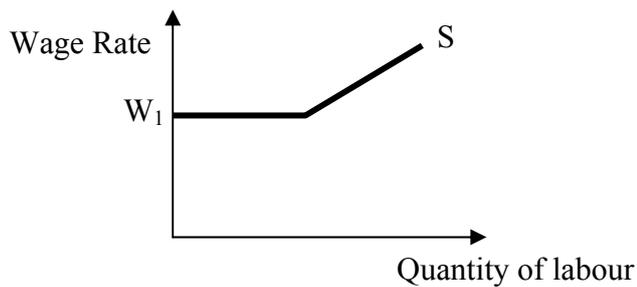
(16 marks)

5. Suppose  $C + I + G = \text{€}3,200\text{m}$ , calculate the **National Income (Y)** if exports (X) are €500m and imports (M) are €400m. (Show all your workings).

Workings	Answer
	€ _____

(16 marks)

6. The diagram below represents the supply curve of labour in a market where a trade union has negotiated a minimum wage.



Tick (✓) **True** or **False** after each of the following statements:

Statement	TRUE	FALSE
$W_1$ is the minimum wage rate in the above diagram.	<input type="checkbox"/>	<input type="checkbox"/>
Trade Union members will work below wage rate $W_1$ .	<input type="checkbox"/>	<input type="checkbox"/>
As the wage rate increases above $W_1$ , the supply of labour <b>decreases</b> .	<input type="checkbox"/>	<input type="checkbox"/>

(17 marks)

## SECTION A (continued)

7. The Home Renovation Incentive Scheme introduced in Budget 2014 entitles homeowners to claim tax relief on renovation work carried out in their homes.

State **one** economic effect which this scheme may have for **each** of the following:

**Irish businesses:** \_\_\_\_\_

\_\_\_\_\_

**Homeowners:** \_\_\_\_\_

\_\_\_\_\_

(17 marks)

8. Match the economic ideas listed below with the associated economist:

Economic Idea	Economist			
A. Canons of Taxation	1. John Maynard Keynes			
B. Liquidity Preference Theory	2. Karl Marx			
C. Theory of Population and Food Supply	3. Adam Smith			
D. Worker exploitation in a capitalist system	4. Thomas Malthus			

Economic Idea	A	B	C	D
Economist				

(17 marks)

9. A formula for measuring **Price Elasticity of Demand (PED)** is as follows:

$$\frac{\Delta Q}{\Delta P} \times \frac{P_1 + P_2}{Q_1 + Q_2}$$

Complete the following table to indicate what each of the above symbols stands for:

$\Delta Q$	
$\Delta P$	Change in the price of the good.
$P_1$	
$P_2$	
$Q_1$	Original quantity demanded of the good.
$Q_2$	

(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.

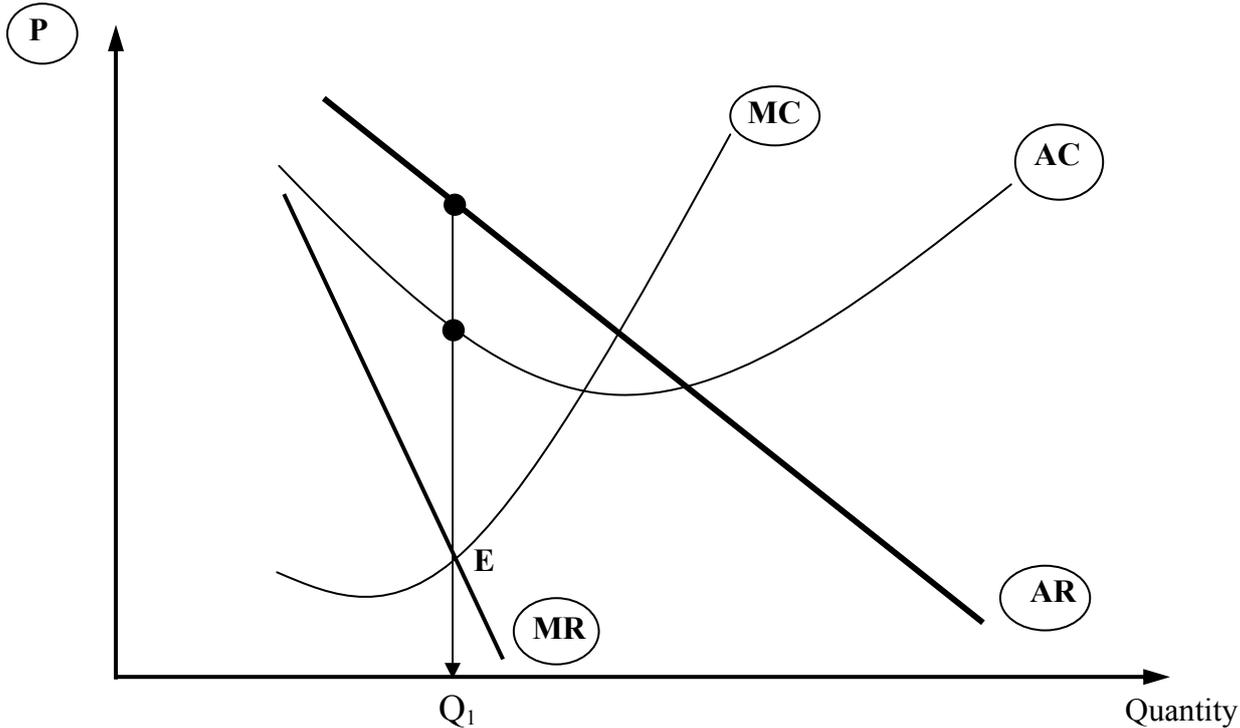
Write the answers in your answer book(s).

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. The diagram below represents a **Monopoly** firm in equilibrium.



(a) Copy the diagram into your answer book.

- (i) State what **each** of the five labels circled above represents.
- (ii) The firm is in equilibrium at point E and produces output  $Q_1$ .

Show on your diagram:

- The price the firm will charge for  $Q_1$ . (use label  $P_1$ )
- The average cost of producing this output. (use label  $C_1$ )

**(30 marks)**

(b) A legal/statutory monopoly is a barrier to entry.

- (i) Explain the underlined term.
- (ii) State **two other** barriers to entry facing firms wishing to enter a monopoly market.
- (iii) Write brief notes on **each** of these.

**(21 marks)**

(c) Dublin Bus has a monopoly on bus services on certain routes in Dublin. Some people have suggested that there should be increased competition for bus services in Dublin.

- (i) State and explain **two** advantages of **this** statutory monopoly for consumers.
- (ii) State and explain **two** reasons why increased competition may benefit consumers.

**(24 marks)**

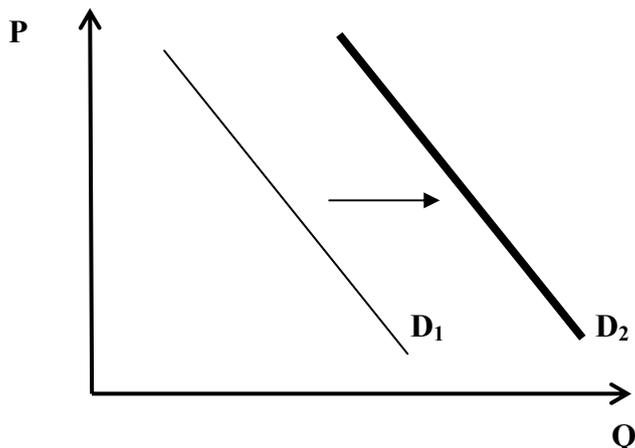
**[75 marks]**

2. (a) An economic good is scarce and transferable, and provides the consumer with utility.

- (i) Explain **any two** of the underlined terms.
- (ii) Is good health an economic good? Explain your answer.

(21 marks)

(b) The diagram below represents a shift in the demand curve for new cars in Ireland.



- (i) Explain the Law of Demand.
- (ii) State and explain **two** reasons why the demand curve for new cars might shift to the right.
- (iii) Outline **one** economic advantage to society of increased use of electric cars.

(24 marks)

(c) “The government is considering the introduction of a minimum price for alcohol to combat alcohol abuse.”  
*(The Irish Times, October 2013)*

- (i) State and explain **one other** measure the government could take to reduce alcohol consumption.
- (ii) Discuss **two** possible benefits to **individuals** if they reduce their alcohol consumption.
- (iii) Discuss **two** possible benefits to **society** if the consumption of alcohol falls.

(30 marks)

[75 marks]

3. (a) The economy in China is changing from a centrally planned economic system to a mixed economic system.
- (i) Explain **each** of the underlined terms.
  - (ii) State **one other** example of a centrally planned economic system and **one other** example of a mixed economic system.
  - (iii) Outline **one** possible economic advantage for Chinese citizens of this change towards a mixed economic system.
- (20 marks)**
- (b) Some Less Developed Countries (LDCs) experience difficulties in trying to achieve economic growth.
- (i) Explain the underlined term.
  - (ii) Outline **two other** economic difficulties which LDCs may experience.
  - (iii) Outline **two** measures which **Irish citizens** could take to help improve the standard of living of citizens in LDCs.
- (25 marks)**
- (c) In recent years Ireland has been in recession and has experienced little or no economic growth.
- (i) What is the name of the official measurement of the size of the economy?
  - (ii) Outline **one** benefit of economic growth to **each** of the following in the Irish economy:
    - Irish citizens;
    - Retailers;
    - Government finances.
- (30 marks)**  
**[75 marks]**
4. (a) In Budget 2014 The Minister for Finance decided to retain the reduced 9% VAT rate in the tourism sector and to remove the €3 Airport travel tax.
- (i) Explain the term 'Value Added Tax'.
  - (ii) Are the taxes underlined above direct taxes or indirect taxes? Explain your answers.
  - (iii) Discuss **two** possible economic reasons why the Minister for Finance decided on the above measures.
- (30 marks)**
- (b) The Budget 2014 is considered to be an 'austerity' budget. **NOTE:** 'Austerity' refers to measures taken by the government to reduce government budget deficits.
- (i) State **two** examples of austerity measures introduced by the Irish government in recent years.
  - (ii) Outline **two** economic effects which austerity measures may have on Irish citizens.
- (21 marks)**
- (c) Outline **one** economic argument **in favour of** and **one** economic argument **against** **ANY TWO** of the following government measures announced in Budget 2014:
- A reduction in Jobseekers Allowance (i.e. dole payment) to €100 for unemployed people under 25 years;
  - Increase in rate of Deposit Interest Retention Tax (DIRT) from 33% to 41%;
  - Increase in excise duty on tobacco (e.g. 10c increase on a packet of 20 cigarettes).
- (24 marks)**  
**[75 marks]**

5. (a) Irish businesses face many challenges in attempting to control their costs.
- (i) Define fixed cost **and** variable cost and state **one** example of each.
  - (ii) State and explain **two** reasons why it is important for a business to control its costs.
- (25 marks)**
- (b) Patrick Joy was named Entrepreneur of the Year in 2013. He is the founder of Suretank, a Louth-based manufacturer of cargo-carrying units for the offshore oil and gas industry.
- (i) Explain the underlined term.
  - (ii) Outline **two** reasons why entrepreneurs are essential for the Irish economy.
  - (iii) Outline **two** actions which the government could take to encourage entrepreneurship in Ireland.
- (25 marks)**
- (c) Businesses need factors of production to produce output or provide a service.
- (i) State and explain the **three** factors of production, other than enterprise.
  - (ii) Outline **two** economic factors which an entrepreneur should consider when choosing a suitable location for his/her business in Ireland.
- (25 marks)**  
**[75 marks]**
6. (a) Explain the following terms:
- (i) Barter;
  - (ii) Money;
  - (iii) Price Inflation.
- (21 marks)**
- (b) In November 2013 the ECB reduced interest rates.
- (i) What do the initials **ECB** represent?
  - (ii) Explain the underlined term.
  - (iii) Discuss **three** possible economic effects of a reduction in interest rates on the Irish economy.
- (30 marks)**
- (c) A number of retail banks have shut down operations in Ireland in recent times and some credit unions are in financial difficulty.
- (i) Outline **two** functions of commercial/retail banks.
  - (ii) Outline **two** economic effects of the reduction in the number of banks on the Irish economy.
  - (iii) Outline **one** reason why some credit unions are in financial difficulty.
- (24 marks)**  
**[75 marks]**

7. (a) In December 2013 the WTO reached agreement with member countries in relation to reducing barriers to free trade.
- (i) What do the initials **WTO** stand for?
  - (ii) Define **each** of the following barriers to free trade: **tariffs** and **quotas**.
  - (iii) Discuss **two** reasons why some countries impose barriers to free trade.
- (25 marks)**
- (b) (i) Ireland is an example of an "open economy".  
Explain this statement.
- (ii) Outline **two** benefits for the Irish economy of increased exports.
  - (iii) State and explain **two** factors which could make Irish exports more competitive.
- (30 marks)**
- (c) Croatia is the newest member of the EU, bringing the number of member states to 28.
- (i) What do the initials **EU** stand for?
  - (ii) Discuss **three** economic effects for the Irish economy of more countries joining the EU.
- (20 marks)**  
**[75 marks]**
8. (a) “Ireland has gone from having the highest net immigration levels in Europe to the highest net emigration levels in just six years.”  
*(The Irish Times, November 2013)*
- (i) Explain **each** of the underlined terms.
  - (ii) Discuss **two** reasons why emigration levels have increased.
  - (iii) Outline **one** positive economic effect and **one** negative economic effect of increased emigration for the Irish economy.
- (30 marks)**
- (b) “Unemployment is at its lowest level since 2009, according to the latest figures from the CSO.”  
*(RTE News November 2013)*
- (i) What do the initials **CSO** stand for?
  - (ii) Discuss **one** economic effect which a fall in unemployment may have on **each** of the following:
    - Retailers in Ireland;
    - Government finances;
    - Ireland’s Balance of Trade (i.e. Visible exports less Visible imports).
- (25 marks)**
- (c) Increasing employment is one of the economic aims of the Irish government.
- (i) State and explain **two other** economic aims of the government.
  - (ii) Explain **one** measure the government could take to achieve **each** economic aim you have stated in (i) above.
- (20 marks)**  
**[75 marks]**

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