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.
SECTION A (100 Marks)

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

1. State FOUR possible economic effects of rising price inflation on the Irish economy.
   (i) ____________________________________________________________
   (ii) ____________________________________________________________
   (iii) ____________________________________________________________
   (iv) ____________________________________________________________ (16 marks)

2. State THREE assumptions underlying the Law of Comparative Advantage.
   (i) ____________________________________________________________
   (ii) ____________________________________________________________
   (iii) ____________________________________________________________ (16 marks)

3. Consumers buy 50 units of a product when the price is €1.50. When the price is reduced to €1 consumers buy 90 units. Using an appropriate formula, calculate the consumers’ price elasticity of demand. Show your workings and explain your answer.
   **Workings**
   **Explanation:**
   ____________________________________________________________
   ____________________________________________________________
   ____________________________________________________________
   ____________________________________________________________ (16 marks)

4. Firms attempting to enter a monopoly market must overcome barriers to entry. Outline THREE such barriers to entry.
   (i) ____________________________________________________________
   (ii) ____________________________________________________________
   (iii) ____________________________________________________________ (16 marks)

5. Outline THREE functions/responsibilities of the European Central Bank (ECB).
   (i) ____________________________________________________________
   (ii) ____________________________________________________________
   (iii) ____________________________________________________________ (16 marks)
6. Outline TWO circumstances under which a factor of production can earn Economic Rent.

(i) __________________________________________________________

(ii) __________________________________________________________

(17 marks)

7. ‘An Irish banking group owns thirty branch offices. There is no opportunity cost to the banking group using these offices as they are fully owned’. True / False.

Circle your choice and give a one sentence explanation of your answer.

___________________________________________________________________________________

___________________________________________________________________________________

___________________________________________________________________________________

(17 marks)

8. Define Social Costs. State TWO significant examples currently facing the Irish economy.

Definition: __________________________________________________________________________

___________________________________________________________________________________

Example 1: _________________________________________________________________________

Example 2: _________________________________________________________________________

(17 marks)

9. Energy costs (e.g. electricity) increased significantly in Ireland during 2006.
Outline TWO economic reasons for the increase and TWO economic consequences of this specific development for the Irish economy.

Reasons:

(i) _______________________________________________________________________________

(ii) _______________________________________________________________________________

Consequences:

(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 (firm) supply; market supply.

(ii) Explain, with the aid of labelled diagrams, the relationship between individual (firm) supply and market supply.

(b) Explain, with the aid of a labelled diagram, the supply curve of an individual firm in each of the following circumstances. State one example in each case.

(i) A firm is willing to increase supply as price rises, but there is a minimum price below which the firm will not supply at all.

(ii) A firm can supply only up to a maximum production capacity.

(iii) The product is fixed in supply (e.g. perishable good) and a firm is operating in the short run.

(c) Outline FOUR factors, other than price, which affect the supply curve of an individual firm. In each case explain how the factor affects the supply curve.

2. (a) (i) A firm operating under conditions of perfect competition is a ‘price taker’. Explain the concept of being a ‘price taker’.

(ii) Explain, with the aid of a labelled diagram, the equilibrium position of a firm in short run perfect competition.

(b) With the aid of a labelled diagram(s), explain the impact which the entry of new firms would have on the market and on the equilibrium position of this firm.

(c) (i) Many firms today engage in product differentiation. Explain this underlined term showing, with suitable examples, how it can be achieved.

(ii) Explain the effect of product differentiation on the AR and MR curves of a firm, which previously operated under conditions of perfect competition.
3. (a) The demand for labour as a factor of production is a derived demand and is affected by that factor’s Marginal Revenue Productivity (MRP).

(i) Explain each of the underlined terms.

(ii) Outline TWO developments, other than a fall in MRP, which may result in a firm reducing its number of employees. (20 marks)

(b) (i) State and explain THREE factors which are currently affecting the supply of labour to the Irish economy.

(ii) The demand for labour has increased significantly in certain sectors of the Irish economy in recent years, e.g. construction. Discuss THREE economic consequences of this situation. (30 marks)

(c) ‘At a time of full (or near full) employment in the Irish economy, it is important that there should be the maximum occupational mobility and geographical mobility of labour.’

(i) Distinguish between the two underlined terms.

(ii) Outline THREE economic policies which could increase either occupational mobility of labour or geographical mobility of labour, in Ireland. (25 marks)

[75 marks]

4. (a) Free Enterprise (Laissez Faire) and a Command Economy (Central Planning) are examples of economic systems.

(i) Explain each of the underlined terms.

(ii) In relation to any ONE of the economic systems above, outline TWO possible economic advantages and TWO possible economic disadvantages. (25 marks)

(b) (i) ‘The Irish Economy can be described as a Mixed Economy’. Outline FOUR examples of economic activity in the Irish economy to support this view.

(ii) Do you consider that the Irish economy is moving towards more free enterprise or towards more central planning in recent years? Explain your answer, using appropriate examples. (30 marks)

(c) In the case of any TWO of the following economists, outline TWO contributions which each one has made to the development of economic ideas:

Adam Smith; Alfred Marshall; John Maynard Keynes; Milton Friedman. (20 marks)

[75 marks]
5. (a) Explain the following economic terms, using appropriate examples in each case:

(i) **Government Current Budget**;
(ii) **Government Capital Budget**;
(iii) **Revenue Buoyancy**;
(iv) **Regressive Taxation**.

(25 marks)

(b) State and explain how a government budget could be affected by each of the following developments:

(i) a rise in interest rates in the economy;
(ii) a fall in the rate of stamp duty on property purchased;
(iii) the introduction of subsidised child care for all families within the state.

(30 marks)

(c) You are appointed Economic Advisor to the Minister for Finance. Outline the economic arguments you would identify for the Minister in favour of lowering Irish income taxation rates.

(20 marks)

[75 marks]

6. (a) The main components of National Income are: Consumption, Investment, Government Expenditure, Exports, Imports.

(i) Show the equation which links all of these components with the level of National Income in the economy.

(ii) Explain what determines/influences the size of each of these components of National Income.

(25 marks)

(b) The table below shows the level of National Income, Consumption, Investment, Exports and Imports at the end of Year 1 and Year 2.

(For the purpose of this question you may ignore the government sector.)

<table>
<thead>
<tr>
<th>Year</th>
<th>National Income</th>
<th>Consumption</th>
<th>Investment</th>
<th>Exports</th>
<th>Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>€10,000</td>
<td>€8,600</td>
<td>€1,000</td>
<td>€1,200</td>
<td>€800</td>
</tr>
<tr>
<td>2</td>
<td>€11,200</td>
<td>€9,500</td>
<td>€1,300</td>
<td>€1,100</td>
<td></td>
</tr>
</tbody>
</table>

Calculate the following, showing all your workings:

(i) The level of Exports in Year 2;
(ii) The Marginal Propensity to Import;
(iii) The Marginal Propensity to Save;
(iv) The size of the Multiplier. Explain the economic meaning of this multiplier figure.

(25 marks)

(c) Less developed countries (LDCs) are primarily concerned with achieving **economic development** while developed countries are concerned with achieving **economic growth**.

(i) Distinguish between the two underlined terms.
(ii) Outline THREE characteristics which indicate that a country is a LDC.

(25 marks)

[75 marks]
7. (a) The Balance of Payments is made up of the **Current Account** and the **Capital Account**.

Explain each of the underlined terms. Include details of the main components of each account in your explanations.  

(30 marks)

(b) Suppose the euro (€) increases in value relative to the American dollar ($) and sterling (£). Outline the likely effects this increase would have on any **THREE** components of the Balance of Payments, which you listed in answering (a) above.  
[At least one component should be from the Capital Account.]  

(25 marks)

(c) The enlargement of the European Union (EU) continues with the addition of Bulgaria and Romania in January 2007. There are now 27 member states.  

Discuss **FOUR** economic consequences for the Irish economy, of the EU enlargement process.  

(20 marks)

[75 marks]

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

(i) employment;  
(ii) interest rates;  
(iii) price inflation;  
(iv) government taxation.  

(20 marks)

(b) (i) State and explain **FOUR** economic aims of the Irish government.

(ii) Discuss **TWO** examples where economic policies introduced to achieve one economic aim, may make it more difficult to achieve one of the other aims.  

(25 marks)

(c) ‘The **National Debt / GDP ratio** has fallen from over 90% during the first half of the 1990’s to an estimated 25.1 % at the end of 2006’. (National Treasury Management Agency)

(i) Briefly explain each of the underlined terms.

(ii) Outline the economic benefits of this changed situation for the Irish economy.  

(30 marks)

[75 marks]

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