Coimisiún na Scrúduithe Stáit
State Examinations Commission

LEAVING CERTIFICATE EXAMINATION, 2019

ECONOMICS – ORDINARY LEVEL
(400 marks)

FRIDAY 21 JUNE MORNING 9.30 – 12.00

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.

You must return this examination paper with your answer book(s) at the end of the examination.
SECTION A (100 marks)

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

1. What do the following letters stand for? Write each answer in the appropriate space.

<table>
<thead>
<tr>
<th>Letter</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU</td>
<td></td>
</tr>
<tr>
<td>ECB</td>
<td></td>
</tr>
<tr>
<td>WTO</td>
<td></td>
</tr>
</tbody>
</table>

(16 marks)

2. The diagram below represents the long run equilibrium of a firm in Perfect Competition.

(i) Write in words the full label (not abbreviations) for each of the lines numbered 1 and 2. Use the answer box provided.

(ii) On the above diagram show:
- The price the firm will charge for its output (use label $P_1$)
- The output the firm will produce in equilibrium (use label $Q_1$).

(16 marks)

3. State examples of the four factors of production under each of the following headings:

<table>
<thead>
<tr>
<th>Factor</th>
<th>Example of factor of production</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td></td>
</tr>
<tr>
<td>Labour</td>
<td></td>
</tr>
<tr>
<td>Capital</td>
<td></td>
</tr>
<tr>
<td>Enterprise</td>
<td></td>
</tr>
</tbody>
</table>

(16 marks)
4. Name the economist associated with any three of the following economic ideas/concepts listed below:

<table>
<thead>
<tr>
<th>Economic Idea / Concept</th>
<th>Name of Economist</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Canons of Taxation</td>
<td></td>
</tr>
<tr>
<td>B Theory of Population and Food Supply</td>
<td></td>
</tr>
<tr>
<td>C Worker exploitation in a capitalist system</td>
<td></td>
</tr>
<tr>
<td>D The multiplier</td>
<td></td>
</tr>
</tbody>
</table>

(16 marks)

5. In 2017 the GNP of a country was €44 billion. In 2018 the GNP was €46.2 billion.
   (i) What do the letters GNP stand for?

   __________________________________________________________

   (ii) Calculate the percentage increase in GNP between 2017 and 2018.

   ____________________________________________________________________

   Answer: ____________________________

(16 marks)

6. The items listed below are examples of injections or leakages as they relate to the Circular Flow of National Income. From the list indicate which are injections and which are leakages.

<table>
<thead>
<tr>
<th>Taxation</th>
<th>Investment Expenditure</th>
<th>Exports</th>
<th>Imports</th>
</tr>
</thead>
</table>

Write your answers in the spaces provided below.

<table>
<thead>
<tr>
<th>Injections</th>
<th>Leakages</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(17 marks)
7. The 4.75% rate of USC was reduced to 4.5% in Budget 2019.
   (i) What do the letters USC stand for?
   _______________________________________________________________________
   (ii) Outline one economic benefit for workers of this reduction in the rate of USC.
   _______________________________________________________________________
   _______________________________________________________________________
   (17 marks)

8. (a) Explain what is meant in economics by the term *scarcity of resources*.
   _______________________________________________________________________
   _______________________________________________________________________
   _______________________________________________________________________
   _______________________________________________________________________
   (17 marks)

   (b) Outline two examples of ways Irish citizens waste resources.
   (i) _______________________________________________________________________
       _______________________________________________________________________
   (ii) _______________________________________________________________________
       _______________________________________________________________________
   (17 marks)

9. A pizza delivery firm must cover both its fixed costs and its variable costs in the long run.
   (a) Explain what is meant by *fixed costs* and state one example of a fixed cost for a pizza delivery firm.
       Fixed Costs: _______________________________________________________________________
       Example: _______________________________________________________________________
   (b) Explain what is meant by *variable costs* and state one example of a variable cost for a pizza delivery firm.
       Variable Costs: _______________________________________________________________________
       Example: _______________________________________________________________________
   (17 marks)

*Remember to return this examination 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 the long run equilibrium of a firm in Imperfect Competition.

(a) (i) Write out in full what each of the five labels circled above represents.

Copy the diagram into your answer book.
(ii) Equilibrium occurs at point X on the diagram.
Show on your diagram:
• The price the firm will charge for its output (use label P1).
• The output the firm will produce in equilibrium (use label Q1).

(b) Free entry and exit is one of the characteristics of an imperfectly competitive market.
(i) Explain the term free entry and exit.
(ii) State two other characteristics of Imperfect Competition.
(iii) Write brief notes on each of these characteristics.

(c) An increasing number of firms, such as Greenstar, Clean Ireland, AES and Mr Binman, are providing household waste collection services throughout Ireland.
Outline two possible economic advantages and one possible economic disadvantage of the increased entry of firms into the market for household waste collection services.
2. The information below represents the quantity demanded and the quantity supplied at different prices for sandwiches in a school canteen.

<table>
<thead>
<tr>
<th>Price (€)</th>
<th>Quantity Demanded (units)</th>
<th>Quantity Supplied (units)</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.00</td>
<td>100</td>
<td>500</td>
</tr>
<tr>
<td>4.50</td>
<td>200</td>
<td>400</td>
</tr>
<tr>
<td>4.00</td>
<td>300</td>
<td>300</td>
</tr>
<tr>
<td>3.50</td>
<td>400</td>
<td>200</td>
</tr>
<tr>
<td>3.00</td>
<td>500</td>
<td>100</td>
</tr>
</tbody>
</table>

Using the above data and one diagram (you may use graph paper if you wish):

(a) (i) Draw and label the demand curve for sandwiches.
(ii) Draw and label the supply curve for sandwiches.
(iii) Show on your diagram:
- The equilibrium price of the sandwiches (use P₁)
- The equilibrium quantity of the sandwiches (use Q₁).

(30 marks)

(b) The demand curve for sandwiches or the supply curve for sandwiches may shift to the right or the left due to the following:
- An increase in the cost of ingredients for the sandwiches
- An additional 200 students visiting due to an athletics competition in the school.

In relation to each of the above situations, answer the following three questions.
(i) State whether the demand curve or supply curve will shift.
(ii) State whether the curve you mention will shift to the right or the left.
(iii) Explain why the curve has shifted in the direction you have stated.

(20 marks)

(c) The Government extended the electric vehicle (EV) purchase grant of €5,000 in Budget 2019.
(i) Outline one economic reason why the government took the above action.
(ii) State and explain one economic effect the above action may have on the demand for electric vehicles (EVs) in Ireland.
(iii) State and explain two other actions the Irish government could take to encourage the purchase of electric vehicles (EVs).

(25 marks)

[75 marks]
3. (a) Explain any three of the following terms:
- National minimum wage rate
- Occupational mobility of labour
- Benefit-in-kind
- Public sector employment.

(b) Labour has a major role to play in helping an economy develop.
   (i) Explain the term underlined above.
   (ii) Outline two reasons why employers might demand additional labour.
   (iii) State and explain two factors which may encourage more people to participate in the labour force.

(c) The Irish economy is currently experiencing skills shortages in certain sectors such as the construction, IT, health and education sectors.
   (i) Discuss one economic effect of skills shortages for each of the following:
      - Firms
      - The Irish economy.
   (ii) State and explain two measures firms could take to increase the supply of skilled labour.

4. (a) Explain any three of the following terms:
- Open economy
- Exchange rate
- Economic growth
- Tariffs.

(b) Irish rugby supporters will travel to Japan for the Rugby World Cup 2019.
   (i) Is this an example of an invisible import or an invisible export for the Irish economy? Explain your answer.
   (ii) Explain what a surplus in Ireland’s Balance of Trade means.
   (iii) Outline two economic advantages of international trade for the Irish economy.

(c) The government is planning to contribute €500m into Ireland’s ‘Rainy Day Fund’ from 2019 and this involves an opportunity cost.
   Note: The fund was introduced to help the economy manage future economic shocks such as Brexit, trade wars, banking crises, etc.
   (i) Explain the term opportunity cost.
   (ii) In your opinion is this Rainy Day Fund a good idea? Explain your answer.
   (iii) Suggest two uses for the €500m, other than the Rainy Day Fund, giving one reason for your answer in each case.
5. (a) Maynooth University issues a campus smartcard called ‘MyCard’, to all its students. This allows users to purchase on campus without using cash. Outline one advantage of a non cash-based method of payment for each of the following:
   - Students
   - University
   - Banks.  
   (21 marks)

(b) Some economists are predicting an increase in interest rates within the year. Explain how an increase in interest rates is likely to affect each of the following:
   - Households
   - Firms
   - The Irish Government.  
   (24 marks)

(c) One hundred and sixty one post offices are set to close in Ireland in the next year.  
   (Source: RTE News, August 2018)
   (i) State and explain two possible reasons for the closure of some post offices.
   (ii) Outline one economic effect which the closure of the post offices may have on each of the following:
        - Customers of the post offices
        - Employees of the post offices
        - The local community.  
        (30 marks)

6. Raising revenue from taxation and reducing tax evasion are important aims of government.

(a) (i) Explain the term underlined above and state one example of tax evasion.
      (ii) State and explain two economic reasons why taxation is essential for an economy.  
      (21 marks)

(b) In Budget 2019, the Value Added Tax (VAT) rate for the hospitality sector (hotels, restaurants etc.) increased from 9% to 13.5%.
      (i) Explain the term Value Added Tax.
      (ii) Is VAT an example of a direct tax or an indirect tax? Explain your answer.
      (iii) Outline two possible economic effects on the Irish economy of this increase in the rate of VAT for the hospitality sector.  
      (30 marks)

(c) Outline one economic argument in favour of and one economic argument against any two of the following government measures announced in Budget 2019:
   - Increase in social welfare payments of €5 per week
   - Increase of 50c in the price of a packet of 20 cigarettes
   - Introduction of 2 extra weeks paid parental leave to every parent of a child under one year of age.  
   (24 marks)
7. **(a)** The CSO calculates the level of National Income in Ireland and three methods are used to calculate it: the income method, the output method and the expenditure method.

(i) What do the letters CSO stand for?
(ii) Explain any one of the three methods used to calculate national income.
(iii) State and explain two reasons why it is important to calculate the level of National Income in a country.  

(24 marks)

**(b)** One possible reason why multinational companies (MNCs) such as Google and Apple locate in Ireland is the low rate of corporation tax.

(i) Explain the terms multinational company and corporation tax.
(ii) Discuss two other economic reasons why MNCs may locate in Ireland.
(iii) Discuss one economic reason why some MNCs may not locate in Ireland.  

(30 marks)

**(c)** The Multiplier formula for an open economy is: $\frac{1}{MPS + MPM}$

(i) Explain each of the terms MPS and MPM.

Assume that MPS is 0.1 and MPM is 0.4.

(ii) Calculate, using the above formula, the size of the multiplier. Show your workings.

(iii) Explain the meaning of your answer.  

(21 marks)  
[75 marks]
8. (a) Explain any three of the following terms:

- Price inflation
- Full employment
- Emigration
- Privatisation.

(21 marks)

(b) The government is committed to improving the infrastructure in the country, including the provision of broadband in rural areas.

(i) Explain the term **infrastructure**.
(ii) Discuss one economic advantage which the provision of broadband in rural areas may have on each of the following:

- Households
- Firms.

(iii) State one example of infrastructure, other than broadband, which you think Ireland should invest in, and explain one reason for your choice.

(30 marks)

(c) Small-town Ireland must fight to thrive.

(Source: Irish Independent, 30 November 2018)

(i) Outline two possible problems caused by the decline in economic activity in some small towns and rural areas of the country.
(ii) State and explain two measures which could be introduced to help reverse this economic decline.

(24 marks)

[75 marks]

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