

**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 2011 – MORNING 9.30 – 12.00**

**ECONOMICS - ORDINARY 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.

**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. Fill in the missing words in the spaces below to complete the names of the organisations.

(i) NAMA: \_\_\_\_\_ Asset \_\_\_\_\_ Agency.

(ii) ECB: \_\_\_\_\_ Central \_\_\_\_\_.

(iii) IMF: \_\_\_\_\_ \_\_\_\_\_ Fund.

(16 marks)

2. Name the economic system (**Free Enterprise**, **Mixed Economy** or **Centrally Planned**) to which each statement below best applies:

	STATEMENT	ECONOMIC SYSTEM
(i)	Major government involvement in the economy.	
(ii)	The market system decides what to produce.	
(iii)	Production is carried out by the public sector and the private sector.	

(16 marks)

3. State **one** economic advantage and **one** economic disadvantage of the possible introduction of third level college fees.

**One economic advantage:** \_\_\_\_\_

\_\_\_\_\_

**One economic disadvantage:** \_\_\_\_\_

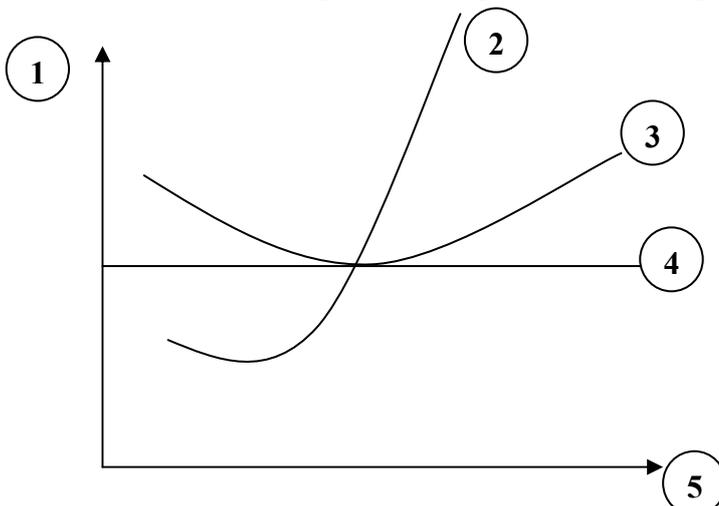
\_\_\_\_\_

(16 marks)

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

(a) Name **each** of the lines numbered **1** to **5**. Use the answer box provided.

(b) Show on the diagram the output the firm will produce in equilibrium (use label  $Q_1$ ).



**Answer Box**

Number	Name
1.	
2.	
3.	
4.	
5.	

(16 marks)

5. In relation to the following **barriers to trade**, match the barrier with the correct explanation. (One answer is completed for illustration purposes.)

Barrier	Explanation
A. Administrative barriers	1. A payment to exporters to reduce production costs.
B. Embargo	2. A limit on the quantity of goods imported.
C. Quota	3. Rules / regulations applying to imports.
D. Subsidy	4. A tax on imports.
E. Tariff	5. A total ban on imports.

BARRIER →	A	B	C	D	E
EXPLANATION →				1	

(16 marks)

6. Explain the term **economic good**. Circle the **two** examples of economic goods from the list below.

**Explanation:** \_\_\_\_\_  
 \_\_\_\_\_

Circle **only two** of these:

**Beauty**

**Cars**

**Food**

**Intelligence**

(17 marks)

7. Some of the factors outlined below influence **consumer demand for a good**. Write **TRUE** or **FALSE** after each of the following sentences.

	SENTENCE	TRUE or FALSE
(i)	The price of the good itself.	
(ii)	The cost of producing the good.	
(iii)	The state of production technology.	
(iv)	The income of the consumer.	

(17 marks)

8. One of the economic aims of the Irish Government at present is to reduce Government Current Spending.

State **three** other economic aims of the Government.

- (i) \_\_\_\_\_  
 (ii) \_\_\_\_\_  
 (iii) \_\_\_\_\_

(17 marks)

9. If **National Income (Y) = C + I + G = €2,400m**, calculate the National Income if exports (X) are €300m and imports (M) are €200m (show all your workings).

WORKINGS	ANSWER
	€ _____

(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.

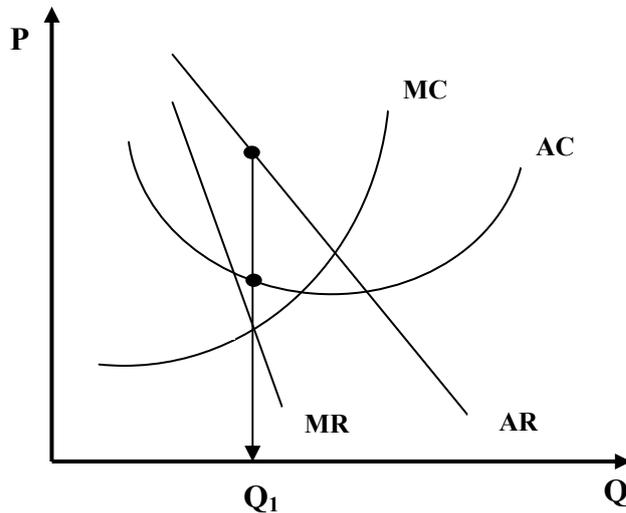
Write the answers in your answer book(s).

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) (i) Copy the diagram into your answer book.  
Write out each of the six labels in full (other than  $Q_1$ ).
- (ii) The firm produces  $Q_1$  output in equilibrium.  
Show on your diagram:
- the price charged for this output. (use label  $P_1$ )
  - the average cost of producing this output. (use label  $C_1$ )
- (30 marks)**
- (b) New firms may wish to enter a monopoly market but they face **barriers to entry**.
- (i) State **three** possible barriers.
- (ii) Write brief notes on **each** of these. **(21 marks)**
- (c) The Electricity Supply Board (ESB) is facing increasing competition and possible privatisation.
- (i) Explain the underlined term.
- (ii) Name **one** company currently competing with the ESB for domestic / home electricity supply.
- (iii) State and explain one way **any two** of the following may be affected by the possible privatisation of the ESB:
- **consumers** of the ESB;
  - **employees** of the ESB;
  - the **Irish Government**.
- (24 marks)**

**[75 marks]**

2. The information below represents the expected demand and the planned supply schedule for umbrellas at the Oxegen Music Festival in 2011.

Price €	Quantity Demanded (units)	Quantity Supplied (units)
1.00	600	200
2.00	500	300
3.00	400	400
4.00	300	500
5.00	200	600

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

- (a) (i) Draw and label the market demand curve for umbrellas;  
(ii) Draw and label the market supply curve for umbrellas;  
(iii) Show on your diagram:
- the market equilibrium price for umbrellas
  - the market equilibrium quantity for umbrellas.

**(25 marks)**

- (b) The demand curve for umbrellas **OR** the supply curve for umbrellas may shift to the right or to the left due to the following:
- an unexpected heavy rainfall occurs during the Oxegen Music Festival;
  - breakdown of the main supply truck delivering umbrellas to the festival site.

In relation to **each** of the above statements, answer the **three** following 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 opening of new sections of motorways between Dublin and other Irish cities has affected the demand for rail transport in Ireland.
- (i) Outline **one** possible economic advantage **OR one** possible economic disadvantage of these new motorways for the public.
- (ii) State and explain **two** actions Iarnród Eireann (Irish Rail) could take to increase demand for its services.
- (iii) Explain **two** advantages for the Irish economy of increased use of public transport such as Iarnród Eireann (Irish Rail), instead of private transport.

**(30 marks)**

**[75 marks]**

3. (a) A retailer needs capital to commence business. A retailer also needs to purchase stock for sale, pay wages and pay rent for premises.
- Explain the term ‘capital’ as a factor of production.
  - Define the terms **fixed costs** and **variable costs**.
  - State whether each of the **three** underlined costs above is an example of a fixed cost or a variable cost.
- (25 marks)**
- (b) Wage levels have fallen in both the public sector and the private sector in Ireland.
- Explain **each** of the underlined terms and state **one** example of an occupation in each.
  - Discuss **two** economic effects which falling wage levels may have on **each** of the following:
    - Businesses;
    - Government finances.
- (25 marks)**
- (c) In the Government’s Budget introduced in December 2010, the national minimum wage was reduced from €8.65 to €7.65 per hour.
- Explain the underlined term.
  - State **two** economic reasons why, in your opinion, the national minimum wage was reduced.
  - Outline **two** possible economic effects of this wage reduction for the Irish worker.
- (25 marks)**  
**[75 marks]**

4. You are given the following information about a country’s trade.

Visible Exports € million	Visible Imports € million	Balance of Trade € million	Surplus <i>or</i> Deficit
<b>24,000</b>	<b>23,600</b>	<b>400</b>	<b>Surplus</b>

- (a) (i) Explain the terms ‘visible exports’ **and** ‘visible imports’ **and** give **one** example of each with reference to Ireland.
- (ii) If the level of visible imports above increased by €600m calculate the new Balance of Trade. (Show your workings.)
- (iii) State whether the new Balance of Trade is a surplus or deficit and explain your answer.
- (25 marks)**
- (b) Ireland as a small open economy relies on international trade.
- Explain the underlined term.
  - State and explain **three** economic reasons why Ireland needs to engage in trade.
- (20 marks)**
- (c) Overseas visitors to Ireland are an example of an invisible export.
- Explain the underlined term.
  - State and explain **two** benefits for the Irish economy of an increase in the number of overseas visitors to Ireland.
  - State and explain **two** actions which the Irish Tourist Industry could take to encourage visitors to Ireland.
- (30 marks)**

**[75 marks]**

5. (a) The Irish Government's Current Budget Deficit was €11.5 m in December 2010, resulting from Government Current Income of €36.9m and Government Current Spending of €48.4m.
- (i) Explain **each** of the underlined terms.
  - (ii) State **two** examples of Government Current Income and **two** examples of Government Current Spending.
- (25 marks)**
- (b) The Irish Government is considering the introduction of household water charges.
- (i) Outline **two** economic reasons for the introduction of these charges.
  - (ii) Discuss **two** economic effects of these charges on households.
- (20 marks)**
- (c) Ireland's National Debt as a percentage of GDP is continuing to increase.
- (i) Explain the underlined term.
  - (ii) What do the initials GDP stand for?
  - (iii) State **one** reason why Ireland's National Debt has been increasing in recent times.
  - (iv) State and explain **two** economic disadvantages which may result from this increase in Ireland's National Debt.
- (30 marks)**
- [75 marks]**
6. (a) The 'Multiplier effect' tells us by how much National Income will increase, following a given injection into the economy (e.g. an increase in government spending).
- (i) Explain the underlined term.
  - (ii) Outline **two** economic effects which an injection may have on an economy.
  - (iii) Given the following information:  
**National Income is €600m.; The Multiplier is 2; Injection of €20m.**  
 Calculate the new level of National Income. (Show your workings.)
- (25 marks)**
- (b) The fall in demand for residential property (houses) and the existence of 'ghost estates' (i.e. unfinished housing estates) are problems for the housing market in Ireland.
- (i) State and explain **two** reasons for the falling demand for residential property.
  - (ii) State and explain **one** reason for the growth in these 'ghost estates'.
  - (iii) Suggest **two** economic actions the Government could take in relation to these 'ghost estates'.
- (25 marks)**
- (c) The Construction Industry Federation (CIF) favours increased spending by the Irish Government on infrastructure. Such spending, however, involves an opportunity cost.
- (i) Explain **each** of the underlined terms.
  - (ii) State **two** examples of major infrastructure projects recently completed in Ireland.
  - (iii) Outline **one** economic benefit for continuing to spend on Ireland's infrastructure.
- (25 marks)**
- [75 marks]**

7. (a) Currency is one form of money. One function of money is a store of wealth.
- Explain **each** of the underlined terms.
  - State and explain **two** other functions of money.
  - State **one** example of money, other than currency.
- (25 marks)**
- (b) Some banks in Ireland have been nationalised, and some have closed their operations in Ireland.
- Explain the underlined term and name **one** bank that has been nationalised.
  - Discuss **one** economic effect which the closure of a bank may have on **each** of the following:
    - Business customers;
    - Employees of the bank;
    - Shareholders of the bank.
- (25 marks)**
- (c) (i) The economist, John Maynard Keynes, stated that people keep their wealth in the form of cash for three reasons:
  - **Transactional**;
  - **Precautionary**;
  - **Speculative**.
 Explain **each** of the above reasons.
- (ii) Keynes favoured Government involvement/participation in an economy. Do you agree with Keynes? Outline **one** reason for your answer.
- (25 marks)**  
**[75 marks]**
8. (a) In April 2011 the CSO conducted a Census of Population at an estimated cost of €60m.
- What do the initials CSO stand for?
  - Explain the meaning of the underlined term.
  - Explain **one** use **each** of the following could make of the data collected:
    - Business;
    - Local government i.e. your local County / Town Council;
    - Central Government.
- (25 marks)**
- (b) The Irish Government increased the statutory retirement age from 65 to 68 years.
- State and explain **a reason** why the Government increased the retirement age.
  - State and explain **one** possible economic effect which an increase in the retirement age may have on **each** of the following:
    - The Irish Labour Market;
    - Consumer spending.
- (20 marks)**
- (c) The Irish Government continues to spend on financial aid, to fund economic development in LDCs (less developed countries), although at a reduced level.
- Explain the underlined term.
  - State and explain **two** economic effects which this **reduction** in financial aid may have for the citizens in LDCs.
  - Outline **two** actions which the **governments of LDCs** could take to increase the standard of living of its citizens.
- (30 marks)**  
**[75 marks]**

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