



WARNING

This Question Paper MUST be returned with your answer book(s) at the end of the Examination, otherwise marks will be lost.

STUDENT NAME (👉)

SCHOOL (👉)

TEACHER (👉)

PRE-LEAVING CERTIFICATE EXAMINATION, 2017

TIME: 2½ HOURS

ECONOMICS - HIGHER 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.

Examiner use only

Q.	Mark
1	
2	
3	
4	
5	
6	
7	
8	
9	
Total	

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. Outline **two** ways in which the return to the factor of production enterprise differs from the return to other factors of production.

(i) _____

(ii) _____

(16 marks)

2. (a) Define the term **monetary policy**.

Definition _____

- (b) Outline **two** measures by which the European Central Bank (ECB) implements monetary policy within the euro area.

(i) _____

(ii) _____

(16 marks)

3. (a) Explain the term **price discrimination**.

Explanation _____

- (b) Outline **two** conditions under which it would be possible for a firm to price discriminate.

(i) _____

(ii) _____

(16 marks)

SECTION A (continued)

4. Ireland, in common with many developed countries, is facing the challenges of an ageing population. Outline **two** economic effects of an ageing population for the Irish economy.

(i) _____

(ii) _____

(16 marks)

5. (a) Define the term **economic development**.

Definition _____

- (b) Outline **two** policies by which governments in Less Developed Countries (LDCs) might promote economic development.

(i) _____

(ii) _____

(16 marks)

6. (a) Explain the concept of the **Equi-Marginal Principle of Consumer Behaviour**.

- (b) In equilibrium, a consumer buys 10 cups of coffee at €2.50 each and 6 pastries at €4 each.

The marginal utility of the 10th cup of coffee is 5 utils.

Calculate the marginal utility of the 6th pastry.

Show your workings.

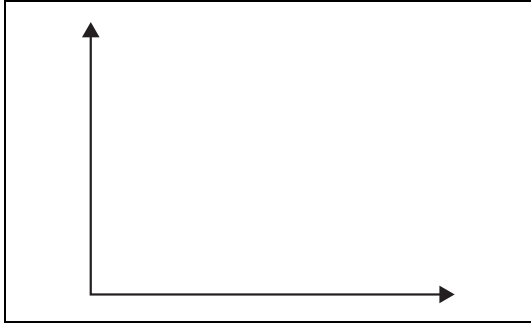
Workings:

Answer:

(17 marks)

SECTION A (continued)

7. Explain, with the aid of a clearly labelled diagram, the relationship between **average costs** and **marginal costs**.



Explanation _____

(17 marks)

8. State **four** steps involved in constructing a Consumer Price Index (CPI).

Step 1 _____

Step 2 _____

Step 3 _____

Step 4 _____

(17 marks)

9. In its “Obesity Policy and Action Plan: 2016–2025”, the government has proposed introducing a tax on sugar-sweetened drinks in Ireland.

(a) Outline **two** possible benefits of this tax for the Irish economy.

(i) _____

(ii) _____

(b) Suggest **one** other measure the government could introduce to combat obesity.

(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) The Law of Diminishing Marginal Utility states that as additional units of a good are consumed, the marginal utility of the good will eventually decline.

The table below illustrates the Law of Diminishing Marginal Utility.

No of Units Consumed	1	2	3	4	5
Total Utility in <i>Units/Utils</i>	40	90	140	185	220
Marginal Utility in <i>Units/Utils</i>	40				

- (i) Complete the table in your answer book and state the point after which diminishing marginal utility sets in.
- (ii) Outline **two** assumptions underlying the Law of Diminishing Marginal Utility.
- (iii) Give **two** examples of commodities which do not comply with this law. Justify **each** choice with a brief explanation.

[25]

- (b) (i) Explain, with the aid of an example, the Law of Demand.
- (ii) Outline two possible exceptions to the Law of Demand.
- (iii) Explain the difference between a **movement along a demand curve** and a **shift in a demand curve**. Use appropriate diagrams to illustrate your answer.

[30]

- (c) A fall in the price of a consumer product has both a substitution effect and an income effect.

- (i) Explain **each** of the underlined terms.
- (ii) If the price of an **inferior** product falls (all other things being equal) will more or less of the product be purchased? Explain your answer with reference to the substitution effect **and** the income effect.

[20]

[75 marks]

2. (a) (i) Firms operating under imperfect competition engage in product differentiation.
Explain the underlined term showing, with suitable examples, how it can be achieved.
- (ii) Outline **three** other assumptions underlying the theory of imperfect competition. [30]
- (b) Explain, with the aid of a diagram in **each** case, the conditions for a product-maximising firm to be in equilibrium under imperfect competition in:
(i) the short-run
(ii) the long-run. [30]
- (c) Outline **three** advantages that imperfect competition may offer consumers. [15]
[75 marks]
3. (a) (i) Explain the term **price elasticity of demand** (PED).
(ii) State **four** factors which affect PED **and** explain how each factor affects it.
(iii) The PED for an Apple iPhone has been calculated at **-2.7**. Using your knowledge of PED, explain the economic meaning of this figure. [35]
- (b) A consumer buys 20 units of Good X when the price of Good Y is €10. When the price of Good Y rises to €12 (the price of Good X remaining unchanged), the consumer buys 28 units of Good X.
(i) Explain the term **cross elasticity of demand**.
(ii) Using an appropriate formula, calculate this consumer's cross elasticity of demand for Good X. **Show your workings**.
(iii) Is Good X a substitute for, or a complement to, Good Y? Explain your reasoning. [25]
- (c) The Irish government plans to introduce plain packaging for tobacco products to reduce the rate of smoking in Ireland.
Discuss **three** other measures which the government could take to reduce the rate of smoking in Ireland. [15]
[75 marks]

4. (a) (i) Define the factor of production **land**.
(ii) Outline **two** economic characteristics of land.
(iii) Explain the concept of **economic rent** and outline **two** circumstances under which a factor of production can earn it. [30]
- (b) In Budget 2017, the Irish government introduced a “Help to Buy” scheme, which gives first-time buyers of new residential property a refund of 4 years’ tax up to 5% of the purchase price.
Discuss the economic arguments for **and** against the introduction of this scheme. [20]
- (c) (i) Discuss the economic factors which influence a firm’s decision on where to locate its operations within Ireland.
(ii) Explain **two** reasons why investment is important for the Irish economy. [25]
- [75 marks]**

5. (a) The following table shows the level of National Income (Y), Consumption (C), Investment (I), Government Spending (G), Exports (X) and Imports (M) for 2015 and 2016.

	Y	C	I	G	X	M
2015	€70,000	€42,000	€10,000	€30,000	€90,000	€102,000
2016	€?	€38,000	€11,000	€25,000	€96,000	€105,000

Use this data to calculate the following: **Show your workings.**

- (i) The level of National Income in 2016
(ii) The Marginal Propensity to Save (MPS)
(iii) The Marginal Propensity to Import (MPM)
(iv) The size of the Multiplier. [20]
- (b) Explain the following terms which are commonly used in estimating the National Income statistics of a country:
 - Subsidies
 - Incomes-in-kind
 - Transfer payments
 - Net Factor Income from the Rest of the World. [20]
- (c) The Central Bank of Ireland has forecast that Ireland’s Gross Domestic Product (GDP) will grow by 3.6% in 2017.

(Source: *Central Bank Quarterly Bulletin*, October 2016)

(i) Discuss the possible costs **and** benefits of economic growth.
(ii) Explain **three** reasons why care should be taken when using National Income statistics as a measure of the economic performance of a country. [35]

[75 marks]

6. (a) The Law of Comparative Advantage suggests that specialisation and trade increases world output.
- (i) Explain the meaning of the underlined term in the context of international trade.
 - (ii) Outline the main assumptions underlying this law.
 - (iii) Outline **two** sources of comparative advantage for the Irish economy.
- [30]

- (b) (i) Explain the term **balance of payments (BOP) current account**.
- (ii) Discuss **two** economic consequences of a deficit on the BOP current account.
 - (iii) Describe how foreign firms operating in Ireland may affect Ireland's BOP current account.
- [30]

- (c) In June 2016 the people of the UK voted to leave the European Union.

Discuss the possible economic consequences for Ireland of the UK leaving the European Union.

[15]
[75 marks]

7. (a) The economist John Maynard Keynes, author of *The General Theory of Employment, Interest and Money* (1936), supported the use of fiscal policy by government to create full employment.

- (i) Explain the above statement.
 - (ii) Discuss **two** other key concepts which Keynes contributed to economic thought.
- [25]

- (b) Ireland's unemployment rate is forecast to fall to an average of 6.9% in 2017.
(Source: *Economic and Social Research Institute*, June 2016)

- (i) Name the **two** main sources from which the figures relating to unemployment in the Irish economy are taken.
 - (ii) State, with reasons, which of the measurements gives the most accurate estimate of Irish unemployment.
 - (iii) Outline the possible economic effects which a fall in the level of unemployment may have on the government current finances.
- [30]

- (c) The Irish government is considering introducing a student loan scheme, where graduates would pay back part of the cost of their tuition.

Discuss the economic arguments for **and** against the introduction of a student loan scheme.

[20]
[75 marks]

8. (a) In the case of any **two** of the following three pairs, distinguish between the two concepts:
- (i) Progressive taxes and regressive taxes
 - (ii) Tax avoidance and tax evasion
 - (iii) Revenue buoyancy and fiscal drag.

[20]

- (b) “The Government has been warned it must broaden its tax base to reduce the country’s vulnerability to economic shocks, in the first report by the European Commission since the formation of the new government.”

(Source: *Irish Times*, May 2016)

- (i) Explain briefly the underlined term.
- (ii) Discuss the characteristics of a good taxation system.

[25]

- (c) “There was a return to net inward migration for the first time since 2009 in the year to the end of April 2016, according to figures from the Central Statistics Office.”

(Source: *rte.ie*, August 2016)

- (i) Outline **two** reasons why the trend has changed from emigration to immigration in Ireland.
- (ii) Discuss the economic consequences (positive and negative) of this development for Ireland.

[30]

[75 marks]

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

Blank Page

Blank Page

Blank Page

