

**ECONOMICS - HIGHER LEVEL
(400 MARKS)**

THURSDAY, 25th JUNE 1998 - MORNING, 9.30 - 12.00

Answer not more than six questions from Section A and four questions from Section B. Credit will be given for clear, precise, relevant answering and for orderly presentation of material.

SECTION A (100 marks)

The questions in this section are on a separate sheet which also provides space for your answers. The completed sheet is to be returned with your answer books at the end of the examination.

SECTION B (300 marks)

Not more than four questions to be answered. All questions carry equal marks (i.e. 75). Note the sub-divisions in the questions.

1.
 - (a) Explain, with the aid of a diagram, the long run equilibrium position of a firm which is operating in monopoly. (25 marks)
 - (b) How does monopoly lead to an inefficient use of resources? (15 marks)
 - (c) Define price discrimination. Give three examples. (15 marks)
 - (d) What are the conditions that must exist to enable price discrimination to be practised? (20 marks)
[75 marks]

2.
 - (a) Define each of the following and in each case give the formula by which it is measured.
 - (i) Cross Elasticity of Demand.
 - (ii) Income Elasticity of Demand. (20 marks)
 - (b) If a consumer spends £20 per week on petrol when its price is 60p per litre, and continues to spend £20 per week on it when its price is increased to 62p per litre, what is the consumer's price elasticity of demand for petrol (in respect of this price change)? (20 marks)
 - (c) Briefly explain how a knowledge of elasticities is useful to
 - (i) A producer of goods who is considering increasing production.
 - (ii) The government when it is considering if it should increase indirect tax on a commodity.
 - (iii) A monopolist when she is deciding to fix the price for the good which she is selling. (35 marks)[75 marks]

3. (a) State **three** reasons why the unemployment figures taken from the Labour Force Survey are a much more accurate measurement of the true level of unemployment than those taken from the Live Register. (15 marks)

(b) Economists generally include the following among the reasons for the rather high unemployment rate in Ireland:

(i) The Irish labour market is inflexible and over-regulated.

(ii) The difference between take-home pay for an unskilled or semi-skilled worker and the value of the monetary and non-monetary social welfare unemployment benefits available to him is too narrow.

Discuss each of the above briefly. (30 marks)

(c) Outline some changes in government policies which might result in higher employment in Ireland. (30 marks)

[75 marks]

4. (a) Define **each** of the following:-

(i) Direct taxation.

(ii) Indirect taxation.

(iii) Tax avoidance.

(iv) Tax evasion. (25 marks)

(b) Outline **four** adverse economic effects of high levels of direct taxation. (25 marks)

(c) Suggest **four** means by which the government might reduce direct taxation. (25 marks)

[75 marks]

5. (a) Define: (i) Savings (15 marks)
(ii) Investment.

(b) List and explain the factors affecting:

(i) The level of savings.

(ii) The level of investment by entrepreneurs in the Irish economy at present. (35 marks)

(c) Suggest some means by which the Irish government might encourage an increased level of investment in the Irish economy. (25 marks)

[75 marks]

6. (a) The Maastricht Treaty sets down a number of economic conditions for member-states of the European Union which wish to participate in monetary union (including the single Euro currency) by 1999. State five of these conditions. In the case of each of the conditions that you have stated, does Ireland fulfil that condition at present. (25 marks)
- (b) Outline some of the likely economic effects if Ireland joins the single currency. (25 marks)
- (c) What might the likely economic effects be for the Irish economy if Ireland joins but sterling remains outside the single currency. (25 marks)
- [75 marks]**
7. (a) Define 'National Income'. (10 marks)
- (b) Define each of the following:-
 (i) Gross Domestic Product at Factor Cost.
 (ii) Gross National Product at Factor Cost.
 (iii) Gross National Product at Market Prices. (20 marks)
- (c) In Ireland at present would you expect GNP to be greater than, equal to, or less than GDP. Briefly explain your answer. (15 marks)
- (d) (i) It has been estimated that in the Irish economy, $MPM = 0.4$, $MPT = 0.24$ and $MPS = 0.26$. Calculate the value of the multiplier.
 (ii) Ireland is a small, very open economy. What would be the likely economic consequences if the government were to raise the level of aggregate demand by using expansionary fiscal and monetary policies. (30 marks)
- [75 marks]**
8. (a) Define the entrepreneur as a factor of production. (10 marks)
- (b) Give two reasons why the factor of production, enterprise, is unique. (10 marks)
- (c) What are the non-insurable risks that an entrepreneur faces in business? (20 marks)
- (d) Consider the importance of
 (i) Entrepreneurs
 (ii) Profits
 in a free market economic system. (35 marks)
- [75 marks]**

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WARNING
You must return this paper with your answerbook, otherwise marks will be lost.

An Roinn Oideachais agus Eolaíochta
Leaving Certificate Examination, 1998

M.59A

ECONOMICS - HIGHER LEVEL

SECTION A (100 marks)

Examination Number

[Empty box for Examination Number]

Answer any six of the following:-

1. The Public Sector Borrowing Requirement is

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(16 marks)

2. What is Limit Pricing?

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(16 marks)

3. The Primary Liquidity Ratio is defined as

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(16 marks)

4. The supply price of a factor of production is

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(16 marks)

5. Define demand pull inflation.

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(16 marks)

6. The tax wedge is defined as

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(17 marks)

7. The Marginal Physical Productivity of a factor of production is

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(17 marks)

8. A country is said to be overpopulated in the economic sense when

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(17 marks)

9. State the two economic characteristics that land has.

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(17 marks)