
ECONOMICS - HIGHER LEVEL
(400 MARKS)

8253

THURSDAY, 24 JUNE 1999 - 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) For a commodity to be considered an economic good it must possess certain characteristics.
(i) State and explain **THREE** of these characteristics.
(ii) Give **TWO** examples of commodities which would **NOT** be considered as economic goods.
Justify each choice with a brief explanation. (25 marks)
- (b) Discuss the factors which influence the Consumer's demand for commodities. (30 marks)
- (c) Define each of the following:
(i) Normal good.
(ii) Giffen good.
(iii) Inferior good. (20 marks)
- [75 marks]
2. (a) What is meant by an oligopolistic market?
Give **TWO** examples of industries considered oligopolist in Ireland. (20 marks)
- (b) (i) Explain with the aid of a diagram the shape of the demand curve of a firm in oligopolistic competition.
(ii) Hence, explain what is meant by the term 'Rigidity of Prices'. (30 marks)
- (c) (i) Distinguish between price competition and non-price competition.
(ii) Which form of competition do you consider to be better for the buyer?
Give **TWO** reasons for your answer. (25 marks)

[75 marks]
OVER→

3. (a) (i) Define enterprise as a factor of production.
(ii) Do all entrepreneurs earn the same level of profits?
Give a reason for your answer. (15 marks)
- (b) Discuss the reasons why entrepreneurs are so important to the development of the economy. (25 marks)
- (c) (i) Explain what is meant by the term investment in economics.
(ii) Discuss the factors which affect the level of investment in Ireland. (35 marks)
- [75 marks]

4. (a) (i) Define what is meant by Cross Elasticity of Demand.
(ii) Show the formula by which it can be measured. (20 marks)

- (b) You are given the following information about certain goods:

Cross Elasticity of Demand between Good A & Good B = +2.5

Cross Elasticity of Demand between Good A & Good C = -0.6

Cross Elasticity of Demand between Good A & Good D = +0.3

Cross Elasticity of Demand between Good A & Good E = -1.4

Which of these goods are complements to Good A? Explain your answer.

Which of these goods is the closest substitute for Good A? Explain your answer.

(25 marks)

- (c) Define the following types or degrees of price elasticity of demand:
- (i) Elastic demand.
(ii) Inelastic demand.
(iii) Unit elasticity.
(iv) Perfectly inelastic demand.
(v) Perfectly elastic demand. (30 marks)

[75 marks]

5. (a) Distinguish between progressive taxes and regressive taxes.
Give ONE example of each form of taxation. (20 marks)

- (b) Discuss the effects which a reduction in income tax may have on the Irish economy. (30 marks)

- (c) 'Tax increases are subject to the Laws of Diminishing Returns'.
Explain the meaning of this statement.
Is this situation more likely to apply to direct or indirect taxes?
Explain your answer. (25 marks)

[75 marks]

6. (a) Define what is meant by the term "economic development". (15 marks)
- (b) Discuss how economic development in underdeveloped countries might be promoted:
(i) by their own governments;
(ii) assisted by foreign governments. (30 marks)
- (c) Outline **THREE** benefits and **THREE** costs of economic development to these countries. (30 marks)
- [75 marks]**
7. (a) State and explain **FIVE** factors which affect the foreign exchange value of the Irish currency. (25 marks)
- (b) Irish exports have been steadily rising in recent years. Discuss the effects of this development on each of the following:
(i) the level of Irish imports;
(ii) the amount of borrowing by the Irish government. (25 marks)
- (c) The Industrial Development Authority has succeeded in attracting more foreign firms into Ireland in recent years. Describe how this affects Ireland's Balance of Payments. (25 marks)
- [75 marks]**
8. (a) State and explain **THREE** economic aims of the government. (20 marks)
- (b) The government has certain policies available to achieve its aims. Among these are:
• Fiscal Policy
• Monetary Policy
Explain what is meant by each of the above. (20 marks)
- (c) Give **TWO** examples where economic policies may conflict i.e policies introduced to achieve one aim make it more difficult to achieve one of the other aims. (20 marks)
- (d) Explain, briefly, what is meant by the term 'monetarist policy'. (15 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, 1999

M.59A

ECONOMICS - HIGHER LEVEL

SECTION A (100 marks)

Examination Number

Answer any six of the following:-

1. State the **Law of Diminishing Marginal Utility**.

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(16 marks)

2. The Supply Curve for a commodity shifts to the right.
Suggest **TWO** reasons for this development.

(a)

(b)

(16 marks)

3. The factor of production, capital, is defined as

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(16 marks)

4. Define what is meant by the **marginal efficiency of capital**.

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(16 marks)

5. Explain what is meant by the term **Public Sector Borrowing Requirement**.

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(16 marks)

6. State **ANY FOUR** functions of the Central Bank.

- (a)
- (b)
- (c)
- (d)

(17 marks)

7. Define what is meant by **full employment**.

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(17 marks)

8. Show the relationship between Gross National Product at factor cost and Gross National Product at market prices.

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(17 marks)

9. State **THREE** of the assumptions underlying the **Law of Comparative Advantage**

- (i)
- (ii)
- (iii)

(17 marks)