

WARNING

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

M.58A

An Roinn Oideachais agus Eolaíochta

Leaving Certificate Examination, 2001

WEDNESDAY 20 JUNE, 9.30 – 12.00

ECONOMICS - ORDINARY LEVEL

SECTION A (100 marks)

Examination Number

WARNING

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

SECTION A (100 marks)

Answer any **six** of the following:-

1. **Circle the four** EU member states that are in the process of introducing the EURO.

SPAIN	GERMANY	UNITED KINGDOM
DENMARK	PORTUGAL	ITALY

(16 marks)

2. Explain what is meant by the term **Balance of Trade**.

(16 marks)

3. Complete the sentence below:

“As increasing quantities of a good are consumed, eventually the marginal

_____ obtained from the extra units begins to _____.”

(16 marks)

4. Name the economist you would associate with any **TWO** of the following:

- Canons of Taxation. _____
- Population and Food supply. _____
- The Multiplier Effect. _____

(16 marks)

5. State **TWO** examples of ‘invisible exports’.

(i) _____

(ii) _____

(16 marks)

6. In relation to market structures, explain the term “**Freedom of Entry and Exit**”, and name **ONE** market structure to which this characteristic applies.

Market Structure: (17 marks)

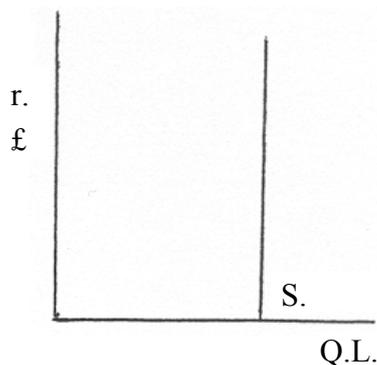
7. What is meant by ‘**current revenue**’ in the Government’s budget? State **ONE** example.

EXAMPLE: (17 marks)

8. Explain what is meant by the term ‘**Capital Goods**’ and state **ONE** example.

EXAMPLE: (17 marks)

9. Explain the supply curve for land, as shown below:



(17 marks)

An Roinn Oideachais agus Eolaíochta

Leaving Certificate Examination, 2001

ECONOMICS - ORDINARY LEVEL

400 marks

WEDNESDAY, 20 JUNE, MORNING 9.30 - 12.00

Answer **SIX** questions from Section A and **FOUR** questions from Section B. Credit will be given for clear, precise answering and orderly presentation of material.

SECTION A (100 marks)

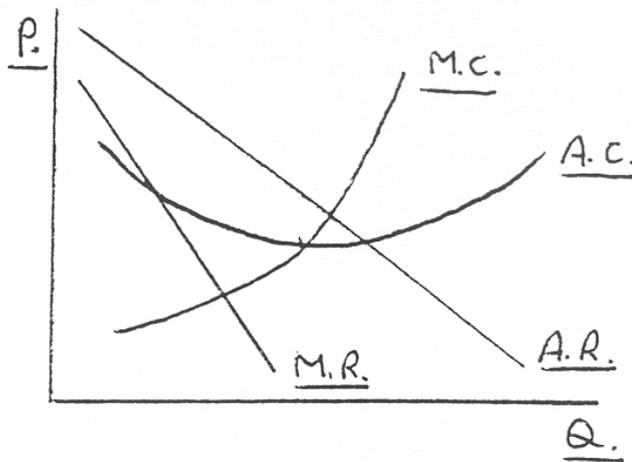
This section is on a separate sheet which also provides space for your answers. **The completed sheet is to be returned with your answer books at the end of the examination.**

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.

SECTION B (300 marks)

1. The diagram below represents a **monopoly** firm in equilibrium.



- (a) (i) Write out **each** of the **six** under-lined terms on the graph in full. (12 marks)
- (ii) Copy the diagram into your answerbook and show on the diagram:
- the output the firm will produce in equilibrium.
 - the average cost of producing this output.
 - the price the firm will charge for the output produced.
- (18 marks)
- (b) (i) Briefly explain why the monopolist's demand curve (AR) is downward-sloping.
- (ii) Explain **ANY TWO** of the barriers to entry listed below:
- Patents and Copyrights.
 - Economies of Scale.
 - Government Regulation.
- (25 marks)
- (c) State:
- (i) **ONE** advantage to the employees of a monopoly firm.
- (ii) **ONE** disadvantage to the consumers of a monopoly firm.
- (20 marks)
- [75 marks]**

2. The diagrams below represent **Supply** and **Demand** in two markets:

DIAGRAM 1

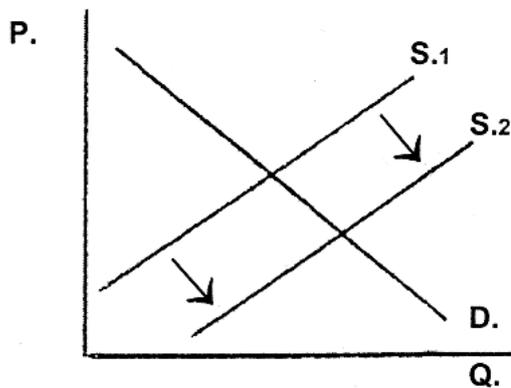
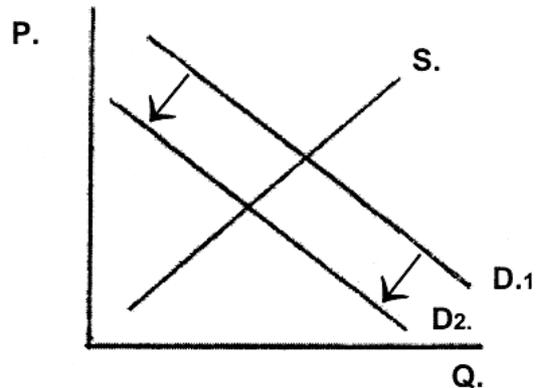


DIAGRAM 2



(a) Copy the two diagrams into your answer book and in **each** case, show

- the initial price and output (use labels, P₁, Q₁),
and
- the new price and output (use labels P₂, Q₂).

(20 marks)

(b) The following factors cause the shift illustrated on **either** Diagram 1 or Diagram 2 above.

- real income levels fall.
- improved production methods are introduced.

Briefly explain which factor causes the shift on **each** diagram shown above.

(30 marks)

(c) The following are characteristics of economic goods:

SCARCITY

UTILITY

TRANSFERABILITY

- (i) Explain the meaning of **each** of these characteristics.
- (ii) In the case of **ONE** of the characteristics, suggest an item to which the characteristic does **not** apply. Explain your answer briefly.

(25 marks)

[75 marks]

3. Capital is one of the factors of production.

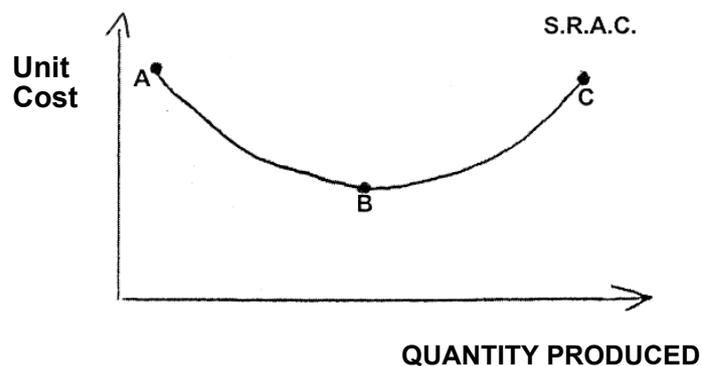
(a) State and explain the other **THREE** factors of production. (25 marks)

(b) Costs of production can be classified as either **FIXED** or **VARIABLE**.

(i) Explain the meaning of **each** of these types of costs.

(ii) State **ONE** example of **each** of the costs for a **manufacturing firm**. (20 marks)

(c) The following diagram represents **Short Run Average Cost** of a firm:



Briefly explain:

(i) How specialisation of labour affects portion AB of the curve

(ii) How the Law of Diminishing Marginal Returns affects portion BC of the curve.

(30 marks)

[75 marks]

4. (a) Explain how **ANY TWO** of the following factors can affect the size of National Income:

- the stock of Factors of Production
- the level of Technology available
- the performance of the Domestic Economy
- the performance of other Economies

(20 marks)

(b) (i) State and explain **TWO** possible economic problems arising from growth in National Income.

(ii) Do the problems you have identified above currently apply in the case of the Irish Economy? Explain briefly.

(25 marks)

(c) Explain the effect which **each** of the following will have on the **average living standards** of the citizens of an economy in which GNP at current market prices remained constant between Period 1 and Period 2.

- Inflation occurred between Period 1 and Period 2.
- The population fell from Period 1 to Period 2.

(30 marks)

[75 marks]

5. (a) The Government's Current Budget can have the following outcomes:
SURPLUS, BALANCED, DEFICIT.

State and explain which one applies to the Irish Government's Budget at present.

(15 marks)

- (b) (i) Explain what is meant by Direct Taxes and Indirect Taxes.
(ii) State **TWO** examples of each of these types of taxes.

(20 marks)

- (c) State and explain **TWO** reasons why the revenue from taxation has increased dramatically in Ireland in recent years.

(10 marks)

- (d) State and explain how a decision by the Irish Government to reduce the rates of indirect tax (leaving all other taxes unchanged) might affect **ANY TWO** of the following:

- the Government's Current Budget outcome.
- the price level in the economy.
- employment in the sectors concerned.

(30 marks)

[75 marks]

6. (a) The table below illustrates the **Law of Comparative Advantage**.

COUNTRY	OUTPUT	
	(Production per worker per week)	
	MACHINES	CARS
GERMANY	25	5
JAPAN	50	25
TOTAL OUTPUT	75	30

Although Japan is more efficient in the production of both goods, each country will specialise in the production of one good.

- (i) Which good will Japan produce? Explain briefly.
(ii) Which good will Germany produce? Explain briefly.
(iii) Which country benefits? Explain briefly.

(20 marks)

- (b) (i) State and explain **TWO** reasons why one country might be better than another in the production of a particular good.

- (ii) State and explain **TWO** possible disadvantages of Free Trade between countries.

(25 marks)

- (c) Methods which governments may use to restrict trade include:
TARIEES, QUOTAS, EMBARGOES and ADMINISTRATIVE BARRIERS.

- (i) Explain **ANY TWO** of the methods underlined above.
(ii) Identify **ONE** advantage and **ONE** disadvantage to the Irish economy of **each** of the two methods selected.

(30 marks)

[75 marks]

7. (a) State and explain **TWO** factors which influence **EACH** of the following in an economy:
- (i) The demand for labour.
 - (ii) The supply of labour.
- (25 marks)
- (b) Distinguish between **Geographical Mobility of Labour** and **Occupational Mobility of Labour**.
- (20 marks)
- (c) A noticeable trend in Ireland recently is that the high levels of emigration experienced in the past has fallen dramatically, and is now being replaced by immigration.
- (i) Define the **TWO** underlined terms above.
 - (ii) State and explain **TWO** reasons why the trend has changed from emigration to immigration in Ireland.
 - (iii) State and explain **TWO** economic benefits for a country experiencing increased immigration.
- (30 marks)
[75 marks]
8. (a) (i) Define **ANY TWO** of the following terms:
- Legal Tender.
 - Standard for Deferred Payment.
 - Exchange Rate.
- (ii) Briefly explain how an increase in the money supply in an economy in excess of an increase in the supply of goods and services might affect the following:
- prices of goods and services in the economy.
- OR**
- the Balance of Trade.
- (25 marks)
- (b) (i) Explain clearly what is meant by **INFLATION**.
- (ii) Explain **TWO** courses of action which a government could undertake to control inflationary pressures.
- (30 marks)
- (c) Briefly explain the effect of **ANY TWO** of the following on inflation:
- Strong demand in the economy.
 - Increases in wage costs.
 - Fall in the value of the currency.
 - Fall in Oil prices.
- (20 marks)
[75 marks]