

**An Roinn Oideachais
Leaving Certificate Examination, 1996**

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

THURSDAY, 20th JUNE 1996 - 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) Define income elasticity of demand (IED) and give the formula by which it is calculated. (20)
- (b) In the case of each of the following goods, explain briefly if the good is a normal or an inferior or a luxury good.
- Good A has an IED of 1.5.
Good B has an IED of -3.
Good C has an IED of 10.
Good D has an IED of 0. (20)
- (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 he is deciding to fix the price for the commodity which he is selling. (35)

[75 marks]

OVER→

2. (a) Outline three assumptions which underlie a monopoly market structure. (20)
- (b) How does monopoly lead to an inefficient use of resources? (20)
- (c) New firms may wish to enter a monopoly industry but they will face barriers to their entry. State and briefly explain three of these barriers. (20)
- (d) Make two very brief suggestions as to how semi-state companies which are monopolies could be made more cost effective. (15)

[75 marks]

3. (a) Define enterprise as a factor of production. (10)
- (b) Outline the risks that an entrepreneur faces in business activity. (30)
- (c) Consider the importance of
- (i) entrepreneurs
 - (ii) profits
- in a free market (enterprise) economic system. (35)

[75 marks]

4. (a) Outline four economic aims of the government. (40)
- (b) Among the methods which the government may use to achieve its economic aims are the following:
- (i) Fiscal policy.
 - (ii) Monetary policy.
 - (iii) Economic planning.

Explain each of the above and state how the government may implement each of them. (35)

[75 marks]

5. (a) Discuss briefly the factors that determine National Income. (30)
- (b) Outline three limitations as to the usage of National Income statistics. (20)
- (c) Briefly discuss three reasons why it is important to have National Income statistics. (25)

[75 marks]

6. (a) Define overpopulation in the economic sense. (15)
- (b) There has been a continuous decline in the birth rate in the Republic of Ireland since 1980. Outline the economic consequences of this decline. (25)
- (c) Set out the economic consequences of emigration. (35)

[75 marks]

7. (a) What economic factors determine the foreign exchange value of the Irish currency (the punt) ? (20)
- (b) Throughout 1995, the Irish punt was valued above sterling. If this trend were to continue, outline the consequences for the Irish economy. (25)
- (c) The Maastricht Treaty sets down a number of economic requirements for member-states of the European Union which wish to participate in monetary union (including the single Euro currency) by 1999.
In the case of any three of the following, state what is the requirement and briefly indicate if Ireland is likely to achieve it.
- (i) the rate of inflation.
- (ii) The average long term interest rate.
- (iii) The current budget deficit (exchequer borrowing) as a percentage of GDP.
- (iv) The ratio between the National Debt and GDP.
- (v) The relationship between the exchange rate of the Irish punt and the ERM. (30)

[75 marks]

8. (a) Outline three benefits and three costs of economic growth (development). (35)
- (b) Discuss briefly how economic development in underdeveloped (Third World) countries might be promoted:
- (i) by their own governments.
- (ii) assisted by foreign countries. (40)

[75 marks]

WARNING

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

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M.59A

ECONOMICS - HIGHER LEVEL

SECTION A (100 marks)

Examination Number

Answer any six of the following:-

1. The principal function of the National Management Treasury Agency is

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(16 marks)

2. Economic rent is defined as

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(16 marks)

3. In perfect competition a firm will be in long run equilibrium when

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(16 marks)

4. The tax wedge is defined as

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(16 marks)

Over→

5. Assuming that in the Irish economy, $MPS = 0.26$, $MPT = 0.24$ and $MPM = 0.4$, by how much would national income increase if there were an injection of £10 million into the economy ?

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(16 marks)

6. The Law of Diminishing Returns states

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(17 marks)

7. Name a source other than the Live Register from which the unemployment figures may be taken.

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(17 marks)

8. State two contributions to economic thought of either the monetarist economists or the supply side economists.

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(17 marks)

9. To state that a trade union is a monopoly supplier of labour means that

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(17 marks)