

WARNING

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

M.58A

**An Roinn Oideachais agus Eolaíochta
Leaving Certificate Examination, 2000**

WEDNESDAY 21 JUNE, 9.30 – 12.00

ECONOMICS - ORDINARY LEVEL

SECTION A (100 marks)

Examination Number

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SECTION A (100 marks)

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

1. Enter the '**factor of production**' and the '**payment for the factor**' in the appropriate space provided below:

Factor of Production

Payment

Land



Wages



Interest

Enterprise



(16 marks)

2. What is meant by '**capital expenditure**' in the Government's Budget?

Give **ONE** example of this type of expenditure by the Department of Education and Science.

(16 marks)

3. Define a '**Substitute good**' and a '**Complementary good**'.

(16 marks)

4. What economic information is provided by the following:

(i) The C.P.I. _____

(ii) The Live Register _____

(16 marks)

5. Classify the following costs as either **FIXED** or **VARIABLE**

Rent _____

Raw Materials _____

Wages (factory workers) _____

Rates on Premises _____

(16 marks)

6. State FOUR distinguishing characteristics of an **Imperfectly Competitive** market structure.

(17 marks)

7. Complete the following sentences:

The law of demand states that when price increases, quantity demanded _____ .

Goods obeying this law are called _____ goods.

The term _____ goods is used to describe goods which do not obey this law.

(17 marks)

8. Briefly explain the term 'Marginal Utility.'

If a consumer's total utility from 10 units of a product is 80 utils, and is 86 utils when 11 units are consumed, what is the marginal utility of the 11th unit (in utils)?

(17 marks)

9. Ireland has been experiencing high levels of economic growth in recent years. Explain the term 'economic growth.'

(17 marks)

An Roinn Oideachais agus Eolaíochta
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ECONOMICS - ORDINARY LEVEL

400 marks

WEDNESDAY, 21 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)

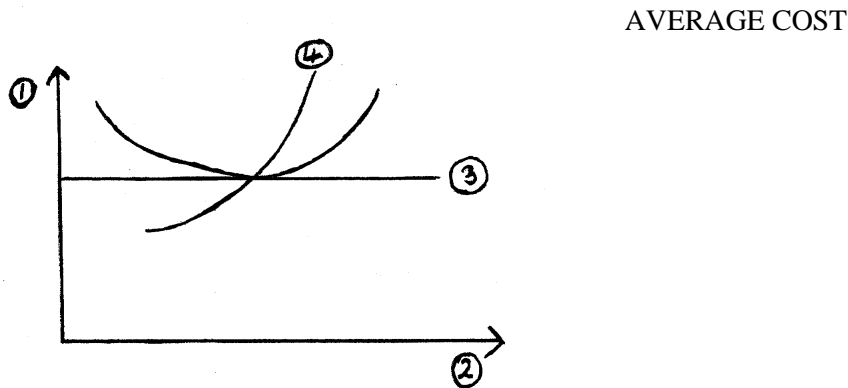
This section is on a separate sheet which also provides space for your answers. **The completed sheet is to be returned with your answer books at the end of the examination.**

SECTION B (300 marks)

Answer **FOUR** questions. All questions carry equal marks. (i.e. 75) Note the sub-divisions in the questions.

SECTION B (300 marks)

1. The diagram below represents the long run equilibrium of a firm in a 'Perfectly Competitive' market.



- (a) (i) Copy the diagram into your answerbook. Clearly label each of the lines numbered 1 to 4.
- (ii) Show on your diagram:
- the equilibrium output of the firm (use label Q).
 - the average cost of producing this output (use label C).
 - the price it will charge for this output (use label P).
- (iii) Is the above firm earning normal or supernormal profits? Explain with reference to the diagram above.
- (30 marks)
- (b) Compare **Perfect Competition** and **Monopoly** market structures with respect to the following:
- the number of firms in each industry.
 - the shape of the demand curve of the firm in each structure. (You may use diagrams if you wish).
- (20 marks)
- (c) A recent trend in Ireland has been towards the privatisation of state-owned companies.
- (i) What is meant by the term '**privatisation**'?
- (ii) Name a major Company recently privatised in Ireland.
- (iii) State and explain how **ANY TWO** of the following may be affected by privatisation:
(ONE POINT REQUIRED IN EACH CASE)
- the privatised company
 - the consumers of the product or service
 - the employees of the privatised company

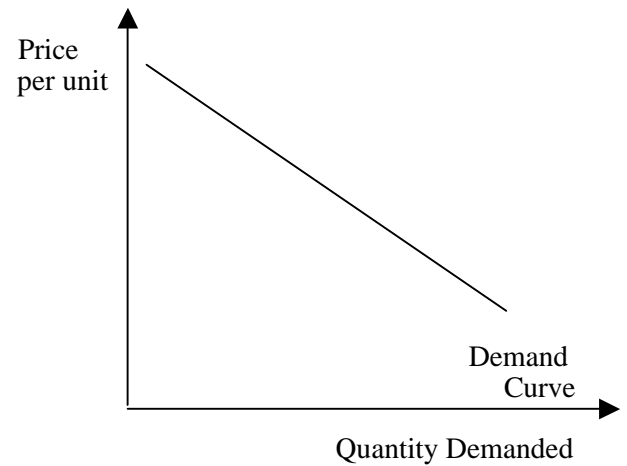
(25 marks)
[75 marks]

2. (a) The following cause a demand curve to shift:
- consumers real income increases
 - price of a substitute good falls
 - price of a complementary good falls.

Copy the diagram opposite into your answerbook.

Choose any **TWO** of the factors above and in **each** case:

- (i) Show the shift in the demand curve.
(ii) Explain why the curve has shifted in the direction shown.



NOTE: A separate diagram is required in each case.

(20 marks)

- (b) "Cigarettes are one exception to The Law of Diminishing Marginal Utility. They are also inelastic goods".

- (i) Explain why cigarettes are an exception to The Law of Diminishing Marginal Utility.
(ii) Briefly explain the term 'inelastic' good.
(iii) Why would a government prefer to tax an inelastic good rather than an elastic good?

(30 marks)

- (c) A farmer produces only two products, beef and wheat. State and explain how the **SUPPLY OF WHEAT** from the farm would be affected by **ANY TWO** of the following:

- (i) Beef prices collapse due to concerns about the safety of the product.
(ii) Costs of production for wheat increase substantially.
(iii) Bad weather reduces the yield from the wheat crop.
(You may use diagrams with brief explanations for section (c)).

(25 marks)

[75 marks]

3. (a) State and explain **TWO** reasons why different wage rates are paid for different jobs.

(20 marks)

- (b) Choose **ANY TWO** of the following. State and explain how they influence the 'supply of labour' in an economy.

- The level of wages on offer in the economy.
- The normal length of the working week.
- The level of welfare benefits payable to the unemployed.
- The percentage of people in the economy availing of third level education.

(20 marks)

- (c) Ireland is beginning to experience shortages of labour in certain sectors. In relation to this statement, answer **TWO** of the following:

- (i) State and explain **ONE** reason why such shortages are beginning to occur.
(ii) What is the likely impact of this development on wage levels? Explain your answer.
(iii) State and explain **ONE** course of action open to the government to reverse this trend.

(20 marks)

- (d) How does capital investment in a firm affect labour?

(15 marks)

[75 marks]

4. (a) The Irish economy is experiencing an 'economic boom' at present. State and explain how this development has affected **ANY TWO** of the following:
- (i) the level of unemployment in Ireland.
 - (ii) the Balance of Payments (on Current Account).
 - (iii) the Current Section of the Government's Budget.
- (20 marks)
- (b) In a period of economic growth, not all groups (sectors) share equally in the increased wealth which is generated.
- (i) State and explain **ONE** course of action open to the government to re-distribute wealth.
 - (ii) State **ONE** economic advantage and **ONE** economic disadvantage which may result from efforts to re-distribute (share out) the increased wealth.
- (20 marks)
- (c) High rates of economic growth are often associated with inflationary pressure in an economy.
- (i) Briefly explain why prices might be expected to rise during an economic boom.
 - (ii) What action has the government and the social partners taken to help control inflation in the Irish Economy?
- (20 marks)
- (d) State and explain **TWO** reasons why property prices have increased more than the general level of prices in Ireland recently.
- (15 marks)
[75 marks]
5. (a) The characteristics of '**money**' include the following: Divisible, Generally acceptable and Portable.
- (i) Explain **TWO** of the characteristics underlined above.
 - (ii) Briefly explain the term Barter.
 - (iii) Explain **ONE** problem which may occur if the supply of money is greater than the supply of goods and services in an Economy.
- (25 marks)
- (b) The rate of interest is 'the price of money'. If the rate of interest were to increase, state and explain how this development might affect the following:
- (i) Savers.
 - (ii) Borrowers.
 - (iii) Exporters.
- (20 marks)
- (c) Many member states of the EU have started to phase in the new single currency, the **EURO**.
- (i) State and explain **ONE** effect which the EURO will have on **ANY THREE** of the following:
 - the tourism industry.
 - international trade between the states concerned.
 - the ability of the Irish Central Bank to control interest rates.
 - the ability of consumers to compare prices within the EU.
 - (ii) Britain is not joining the EURO at present. State and explain **ONE** way Ireland's trade with Britain could be affected by this.
- (30 marks)
[75 marks]

6. (a) Consider the following figures which relate to an economy for 1999:

	£ . Billion
• Invisible imports	10
• Visible exports	40
• Invisible exports	8
• Visible imports	30

Using the above figures, calculate:

- (i) The Balance of Trade.
- (ii) The Balance of Invisible Trade.
- (iii) The Balance of Payments (on Current Account).

(In each case show your workings and state if the answer represents a **surplus** or a **deficit**).

(20 marks)

(b) Answer **ANY TWO** of the following, with brief explanations.

- (i) Distinguish between visible exports and invisible exports and give **ONE** example in **each** case.
- (ii) How could a fall in unemployment affect Ireland's Balance of Trade?
- (iii) If Ireland's inflation rate rises above the rates of our trading partners, how will this affect The Balance of Trade?

(25 marks)

(c) The Law of Comparative Advantage suggests that specialisation can increase world production.

- (i) Explain what is meant by 'specialisation' in the context of international trade.
- (ii) The movement of goods between nations is less restricted if barriers to trade are lowered. State **TWO** economic advantages and **ONE** economic disadvantage to Ireland of the development.
- (iii) Briefly explain **ONE** way in which a country can interfere with free international trade.

(30 marks)

[75 marks]

7. (a) The National Income (Y) is defined as:

$$Y = C + I + G + X - M.$$

- (i) Explain what **each** of the above symbols represents.
- (ii) Choose **ANY TWO** of the expenditure items. State **and** explain what determines the level of each one.

(20 marks)

(b) List **THREE** of the main economic objectives of the government.

(10 marks)

(c) The government uses the following instruments to achieve its economic objectives:

- Fiscal Policy
- Monetary Policy
- Economic Planning (e.g. Partnership 2000).

- (i) Write brief notes on **ANY TWO** of the instruments listed above.
- (ii) State **and** explain how the Irish government has used **ANY TWO** of these instruments to achieve its objectives.

(20 marks)

(d) UDC's (under developed countries) face many difficulties in achieving economic growth.

- (i) Write a brief note on how UDC governments could use **ONE** of the economic instruments listed in (c) above to increase growth.
- (ii) Briefly describe **TWO** measures by which governments in the developed world can help UDC's achieve higher growth.

(25 marks)

[75 marks]

8. (a) A noticeable trend in recent years is for companies to join together to form larger companies. In relation to this development answer the following:
- (i) State **and** explain **ONE** economic benefit to the larger company.
 - (ii) State **and** explain **ONE** economic advantage and **ONE** economic disadvantage to the consumer.
 - (iii) Briefly explain **ONE** economic effect on the employees of the companies involved.
- (30 marks)
- (b) (i) What is meant by the term **Infrastructure**? State **TWO EXAMPLES** of goods or services which are included under the general concept of infrastructure.
- (ii) Suggest **ONE** reason why infrastructure is so important to the progress of an economy.
- (iii) Outline one area of Ireland's infrastructure which is in need of further investment at present **and** briefly justify your choice.
- (25 Marks)
- (c) (i) Explain the term '**enterprise**'.
- (ii) Suggest **ONE** way in which investment from an Irish source might be more beneficial for our economy than one which originates from abroad.
- (iii) Suggest **ONE** way in which investment from abroad might be more beneficial for our economy than one which originates from within Ireland.
- (20 marks)
[75 marks]