2021.M59S

2021LO34A1ES

Coimisiún na Scrúduithe Stáit
State Examinations Commission

Leaving Certificate Examination Sample Paper

Economics

Higher Level

2 hours 30 minutes

400 marks

Examination Number

Day and Month of Birth

For example, 3rd February is entered as 0302

Centre Stamp

Instructions

There are **two** sections in this paper.

This examination carries 400 marks in total.

Section A: 80 marks.
Answer all **eight** questions from this section.

Each question carries 10 marks.

Section B: 320 marks.
Answer: 4 out of 5 questions

All questions in this section carry 80 marks.

Write your answers in blue or black pen.

Write your answers in the spaces provided in this booklet. There is space for extra work at the end of the booklet. Label any such extra work clearly with the question number and part.

This examination booklet will be scanned and your work will be presented to an examiner on screen. Anything that you write outside of the answer areas may not be seen by the examiner.

Calculators may be used.

Write the make and model of your calculator here:

Section A	Short Answer Questions	80 marks

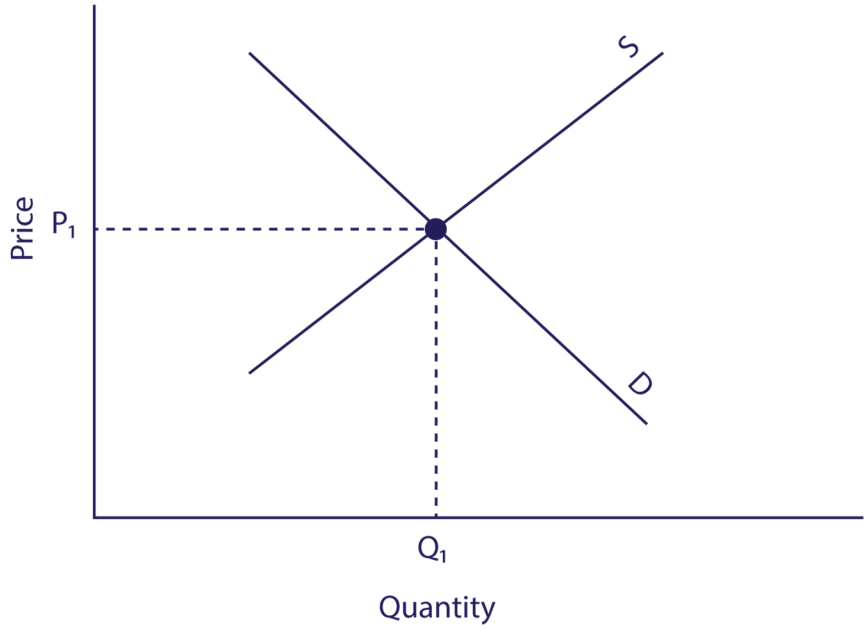
Answer all questions.

Question 1

Oil over supply to hit record levels.

Adapted from www.energyvoice.com

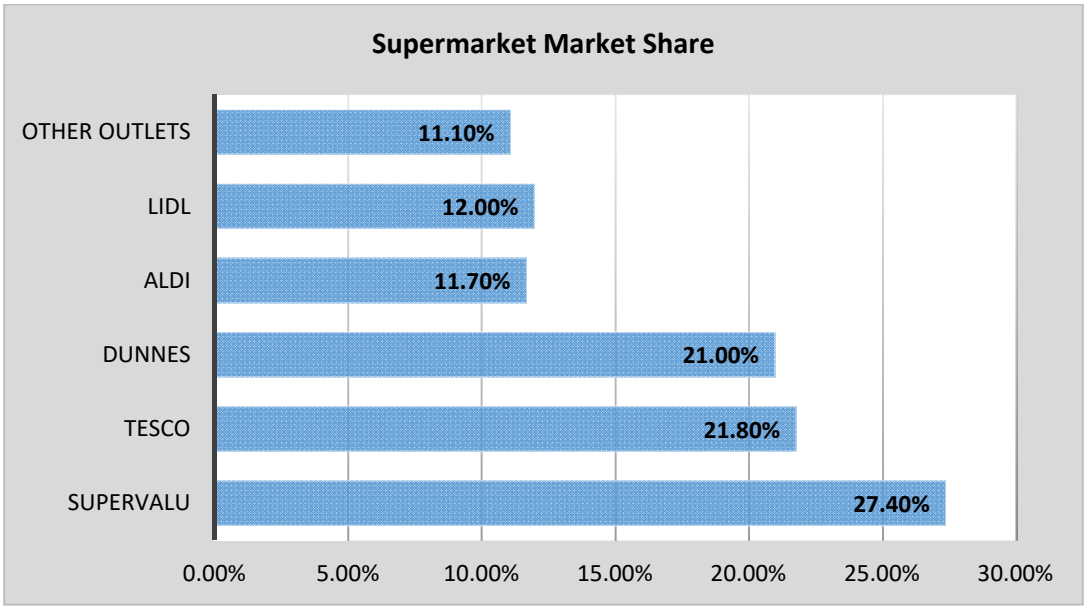
(a) Using the diagram provided, illustrate the impact an oversupply of oil will have on the equilibrium price of oil.



(b) Briefly explain your answer.

Question 2

The diagram below shows the market concentration for supermarkets.



Adapted from Kantor

(a) Using the information provided in the diagram above, calculate the market concentration of the supermarket industry, using the Herfindahl-Hirschman index (HHI).

Workings:

Answer:

(b) Identify the type of market structure from the data provided above.

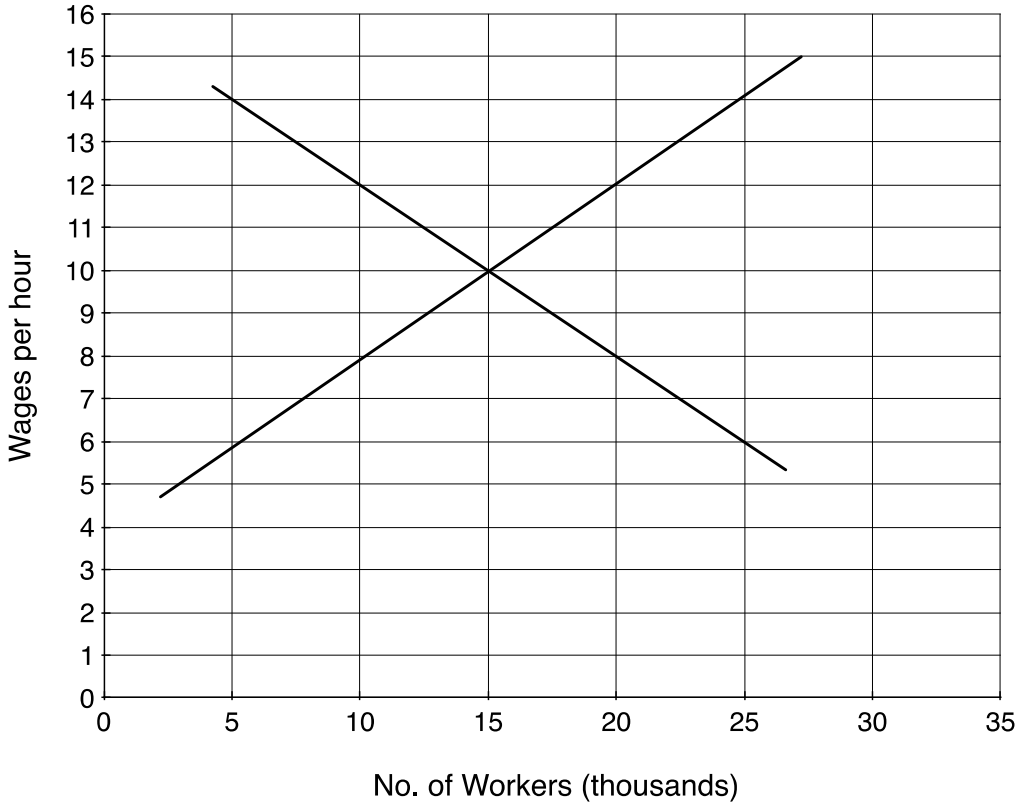
Question 3

(a) Draw the Long Run Average Cost Curve.

(b) Outline **one** example of an Internal Economy of Scale, and outline **one** example of an External Economy of Scale that a firm may experience.

Question 4

(a) The diagram below shows the demand and supply of labour. Using this diagram state the equilibrium wage level.



Equilibrium Wage Level:

Answer (b) or (c)

(b) Using the diagram above, calculate how many people could lose their jobs if the government decided to introduce a minimum wage of €14 per hour.

Workings:

Answer:

OR

(c) Outline **two** advantages to the Government of increasing the minimum wage rate.

1.
2.

Question 5

(a) Distinguish between Gross Domestic Product (GDP) and Gross National Income (GNI) as methods of calculating National Income.

(b) Which is a more accurate measure of measuring National Income, GDP or GNI?

Answer:

Question 6

Sugar tax could sweeten a market failure.

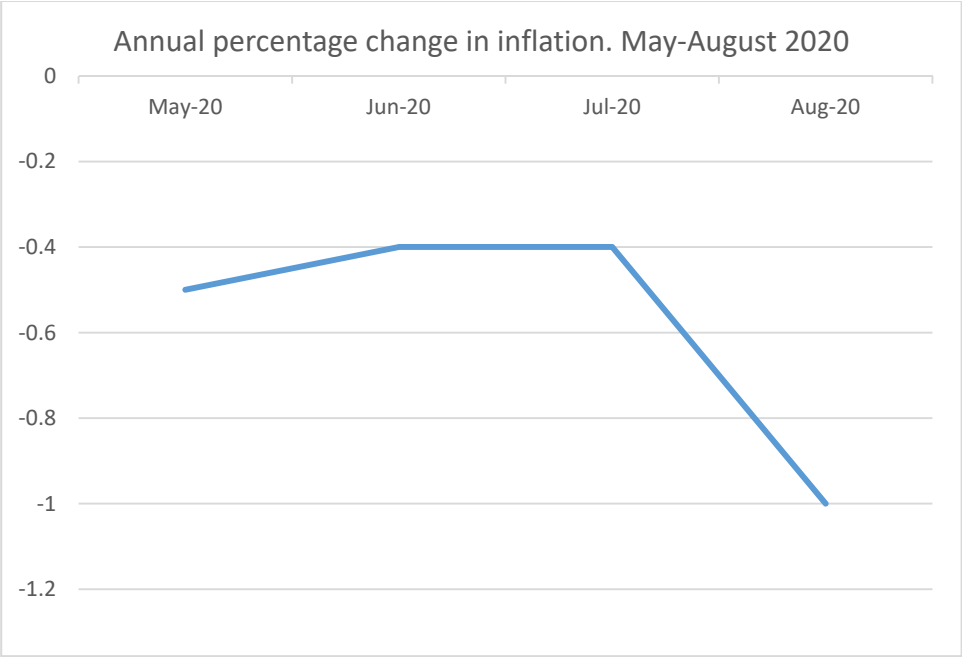
Adapted from www.nature.com

(a) Is the sugar tax a progressive or a regressive tax. Explain your answer.

(b) Explain how the introduction of the sugar tax is an example of taxation being used to overcome a negative externality.

Question 7

The graph below shows the changing inflation rates from the Consumer Price Index (CPI) from May to August 2020.



Adapted from the CSO

(a) Comment on the changes in Ireland's inflation rate between May and August 2020 from the graph shown above.

Workings: (if required)

Comments:

Answer (b) or (c)

(b) Explain **two** uses of the CPI.

1.
2.

OR

(c) Explain **two** limitations of the CPI.

1.
2.

Question 8

The government should supply basic health care to all citizens.

(a) Is the statement above a positive or normative statement?

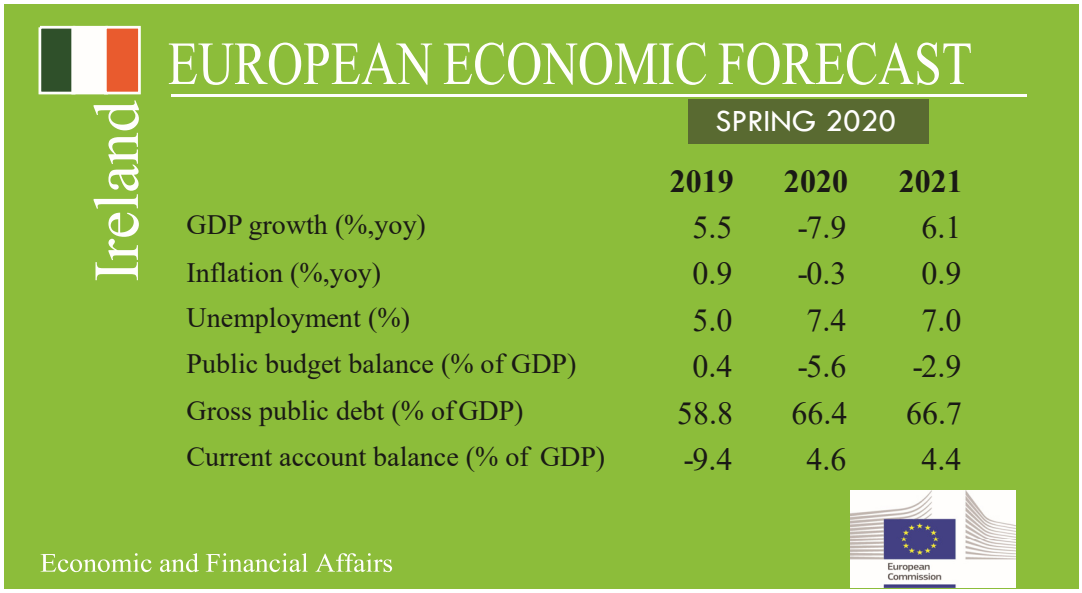
(b) Using the statement above, explain the difference between a positive and a normative statement.

Section B	Extended Response Questions	320 marks

Answer 4 out of 5 questions

Question 9

The diagram below shows the European Commission's economic forecast for Ireland in Spring 2020.



	2019	2020	2021
GDP growth (%,yoy)	5.5	-7.9	6.1
Inflation (%,yoy)	0.9	-0.3	0.9
Unemployment (%)	5.0	7.4	7.0
Public budget balance (% of GDP)	0.4	-5.6	-2.9
Gross public debt (% of GDP)	58.8	66.4	66.7
Current account balance (% of GDP)	-9.4	4.6	4.4

*yoy = year over year

Adapted from Eurostat

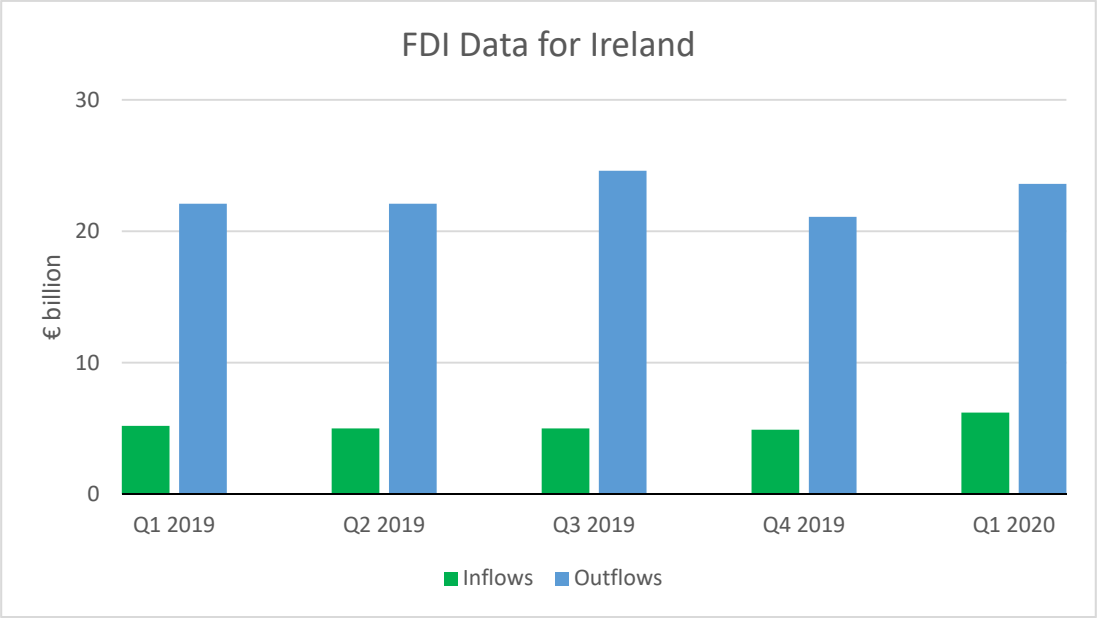
(a) (i) The European Commission projects that Ireland's inflation rate will grow from -0.3 to 0.9 between 2020 and 2021. Using the data provided, analyse how the change in inflation rates for Ireland will impact on the country's national debt.

(ii) Outline **two** factors that can cause inflation.

1.
2.

(b) Discuss why the Irish government might be concerned about the impact of hidden economies on Ireland's GDP.

(c) The graph below shows Foreign Direct Investment (FDI) data for Ireland.



Adapted from the CSO

(i) Distinguish between FDI inflows and FDI outflows. Use examples to illustrate your answer.

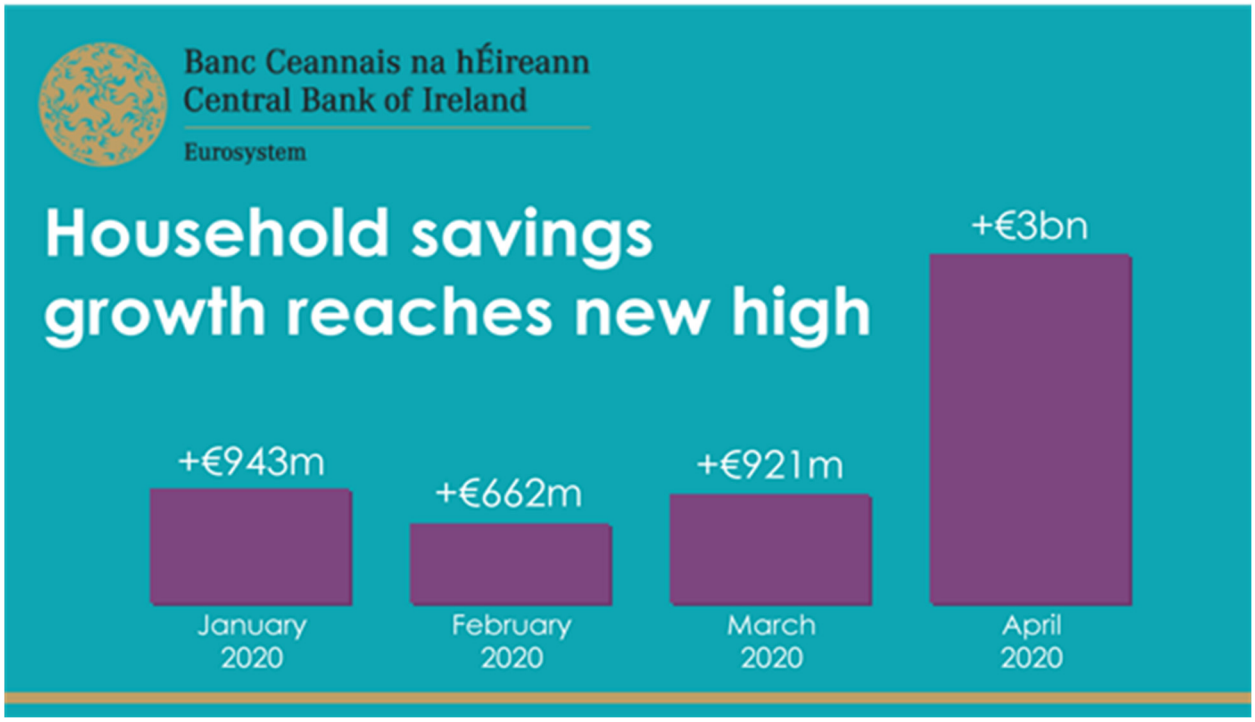
(ii) FDI has been, and will continue to be, a key plank upon which Ireland's economy is built.

Adapted from Dept. of Business, Enterprise and Innovation

Evaluate why Ireland places such a high emphasis on FDI.

Question 10

The diagram below shows the growth rate in household savings.



Adapted from the Central Bank of Ireland

(a) (i) Calculate the percentage change in **household savings** between January 2020 and April 2020.

Workings:

Answer:

(ii) Analyse **three** factors which may have influenced the increased rate of household savings in the Irish economy for this period.

1.
2.
3.

(b) **(i)** Explain how an increase in recent household savings may have impacted on the Aggregate Demand Curve for Ireland.

(ii) Suggest t**wo** ways the Irish Government could encourage people to spend more money.

1.

2.

(c) **(i)** Gold prices surge due to a lack of market confidence.



Draw the market demand curve for gold. Illustrate and explain the impact of global speculation on the demand curve for gold.

Explanation:

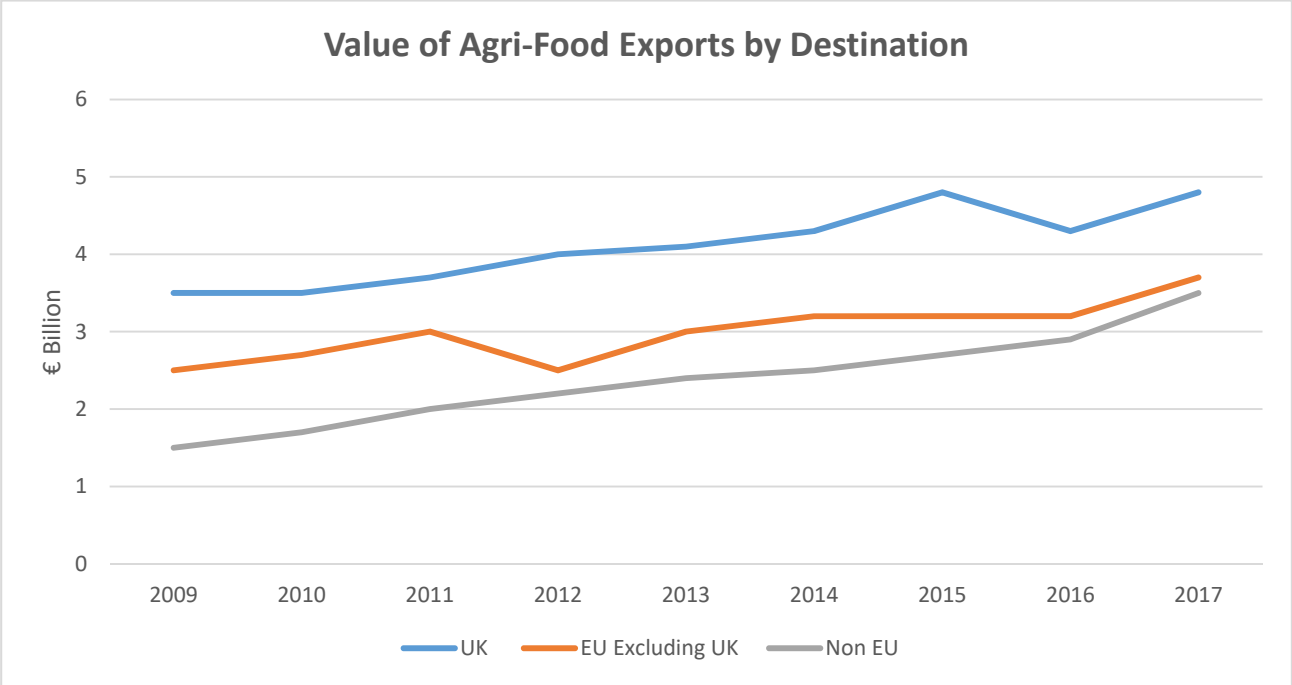
(ii) Explain **two** functions of the Central Bank of Ireland.

1.
2.

Question 11

The graph below shows the performance of Ireland's Agri-Food Exports.

(a) Using the graph provided below, analyse and comment on Ireland's Agri-Food Exports and its relationship with the three destinations.



Adapted from the CSO

Workings: (if required)

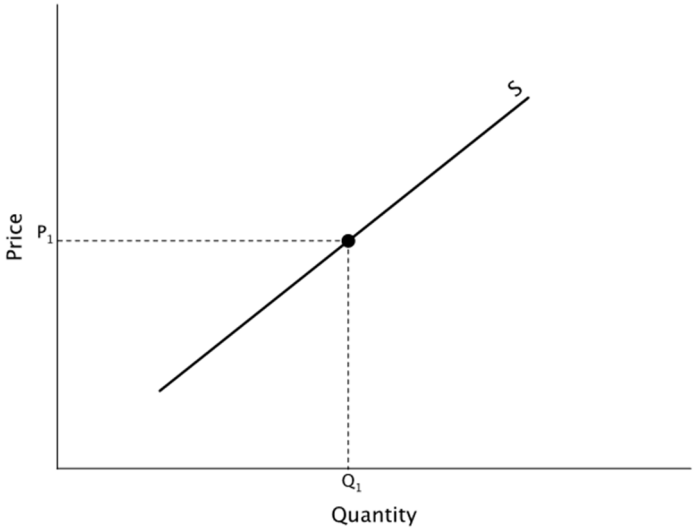
Analysis and comments:

(b) **(i)** Explain the term ‘subsidy’.

(ii) Explain **two** reasons why governments intervene in markets.

1.
2.

(iii) Agriculture is very reliant on subsidies. Using the diagram below, draw the change in the supply curve as a result of the introduction of subsidies in agriculture.
Explain your answer.



Explanation:

(C) **(i)** Analyse the exports and imports figures for Ireland in the data shown below. Evaluate how the changing surplus figure has impacted on Ireland's Balance of Payments during the 6 months.

Goods: Exports and Imports

June 2020

Seasonally adjusted

€ million

	Exports	**Imports**	**Surplus**
January 2020	13,597	7,365	6,232
February 2020	12,115	8,188	3,927
March 2020	17,029	6,434	10,595
April 2020	11,465	5,810	5,655
May 2020	12,885	6,580	6,305
June 2020	13,033	6,445	6,589

Adapted from the CSO

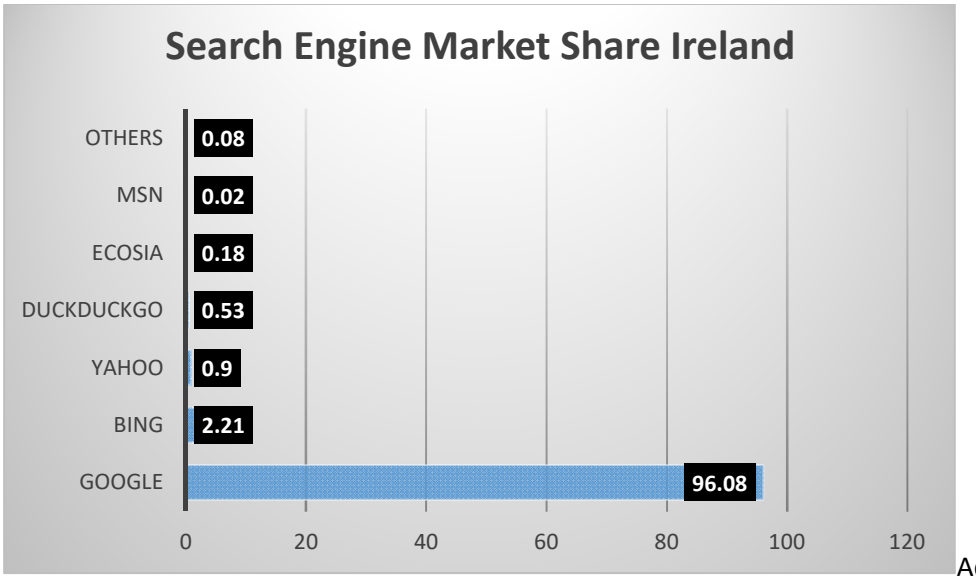
Workings: (if required)

Evaluation:

(ii) Discuss the role high tariffs played on imports in the Irish Economic Crisis of the 1950s.

Question 12

The graph below shows the Market Share for Search Engines in Ireland August 2020.

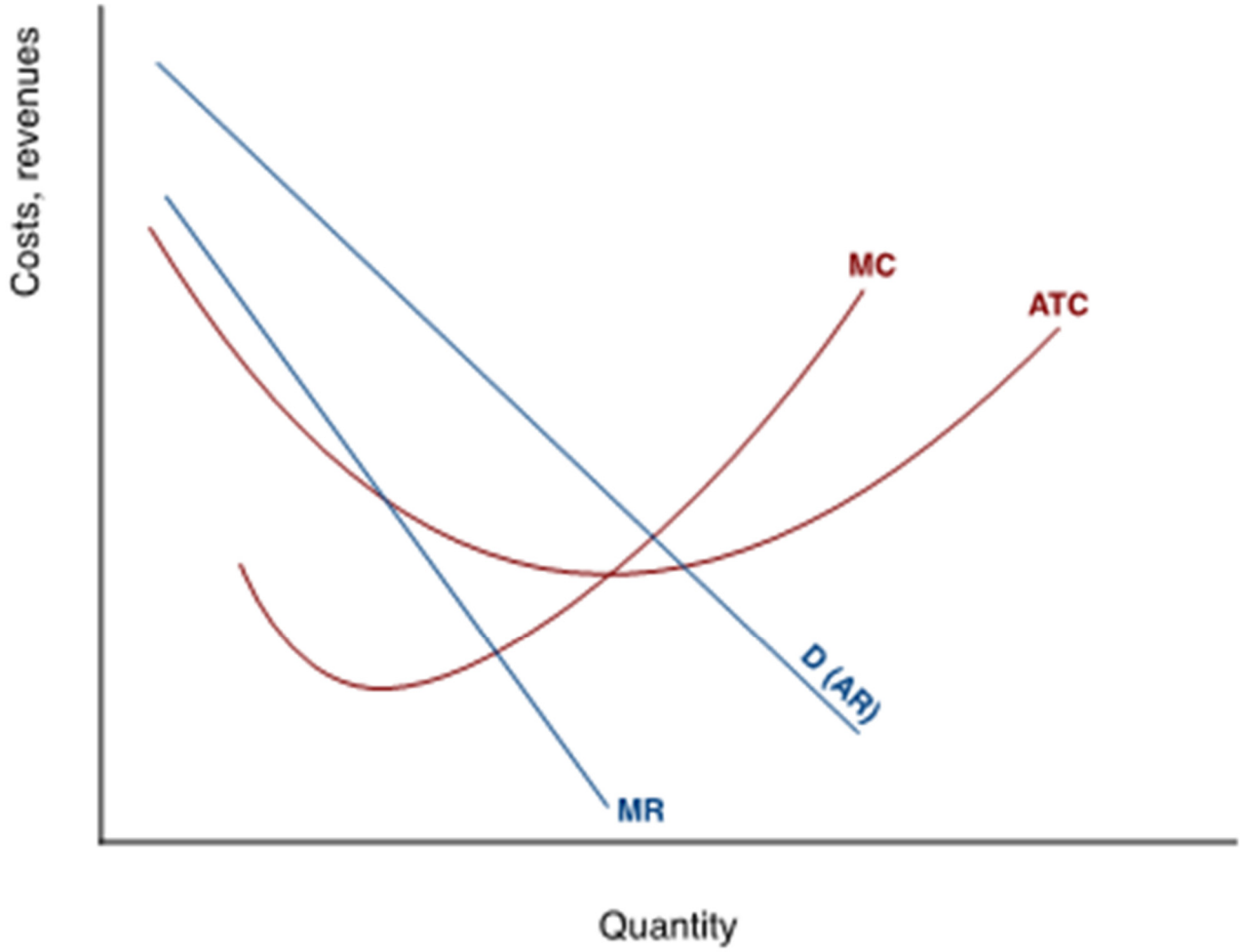


Adapted from Statcounter

(a) Identify the type of Market Structure featured above. Outline **three** key assumptions attached to this market.

1.
2.
3.

(b) Fast food outlets are examples of monopolistic competition.



(i) The diagram above shows a firm in short run monopolistic competition. Indicate on the diagram where the firm earns **abnormal profits/super normal profits.**

(ii) In the space provided below, draw and label the diagram which represents the long-run equilibrium in monopolistic competition. Explain your diagram.

Explanation:

(c) **(i)** Explain, with reference to consumer surplus, what is meant by the term 'price discrimination'.

(ii) Price discrimination is more prelevant in the services industry.
Evaluate this statement, giving **two** relevant examples.

1.
2.

Question 13

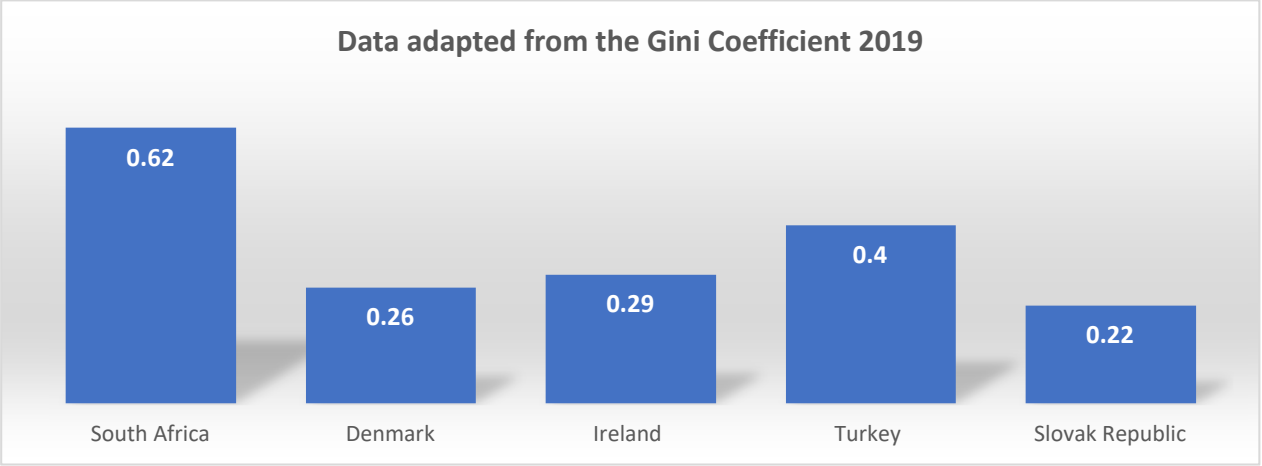
Lego is to invest $400 million to accelerate sustainability.

Adapted from www.lego.com

(a) (i) **Sustainability** is a key concept in our study of Economics.
Explain the term 'sustainability'.

(ii) Discuss the challenges countries may face in trying to implement the 17 Sustainable Development Goals of the United Nations.

(b) The graph below shows data adapted from the Gini Coefficient for 2019



(i) Using the data in the diagram above, name the country which is the **closest** to perfect inequality of income and which country is **closest** to perfect equality of income.

Country closest to perfect inequality of income:
Country closest to perfect equality of income:

(ii) Explain **two** measures taken by governments to reduce inequality of incomes.

1.
2.

(c) Ireland's Official Development Assistance (ODA) was allocated €838 million in Budget 2020, up from €817 million in Budget 2019.

Adapted from Irish Aid

(i) Discuss the benefits of Official Development Assistance for Less Developed Countries.

(ii) Evaluate how conflicts of interest could occur between Governments and Non-Government Organisations (NGO's).

Optional additional page.
Indicate clearly the number and part of the question(s) you are answering.

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Indicate clearly the number and part of the question(s) you are answering.

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Leaving Certificate Examination Sample Paper – Higher Level

Economics

2 hours 30 minutes