2021.M58

2021L034G1EL

Coimisiún na Scrúduithe Stáit
State Examinations Commission

Leaving Certificate Examination 2021

Economics

Ordinary Level

Friday 25 June Morning 9.30-12.00

300 marks

Examination Number

Day and Month of Birth

For example, 3rd February is entered as 0302

Centre Stamp

The 2021 examination papers were adjusted to compensate for disruptions to learning due to COVID-19. This examination paper does not necessarily reflect the same structure and format as the examination papers of past or subsequent years.

Instructions

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

This examination carries 300 marks in total.

Section A: 75 marks.
Answer 5 out of 10 questions from this section.

All questions in this section carry 15 marks.

Section B: 225 marks.
Answer 3 out of 6 questions.

All questions in this section carry 75 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.

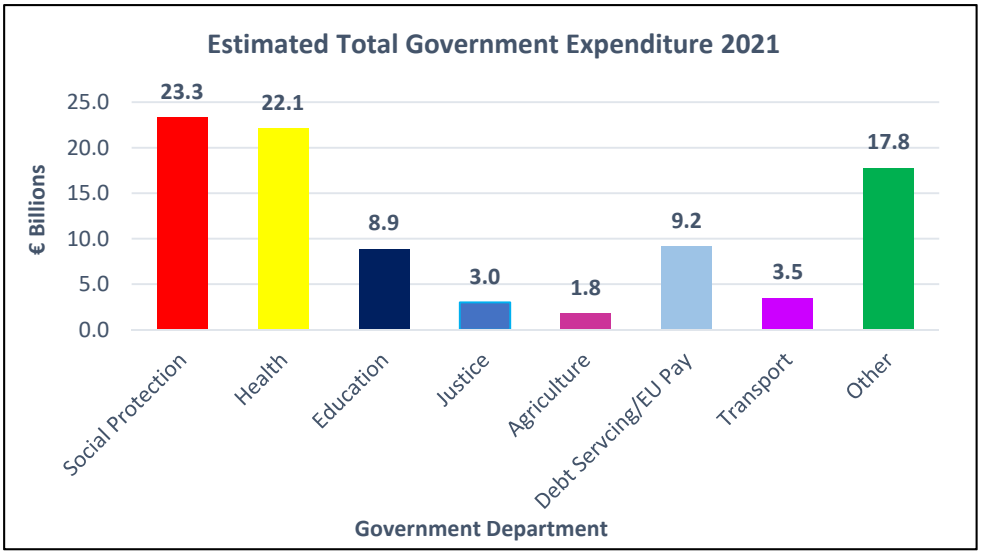
Write the make and model of your calculator here:

Section A	Short Answer Questions	75 marks

Answer 5 out of 10 questions

Question 1

The diagram below shows the estimated total government expenditure per department in € billions for 2021.



Adapted from where your money goes.gov.ie

(i) The estimated government expenditure for all departments is €89.6 billion. Calculate the estimated expenditure on **Education** as a percentage of total government expenditure for 2021. **Show your workings.**

Workings:
Answer:

(ii) Give **two** examples of government expenditure on **Social Protection**.

Example 1:
Example 2:

Question 2

Study the statements below and indicate by placing a tick (✓) in the correct box which is a positive statement and which is a normative statement.

	Statement	Positive	Normative
1.	In 2022 exports in Ireland will grow by 10% due to Brexit.		
2.	Increased government expenditure on drug abuse will reduce the number of deaths.		

Question 3

(i) Using the formula supplied, calculate the consumers **price elasticity of demand** when the price of Kerosene (home fuel heating oil) changes due to an increase in carbon tax.

$$\frac{\Delta Q}{\Delta P} \times \frac{P1 + P2}{Q1 + Q2}$$

	Units Purchased	Price (€)
Before the carbon tax increase	1000 litres	800
After the carbon tax increase	750 litres	850
Changes	**-250 litres**	**+ 50**

Workings:
Answer:

(ii) Indicate if the demand for Kerosene is **price elastic** or **price inelastic.**

Answer:

Question 4

Complete the blank spaces below and answer the question that follows. Show your workings.

Bags of Crisps Consumed	1	2	3	4
Total Utility in Units/Util	10	25	38	47
Marginal Utility in Units/Util	10	15		

Based on the table above: At what point does the point of diminishing marginal utility set in?

Workings:
Point of diminishing marginal utility:

Question 5

Sony released **The Playstation 5 (PS5)** in 2020.

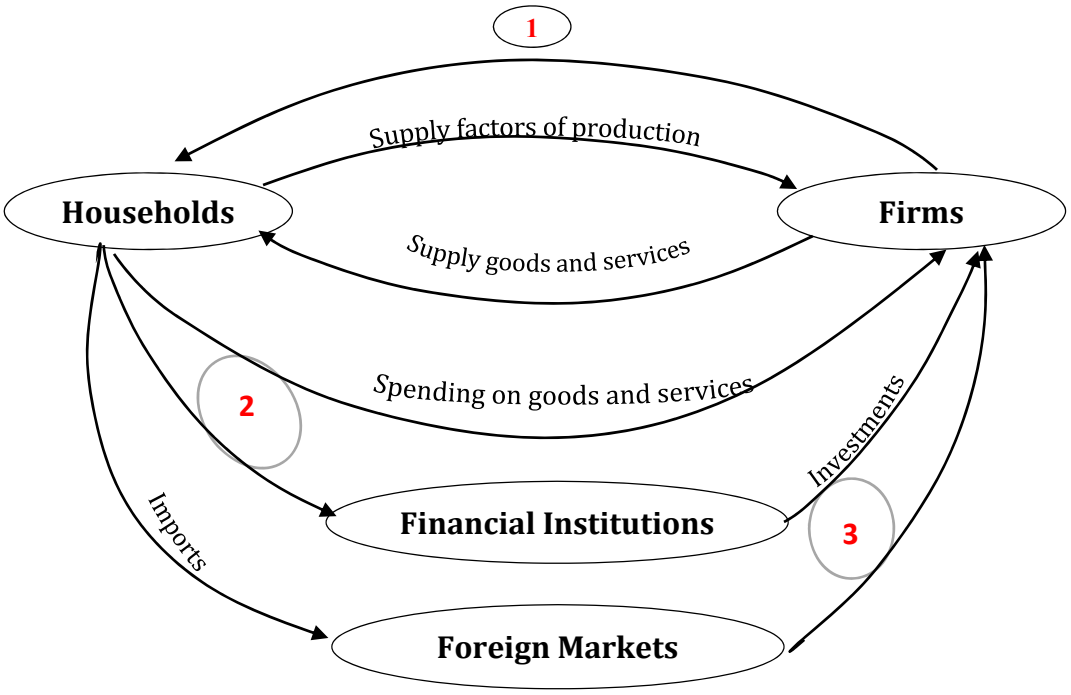
Name a **substitute good** for this item and explain your answer.

Substitute good:
Explanation:

Question 6

Answer (a) or (b)

(a) The diagram below represents the Circular Flow of Income in an open economy without the government. State what numbers 1-3 represent.



1.	
2.	
3.	

OR

(b) Explain what is meant by the term **invisible export.** Give an example.

Explanation:
Example:

Question 7

Using the following figures, **calculate** the expected budgetary position for Ireland in 2022. Indicate if it is a **surplus or a deficit.**

Total income:	**€87.5 billion**	**Total expenditure:**	**€86.1 billion**

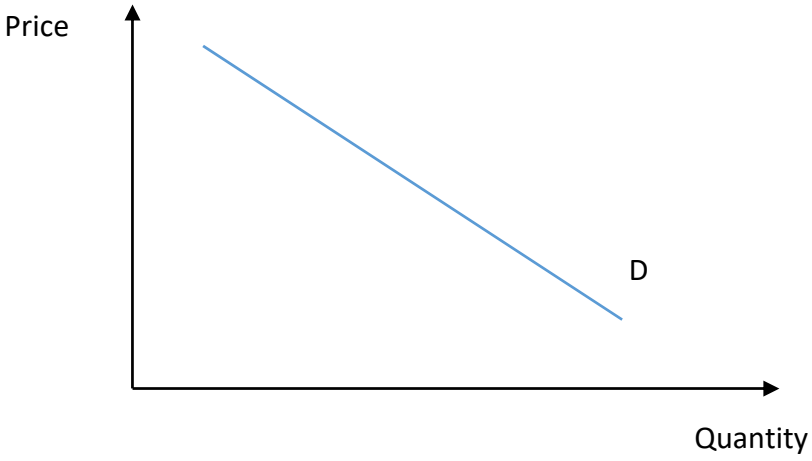
Workings:
Answer:

Question 8

It is predicted that tourism in Ireland could drop by up to 80% in Summer 2021.

Adapted from The Irish Times

Illustrate the impact the above statement could have on the **demand** curve for coaches/car hire in Ireland using the diagram below. Explain your answer.

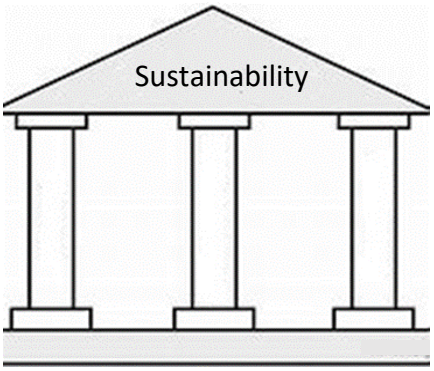


Explanation:

Question 9

Answer either (a) or (b)

(a) Name the 3 pillars of sustainability.



1.
2.
3.

OR

(b) Explain, using **two** relevant examples, how an individual can make more environmentally sustainable choices.

1.
2.

Question 10
Answer either (a) or (b)

CSO data shows that **public sector workers** earn, on average, more than **private sector workers.**

Adapted from the CSO

(a) Explain the terms in bold outlined above.

Public Sector Workers:
Private Sector Workers:

OR

(b) Explain one reason why different wages are paid for different jobs.

Section B	Extended Response Questions	225 marks

Answer 3 out of 6 questions

Question 11

The data below is extracted from the Human Development Index (HDI) in 2019 and 2020.

2019

2019	Rank	Country	Human Development Index. (HDI) (value)	Life expectancy at birth (years) SDG 3	Mean years of schooling (years) SDG 4.6
	3	**Ireland**	**0.951**	**82.1**	**12.5**

2020

2020	Rank	Country	Human Development Index. (HDI) (value)	Life expectancy at birth (years) SDG 3	Mean years of schooling (years) SDG 4.6
	2	**Ireland**	**0.955**	**82.3**	**12.7**

Adapted from www.hdr.undp.org

(a) **(i)** Using the data provided in the tables above calculate the **difference** between Ireland's ranking on the HDI index from 2019 to 2020.

Indicate if Ireland's position has improved.

Difference in HDI Rank (2019 -2020)	Difference in life expectancy at birth	Difference in mean years of schooling	Has Ireland's position improved between 2019 and 2020?

(ii) Given your answers in **(i)** above explain what might have caused this change in Ireland's position on the HDI.

(b) **(i)** Outline **one** advantage or **one** disadvantage of **globalisation.**
Indicate which one you are answering by placing a tick (✓) in the box below:

Advantage: ☐ Disadvantage: ☐

Answer:

(ii) Name **two** multinational companies (MNCs) that operate in Ireland.

1.
2.

(iii) Outline **two** reasons why MNCs locate in Ireland.

1.
2.

(c) **(i)** Foreign Direct Investment (FDI) has been a key contributor to Ireland's economic growth. Adapted from www.enterprise/gov.ie

Explain the term **economic growth.**

(ii) Explain your understanding of the Fair-Trade Movement.

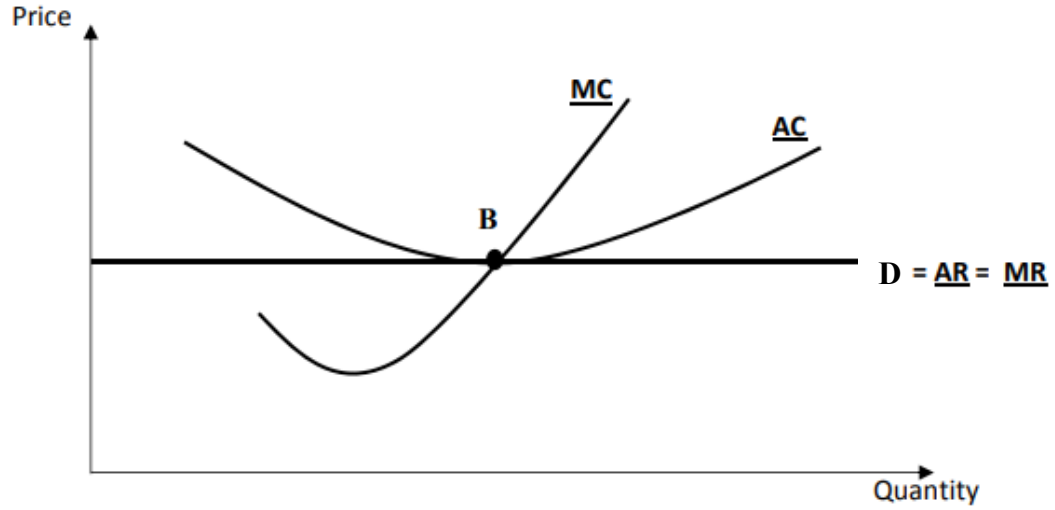
Give **two** examples of fair-trade products that you can buy.

Fairtrade:
Example 1:
Example 2:

75 marks

Question 12

(a) The diagram below represents the long run equilibrium of a firm in **Perfect Competition.**



(i) Write out in full what each of the four labels represent.

Label	Answer
MC	
AC	
AR	
MR	

(ii) Equilibrium occurs at the **point B** on the diagram above.
Show on the diagram above:

- The price the firm will charge for its output (use label $\mathbf{P_1}$)
- The output the firm will produce in equilibrium (use label $\mathbf{Q_1}$)
- The average cost of producing this output (use point $\mathbf{C_1}$)

(b) The image below shows a photo from the outdoor flower market in Stoneybatter Dublin. This firm operates in perfect competition where there are many homogenous products.

Discuss **three** main assumptions of this type of market structure.

Adapted from Zupermar.ie

1.
2.
3.

(c) **(i)** Outline **one** benefit of perfect competition as a market for **each** of the following:

The consumer:
The economy in general:

(ii) Firms in perfect competition may earn super normal profits in the short run.

Outline what might happen to the number of firms in the industry in the long run. Give a reason for your answer.

75 marks

Question 13

(a) **(i)** The Irish government is accused of resisting EU changes to the minimum wage.

Adapted from RTE

Outline what is meant by the term **minimum wage.**

(ii) A government may use fiscal policy in its budget to help achieve its economic aims. Explain what is meant by **fiscal policy**.

(iii) **Monetary policy** and delivering **price stability** is a concern for everyone.

Adapted from the Central Bank of Ireland

Explain one of the terms in bold in the statement above.

(b) Avantcard which is owned by Spanish bank 'Bankinter' plans to start offering Irish customers fixed rate mortgages for 2%. Adapted from RTE

(i) Outline the impact the introduction of a new mortgage lender in Ireland will have on each of the following:

Consumers applying for a mortgage:
Interest rates:

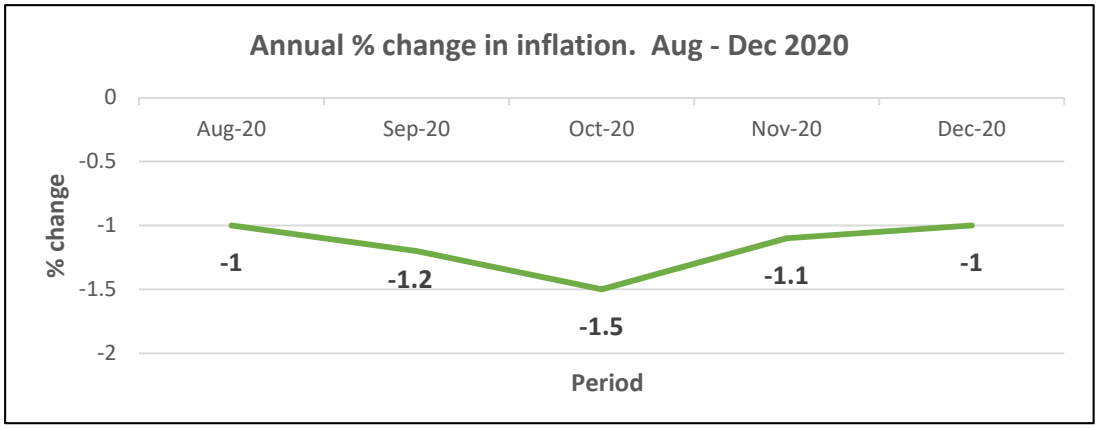
(ii) The Central Bank of Ireland imposed a fine of €4.1 million on Davy Stockbrokers. Adapted from RTE

Outline **one** reason why the Central Bank of Ireland imposes fines like this on financial institutions.

(c) **(i)** State the term used to describe when the price of goods and services are **falling** in a country.

Answer:

(ii) The diagram below shows the changing inflation rates from the Consumer Price Index (CPI) Ireland from August to December 2020. Using the data answer the questions in the table below:



What was the percentage change in inflation in October 2020?	
Identify the **change** in the annual percentage change in inflation between **August** and **September** 2020?	
During what months was there an **increase** in the annual percentage change in inflation?	

(iii) The general prices of goods and services rose in Ireland during the period 2000-2007.
Explain **one** possible cause of inflation in Ireland during this time.

Explanation:

75 marks

Question 14

The ESB and Bord na Móna are pleased to announce that agreement has been reached on the €160m Oweninny Project (**wind farm technology**) in North County Mayo.

Partners in Natural Energy

Adapted from bordnamona.ie

(a) **(i)** Is the above an example of current **or** capital government expenditure?
Explain your answer.

Answer:
Explanation:

(ii) The spending by the government on the Oweninny Project is €160 million and this involves an **opportunity cost**.
Explain the term opportunity cost.

(b) (i) Define the term **mixed economy.**

(ii) Outline **one** measure the Irish government could use to achieve **each** of the following objectives:

Care for the Environment:
Maintaining State Services:

(c) The table below shows the comparison in income taxes paid on a salary of €18,000 in various countries. Adapted from Irish Tax Institute

Tax paid on a salary of €18,000

Germany	€4,770
France	€4,015
UK	€2,119
Switzerland	€1,120
Ireland	€510

(i) Using the data above **name** the countries where an employee would pay the:

The lowest tax	
The highest tax	

(ii) Is Value Added Tax a direct tax or an indirect tax?
Explain your answer.

Answer:
Explanation:

(iii) Outline **two** reasons why the Irish Government may intervene in the economy.

1.
2.

75 marks

Question 15

The first notable increase in hand sanitiser sales occurred during the 2009 – 2010 Swine Flu outbreak. Adapted from Pixabay

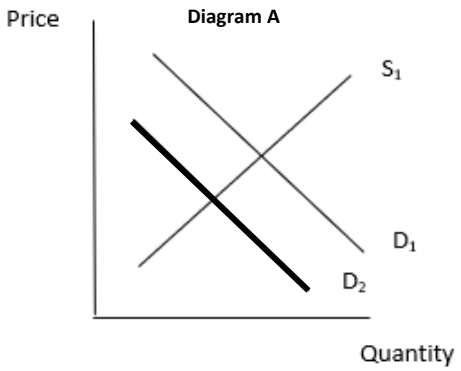
(a) (i) State the **law of supply**. Give an example to support your answer.

(ii) Does the law of supply apply to hand sanitiser in 2021?
Explain your answer.

Answer:
Explanation:

(b) Nike is famous for its 'Just do it' advertising campaign.

(i) Indicate by means of a tick (✓) which diagram accurately reflects the impact this highly successful advertising campaign had on the demand for Nike products.



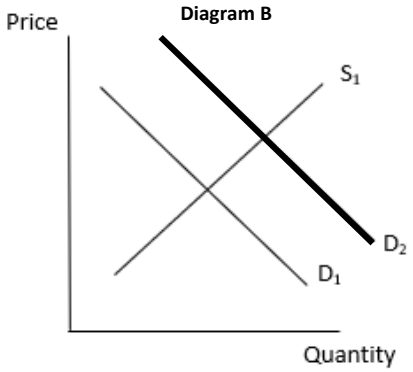


Diagram A:	**OR**	Diagram B:

(ii) The cost of cotton which is a raw material used in the production of Nike Clothing increases. Would this impact on the demand curve **or** the supply curve? Explain your answer.

Demand curve **or** supply curve:
Explanation:

(iii) Many consumers are loyal to the Nike brand.
Explain what is meant by the term **consumer loyalty**.

(c) **(i)** All economic goods are scarce and this affects how we make spending decisions. Explain the concept of **scarcity.**

(ii) **Explain how scarcity** can affect my decision making as a consumer.

(iii) Since the UK left the EU, EU consumers, buying goods online from the UK, now pay tariffs.
Explain what is meant by the term **tariff.**

75 marks

Question 16

(a) Complete the table below explaining, using examples, the factors of production, other than capital, required for the sale of fizzy drinks.
One factor of production has been completed for you.

Factors of Production	Definition	Example
Land		
Labour		
Capital	Anything that is man-made that is used in the production of goods and services/wealth.	Machinery
Enterprise		

(b) The Irish government raised over €33 million in sugar tax in 2019.

Adapted from The Journal.ie

(i) Explain one **social benefit** and one **economic benefit** resulting from the introduction of the sugar tax in Ireland.

Social benefit:
Economic benefit:

(ii) Explain, giving an example, what is meant by the term **Market Failure.**

(c) On 1 January 2020, the UK officially left the EU. This has become known as Brexit.

(i) Discuss **one** economic effect Brexit will have on each of the following:

Consumers in Ireland:
Businesses in Ireland:

(ii) Irish exports to the UK have grown by 16% despite the uncertainty surrounding Brexit.
Adapted from The Journal.ie

Outline **one** possible effect this growth in Irish exports may have on the Irish economy.

75 marks

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

Do not write on this page

Copyright notice
This examination paper may contain text or images for which the State Examinations Commission is not the copyright owner, and which may have been adapted, for the purpose of assessment, without the authors' prior consent. This examination paper has been prepared in accordance with Section 53(5) of the Copyright and Related Rights Act, 2000. Any subsequent use for a purpose other than the intended purpose is not authorised. The Commission does not accept liability for any infringement of third-party rights arising from unauthorised distribution or use of this examination paper.

Leaving Certificate – Ordinary Level

Economics

Friday 25 June

Morning 9.30-12.00