



Coimisiún na Scrúduithe Stáit
State Examinations Commission

Leaving Certificate Examination 2022

Economics

Higher Level

Friday 24 June Morning 9.30 - 12.00

300 marks

Examination Number

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Day and Month of Birth

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For example, 3rd February
is entered as 0302

Centre Stamp

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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.

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.

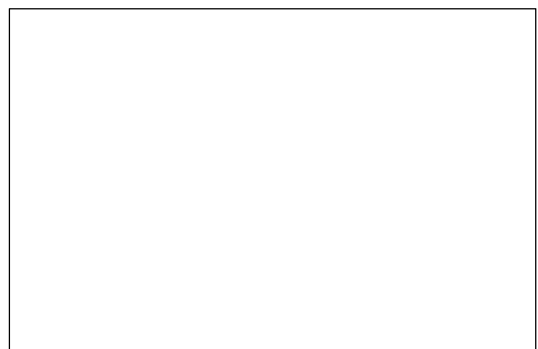
Write your answers in the spaces provided in this booklet. There is space for extra work at the end of the booklet. Label any such extra work clearly with the question number and part.

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.

The superintendent will give you a copy of the Formulae and Tables booklet, if required. You must return it at the end of the examination. You are not allowed to bring your own copy into the examination.

Calculators may be used.

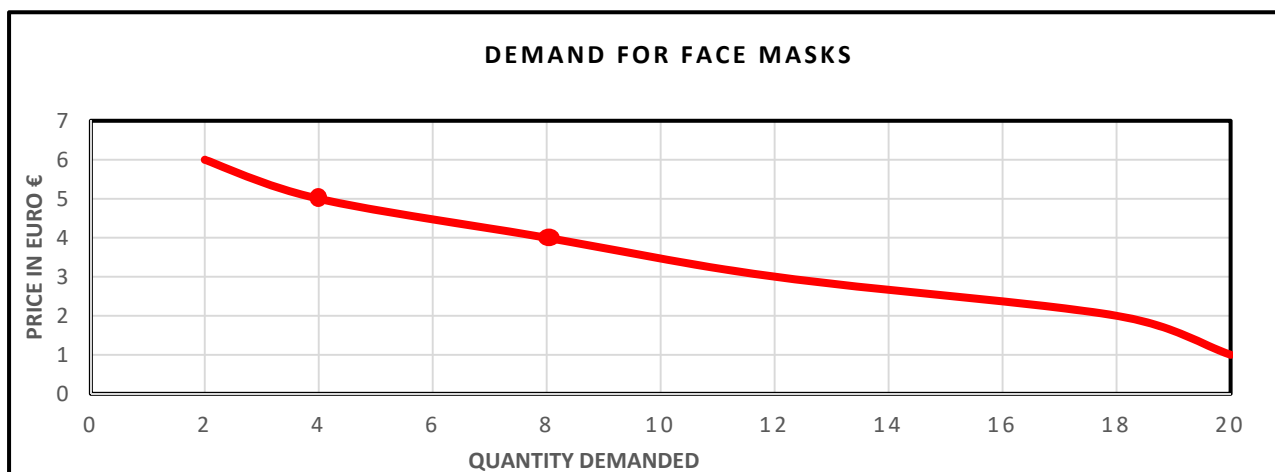
Write the make and model of your calculator here:



Answer 5 out of 10 questions

Question 1

- (a) Using an appropriate formula, calculate the **price elasticity of demand** depicted in the graph below where the original price of the packet of face masks is €4 and then **increases** to €5. Show all calculations.



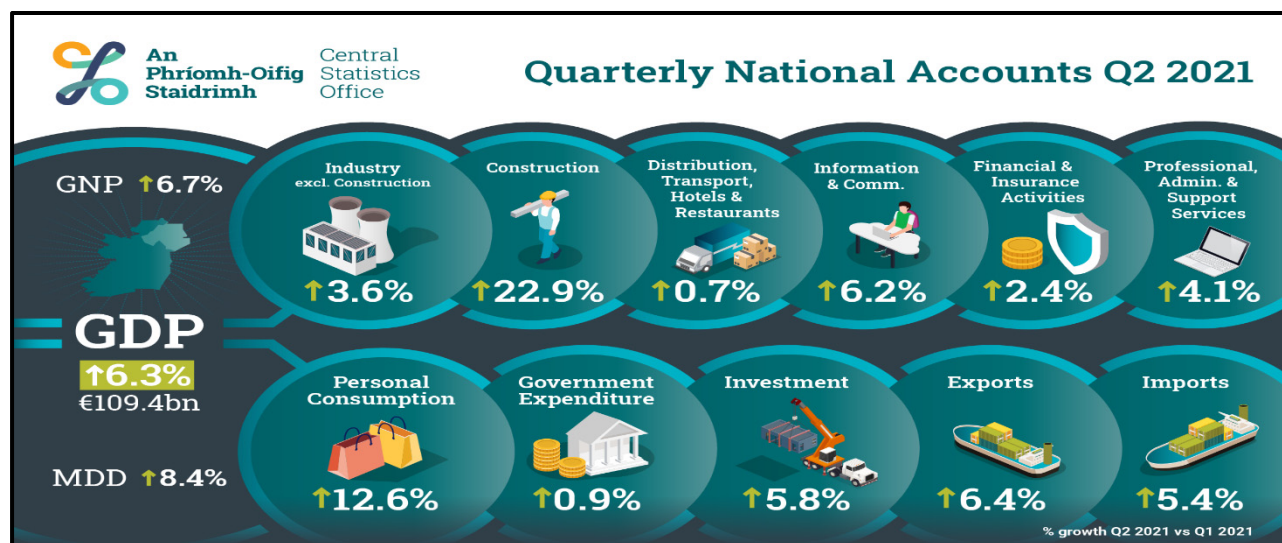
Workings:

Answer:

- (b) With reference to the graph above explain the law of demand.

Question 2

The infographic below shows the Quarterly National Accounts for Quarter 2, 2021.



www.cso.ie

- (a) Using the data above, explain whether the Balance of Payments is likely to have an overall expansionary **or** contractionary effect. Refer to relevant figures in the diagram above to explain your answer. Indicate by means of a tick (✓) whether it is expansionary or contractionary.

Expansionary: ☐

Contractionary: ☐

Explanation:

- (b) Outline **one** factor which could have influenced the above trend in Personal Consumption in Quarter 2, 2021.

Question 3

Minimum Unit Pricing (MUP) for alcohol was introduced in Ireland in early 2022.

Under the new measures, a standard bottle of wine (750ml) cannot be sold for less than €7.40 and a can of beer (500ml) for less than €1.70.

Spirits (70cl) with 40% alcohol content cannot be sold for less than €20.70.

Adapted from Independent.ie

(a) Do you agree with this new MUP for alcohol?

Agree: ☐

Disagree: ☐

Justify your answer.

Justify:

(b) The purchase of alcohol in the free market may generate a **market failure**.

Explain this statement using an example to illustrate your understanding.

Question 4

- (a)** Categorise each of the following as either an **injection**, or a **leakage** from the circular flow of income.

		Injection	Leakage
1.	The Irish government increases public sector salaries by 1% in 2023.		
2.	Irish exports increase to record €160bn despite the Covid-19 Pandemic.		
3.	Irish consumers saved more than €10bn in the first quarter of 2021.		

Answer either (b) or (c)

- (b)** In the box below justify each of your choices in part **(a)** above.

1.
2.
3.

OR

- (c)** Outline two reasons why inflows of foreign direct investment into Ireland are important for the Irish economy.

1.
2.

Question 5

It is predicted that the number of people in Ireland aged over 65 will have increased to 1 million by 2031. This significant change in the ageing demographics is a global phenomenon.

Adapted from socialjustice.ie

(a) Explain two factors which are likely to have influenced this trend in the Irish population.

1.
2.

Answer (b) or (c)

(b) Outline two economic **advantages** of an ageing Irish population.

1.
2.

OR

(c) Outline two impacts Ireland's ageing population will have on future government policy.

1.
2.

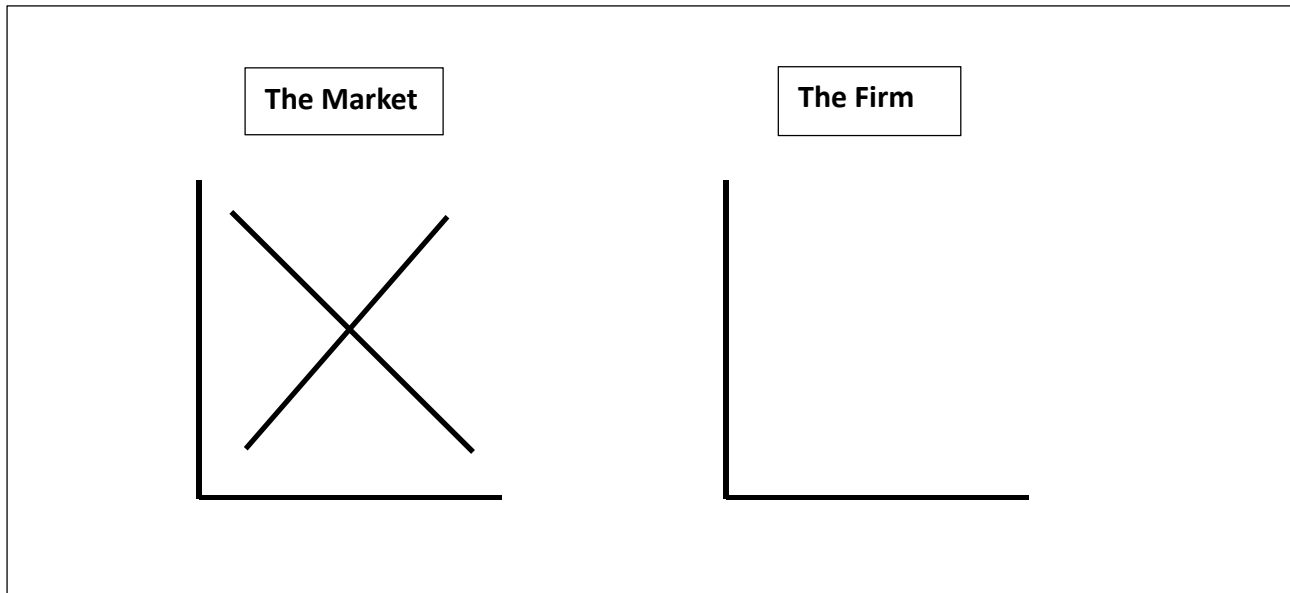
Question 6

(a) Firms in Perfect Competition are said to be **Price-Takers**.

On the diagrams below label and illustrate:

- (i) What happens to the market equilibrium **as more firms enter the market?**
- (ii) What happens to the individual firm's price **as more firms enter the market?**

Explain **each** of your diagrams below.



Explanation for the market:

Explanation for the firm:

Answer either (b) or (c)

(b) Firms can survive in the short run even if they are making a loss. Explain this statement.

Explanation:

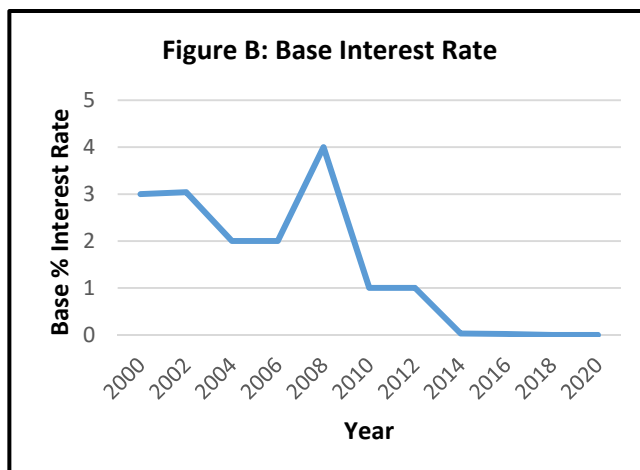
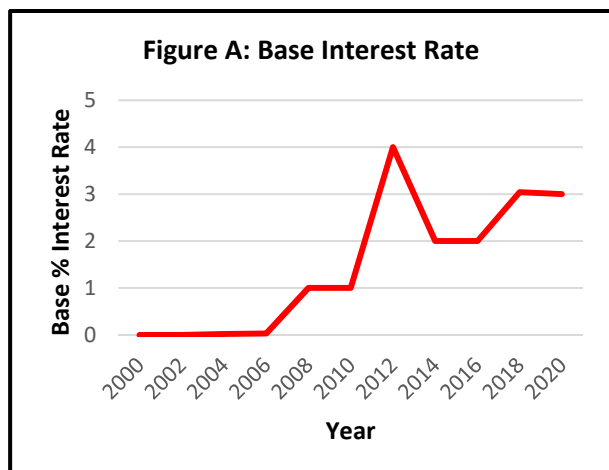
OR

(c) In the long run only the most efficient firms will survive.
Explain this statement.

Explanation:

Question 7

Only one of the charts below accurately displays the trend in the European Central Bank (ECB) interest rate from 2000 to 2020.



Adapted from ecb.europa.eu

- (a) (i) Identify which chart accurately displays the correct trend in the ECB rate from 2000 to 2020. Choose by means of a tick (✓) one of the boxes below.

Figure A:

Figure B:

- (ii) Justify your choice in (i) above.

Justify:

- (b) Other than setting the base % interest rate outline two other **roles** of the ECB.

1.

2.

Question 8

Brexit and possible supply chain issues have led to fewer illegal fireworks in Ireland during Halloween 2021. Adapted from The Journal.ie

(a) Explain what is meant by the economic term **hidden economy**.

Explain:

(b) Outline two reasons for the supply chain issues which many companies experienced in Ireland during 2021 - 2022.

1.
2.

Question 9

(a) Identify one **private cost** and one **private benefit** for the consumer of installing solar panels.

Private cost of installing solar panels:
Private benefit of installing solar panels:

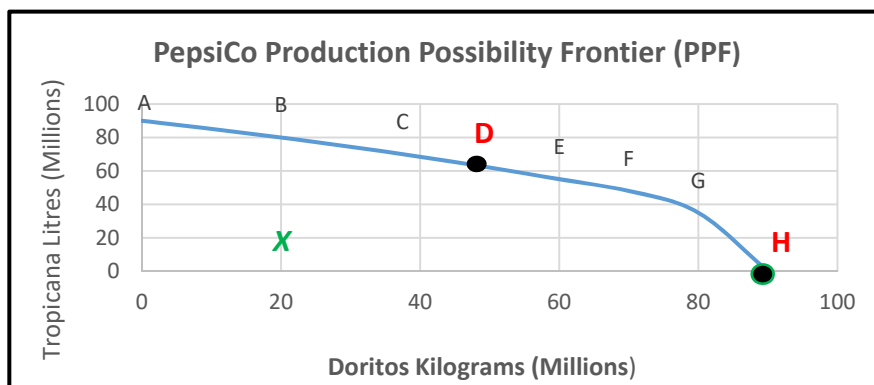
(b) Installing solar panels also creates **social benefits**. Discuss this statement.

Question 10

Cork based firm PepsiCo have 23 brands in total. Doritos and Tropicana are two of their most popular products.

- (a) Calculate the **opportunity cost** of PepsiCo moving production from point **D** to point **H** on the Production Possibility Frontier (PPF) curve.

	Doritos million (kg)	Tropicana million (l)
A	0	90
B	20	80
C	38	70
D	50	62
E	60	55
F	70	48
G	80	35
H	90	0



Calculations:

Answer:

Explain your answer.

Explanation:

- (b) The point **X (20,20)** is another production possibility for PepsiCo.

Would you recommend them to produce at this point? Explain your answer.

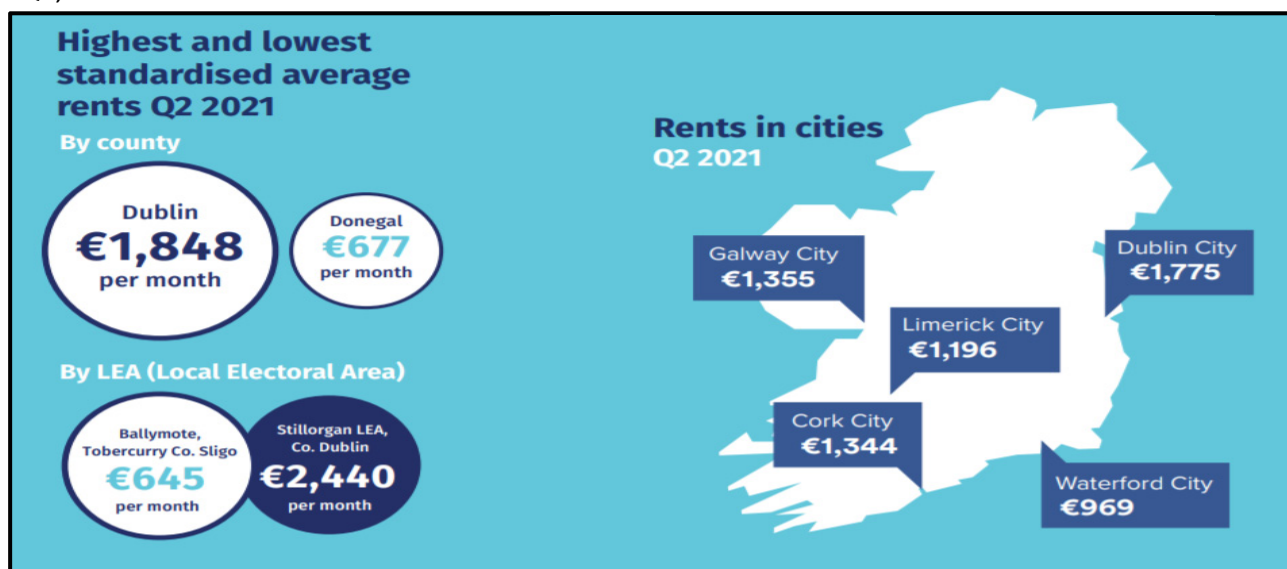
Answer:

Explanation:

Answer 3 out of 6 questions

Question 11

The infographic below shows data extracted from the Residential Tenancies Board (RTB) for Q2, 2021 Rent Index.



www.rtb.ie

- (a) (i) Outline two possible reasons for the disparity in average rents between Dublin City and Waterford City in Q2, 2021.

1.
2.

- (ii) Outline **two** possible interventions the Irish government could pursue to support balanced regional development in Ireland.

- (b) (i) Explain, with the use of a fully labelled diagram how the equilibrium price of land is determined.



Explanation:

- (ii) Other than land being fixed in supply, outline two characteristics of land in the economic sense.

1.
2.

- (iii) Explain how the concept of **derived demand** relates to the factor of production **land**.

- (c) It is estimated the North Runway Project at Dublin airport will support the creation of 31,200 new Irish jobs and €2.2 billion in additional economic activity by 2043.

The project is estimated to cost €250m - €500m.

Adapted from internationalairportreview.ie

- (i) Explain the term opportunity cost.

- (ii) Outline **one** opportunity cost involved in the above government expenditure on transport, using an example to illustrate your answer.

The loss of the daily Dublin-Kerry regional airline service has been described as a devastating blow for Co. Kerry where their €500 million tourism and business interests relied heavily on the airport.

Adapted from rte.ie

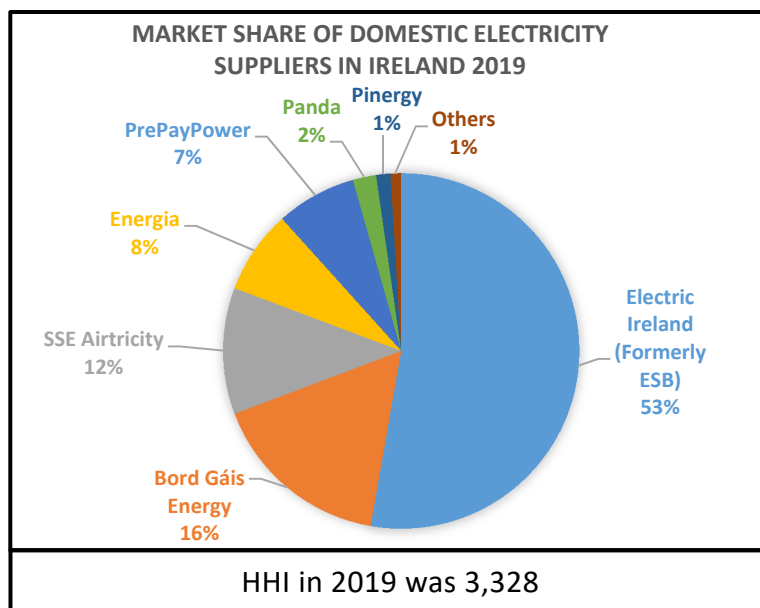
- (iii) The Irish government should provide more financial support to regional airports around Ireland.
Discuss the arguments for **and** against this statement.

Arguments for:
Arguments against:

75 marks

Question 12

- (a) The pie charts below show the market share of domestic electricity suppliers in Ireland in 2005 and in 2019. Below the pie charts are the relevant Herfindahl-Hirschman Index figures.



Adapted from Statista.com

- (i) Comment on what the Herfindahl-Hirschman Index (HHI) results outlined above indicate about the market concentration in this industry over this time period (2005 to 2019).

- (ii) Explain two reasons why a government would decide to **deregulate** its electricity supply. (Deregulation occurs when the laws that prohibit new firms from entering a market are removed.)

1.



2.

(iii) Explain the term privatisation.

Explanation:

(iv) A government could choose **privatisation** of a semi-state body over deregulation. Outline one reason **why** a government may choose to privatise a semi-state body instead of deregulation.

Explanation:

(b) (i) The market structures in the pie charts in (i) above in 2005 are best described as a **State Monopoly** and in 2019 it is best described as an **Oligopoly**. Outline one advantage of both types of market structure.

Monopoly:
Oligopoly:

- (ii) Explain, with the use of a fully labelled diagram, the long-run equilibrium position of a monopoly firm.



Explanation:

- (iii) Explain two changes in market conditions (characteristics) which allows a market to move from a **Monopoly to an Oligopoly**.

1.
2.

- (c) (i) By 2030, there will be an estimated 500,000 electric vehicles on Irish roads with proposals already in place to ban the sale of non-zero emission vehicles.

Adapted from the esbnetworks.ie

Outline two **challenges** which the Irish economy faces in transforming the Irish motor industry into a carbon neutral industry.

1.
2.

- (ii) Analysis has shown that **demand for electricity from data centres** could account for 29% of all demand for electricity in Ireland by 2028. (A data centre is a remote place, with many servers, used for the storage, processing and distribution of information.)

Adapted from All-Island Generation Capacity Statement 2019-2028

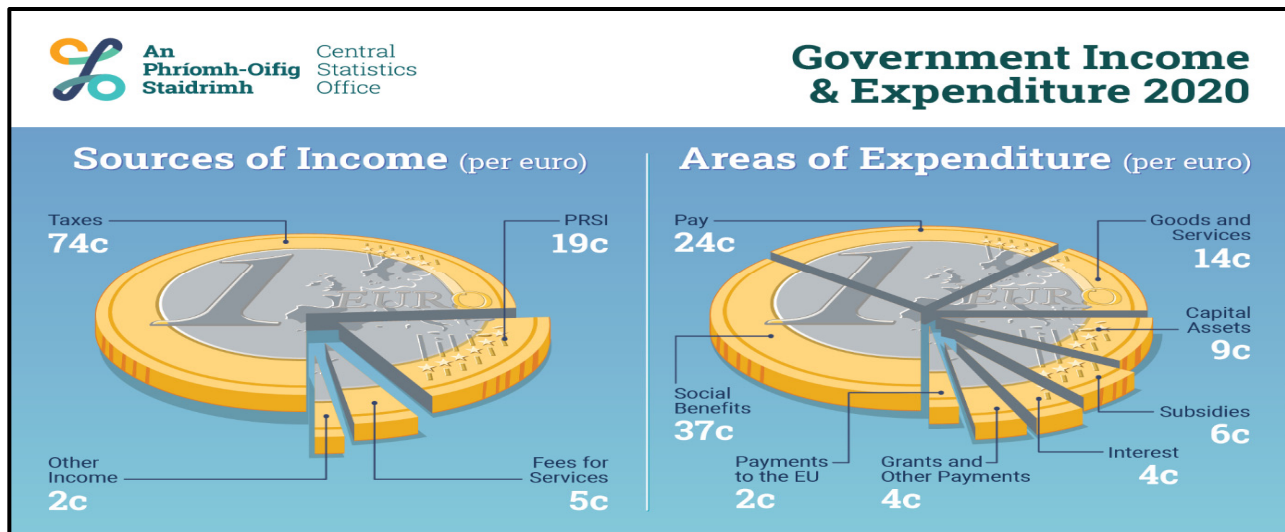
Discuss one reason why the Irish government **should grant planning permission** to additional data centres in Ireland and one reason why the government **should not grant planning permission**.

Reason for:
Reason against:

75 marks

Question 13

The infographic below shows the sources of income and expenditure as a proportion of every euro the Irish government receives and spends in 2020.



www.cso.ie

- (a) (i) Using the infographic above, explain why social benefits represent such a high proportion of government expenditure.
Use an example of a social benefit to support your answer.

- (ii) The Irish government uses both **direct** and **indirect** tax to raise government revenue. Distinguish between these two types of taxes.
Use examples of each to support your answer.

- (b) (i)** Governments can use incentives to encourage certain human behaviour and the tax system to discourage certain human behaviour.

Outline one possible **incentive** the government uses to encourage certain human behaviour and one possible **tax measure** to discourage certain human behaviour.

Give an example to support your answer in each case.

Encourages:
Discourages:

- (ii)** Outline two interventions, other than incentives/taxes, that a government could consider implementing to influence consumer behaviour.

1.



2.

- (c) The Irish Government has signed up to the Organisation for Economic Co-operation and Development (OECD) plan to reform global tax rules. The reforms will mean firms in Ireland that have an annual revenue of €750 million or more will be **charged corporation tax at the rate of 15%**, all other companies will be charged at the rate of 12.5%.

Adapted from rte.ie

- (i) Outline the possible economic effects of this measure for the Irish economy.

(ii) Should the Irish Government impose the new 15% corporation tax rate on **all firms** in Ireland regardless of their annual turnover (including firms with annual turnover of less than €750 million)?

Yes: ☐

No: ☐

Justify your answer.

75 marks

Question 14

The cost of building a house has risen by 30% in 2021. Everything has gone up by a staggering rate, from the price of a bag of cement, to the timber on the roof, to the steel. The cost of building a house in late 2021 was €70,000 more than was originally budgeted.

Adapted from rte.ie

- (a) (i) Explain the term **cost push inflation** with reference to the statement above.

Explanation:

- (ii) Choose by means of a tick (✓) which type of cost best describes each of the following. Explain your choice.

Building Expense	Fixed Cost	Variable Cost	Explanation
Bags of Cement			
Carpenters (Labour)			
Purchase price of a construction site			

- (b) The figures below represent the costs of building an average 3-bedroom semi-detached house in rural Ireland.

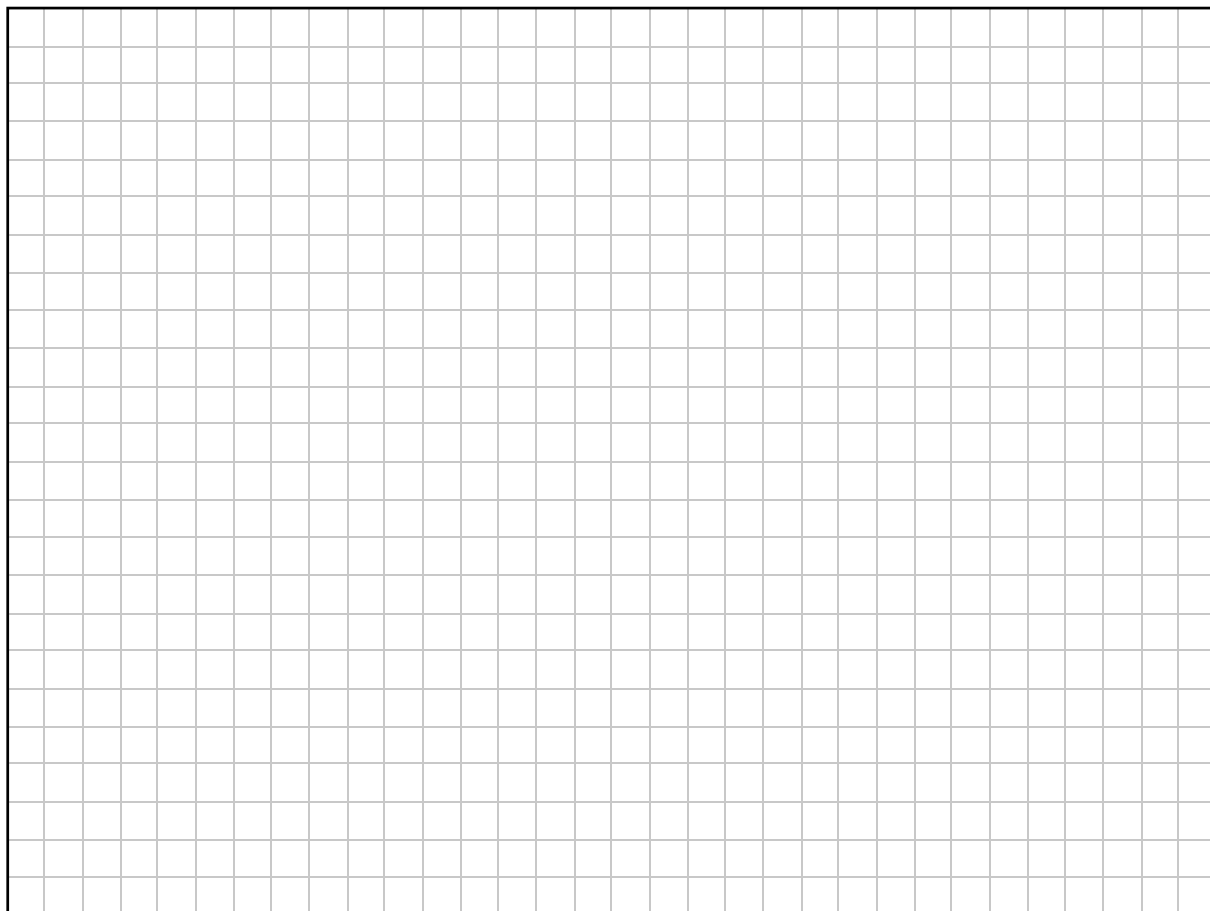
Adapted from scsi.ie

- (i) Calculate the missing figures for A, B, and C in the table below.

Units of Housing	Fixed Cost (€)	Variable Cost (€)	Total Cost (€)	Average Total Cost (€)	Marginal Cost (€)
1	100,000	260,000	A	360,000	-
2	100,000	300,000	400,000	B	40,000
3	100,000	350,000	450,000	150,000	C
4	100,000	405,000	505,000	126,250	55,000

Calculations:		
A:	B:	C:
Answer:	Answer:	Answer:

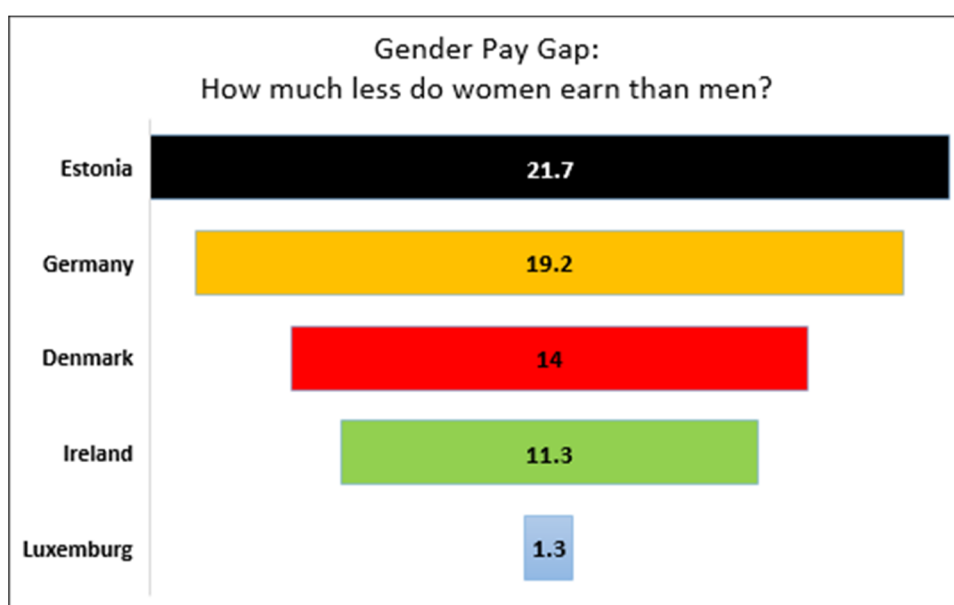
- (ii) Using the figures obtained in the table above draw and label: the **Fixed Costs**, **Variable Costs**, and **Total Costs** on the graph paper below.



- (iii) If the firm earns €55,000 for an additional unit of output produced, how many houses should it produce? Explain your answer.

Answer:
Explanation:

- (c) The chart below shows the difference between average hourly earnings of male and female employees (as a % of male gross earnings).



Adapted from Eurostat

- (i) Based upon the data above calculate the **average** gender wage gap across these five European countries. Show all your workings.

Calculations:
Answer:

- (ii) Explain **one** reason why a gender pay gap persists in many European countries.

Explanation:

In Budget 2022 the national minimum wage increased from €10.10 to €10.50 per hour.
However, the Living Wage Technical Group argued that €12.90 per hour is the minimum wage required for an acceptable standard of living. Adapted from livingwage.ie

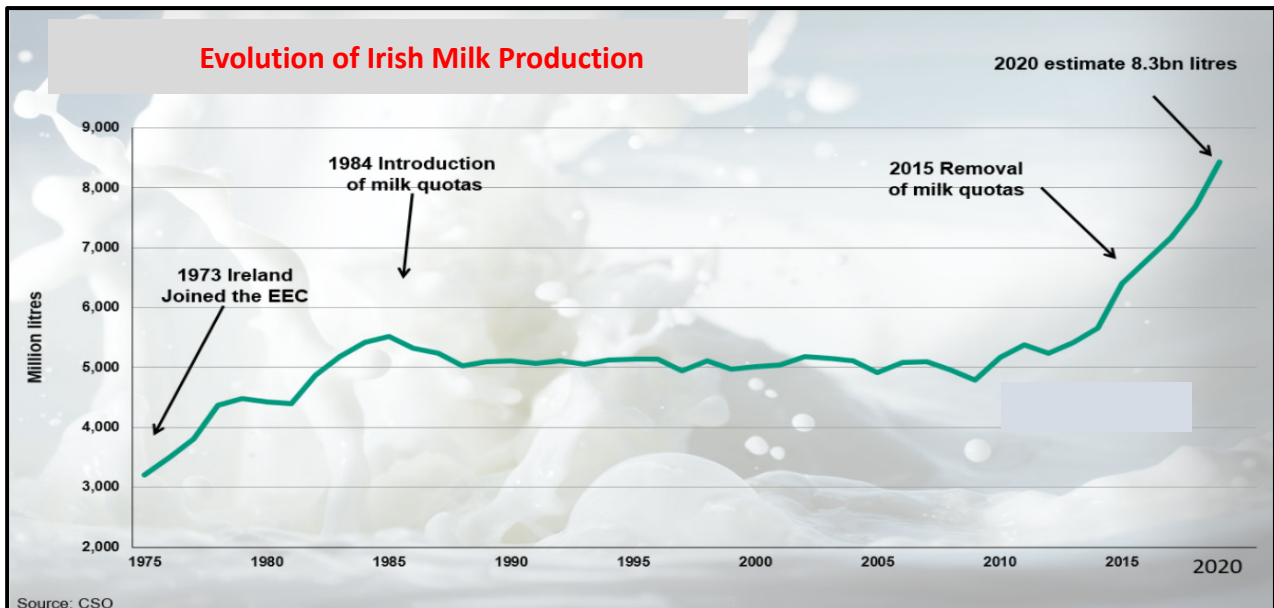
- (iii) Discuss **one** argument for and **one** argument against the implementation of the 'Living Wage' €12.90 per hour as the National Minimum Wage for 2023.

For:
Against:

75 marks

Question 15

The chart below shows the evolution of Irish milk production from 1975 to 2020.



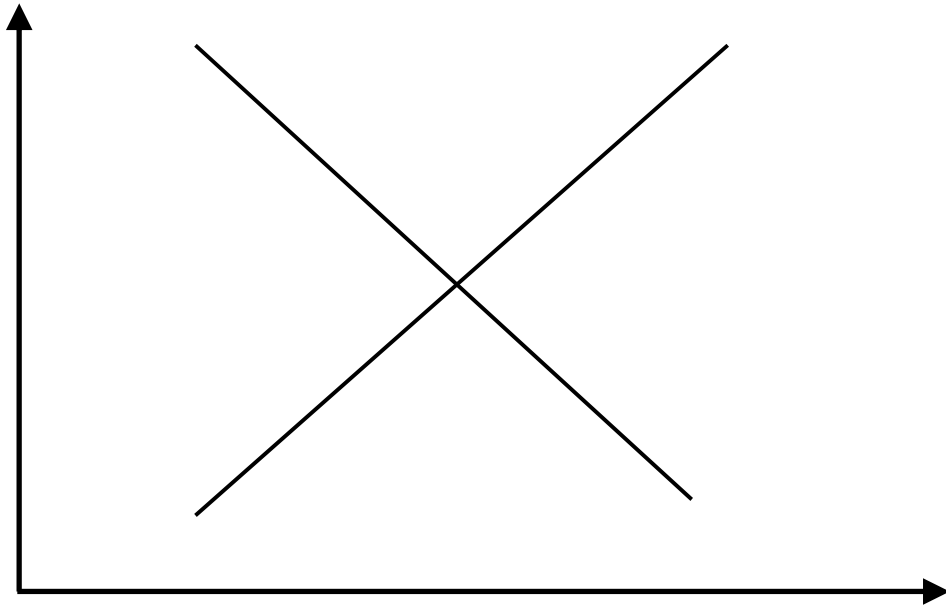
- (a) (i) Analyse **two** key trends in Irish milk production across the time period in the chart above.

- (ii) Explain each of the following economic terms in the context of Irish agriculture.

Subsidy:
Quota:

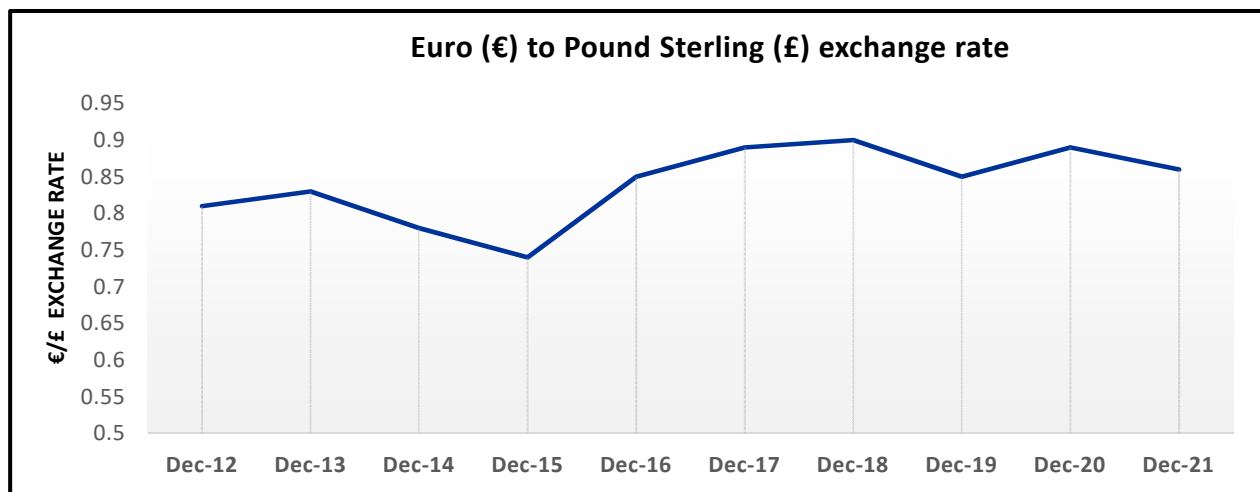
- (iii) Grant aid of €395m was provided to Irish farmers to improve and/or build a specific range of farm buildings or purchase equipment that may benefit their farm business e.g. milking machines. Adapted from www.agriland.ie

Explain, with the use of a fully labelled diagram below, how this grant aid will have impacted on the equilibrium price and quantity of milk.



Explanation:

- (b)** The graph below shows the Euro (€) to Pound Sterling (£) exchange rates. December 2012 – December 2021.



Adapted from ecb.europa.eu

- (i)** Identify one period where the value of the Euro depreciates against the Pound Sterling. Explain your answer.

Answer:
Explanation:

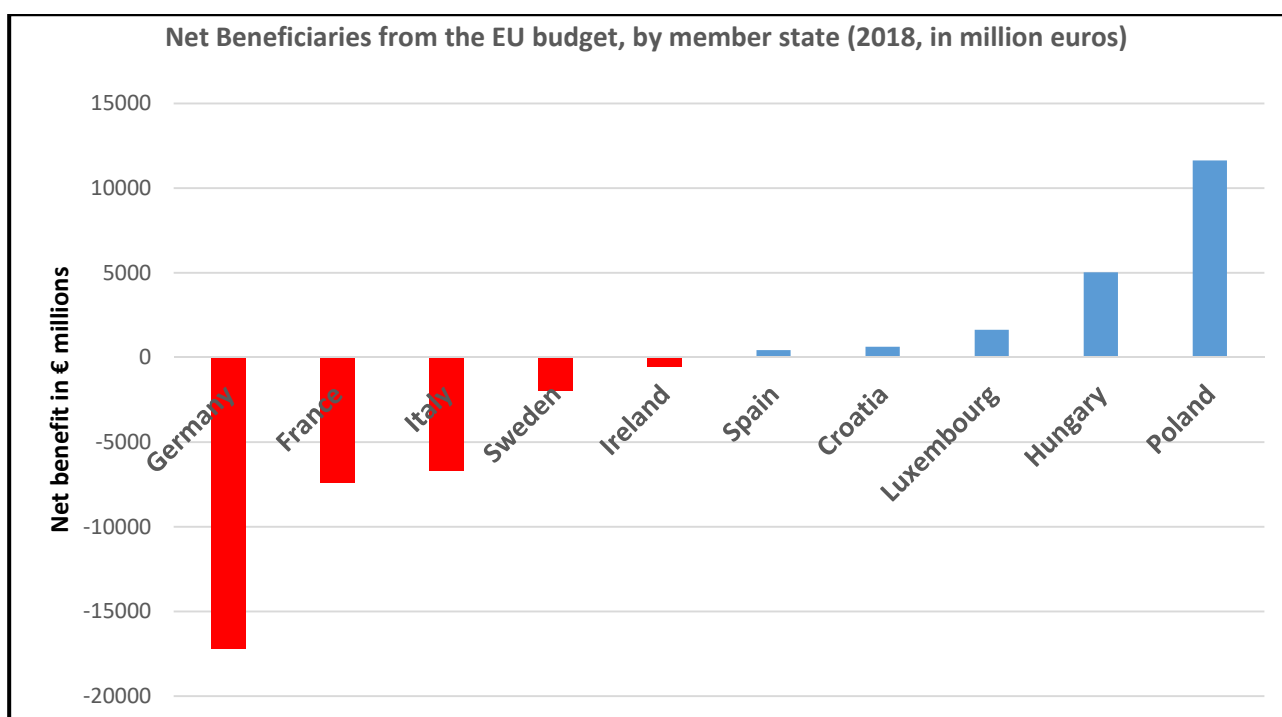
- (ii)** Apart from the change in exchange rates between the two currencies, outline two other impacts Brexit has had on the trade relationship between the UK and Ireland.

1.
2.

- (iii) Explain how a knowledge of price elasticity of demand (PED) might be helpful to Irish exporters who wish to maximise their total revenue in the UK market.

Explanation:

- (c) The graph below shows the countries which were net beneficiaries from the EU Budget in 2018.



Adapted from www.statista.com

- (i) Using the data in the graph above, name the country which is the EU's largest contributor and which country is the EU's largest beneficiary.

EU's largest Contributor:
EU's largest Beneficiary:

- (ii) Justify why countries such as Germany, France, Italy, Sweden, Ireland which are net contributors to the EU, despite the financial cost to the country of membership, still decide to remain members of the EU.

Justify:

75 marks

Question 16

- (a)** Rent increases in so-called rent pressure zones (RPZs) will be capped in line with inflation, and a ban on evictions has been put in place for the rest of the year (2021) under new laws set to be introduced by the Government.

Adapted from The Irish Times

- (i)** What are the likely impacts of this government intervention on social sustainability?

- (ii)** Other than rent caps, suggest two other government interventions which could help reduce inequality in accessing the Irish housing market.

Intervention 1:
Intervention 2:

The UN Secretary-General said the Working Group's report for sustainability was a code red for humanity. The alarm bells are deafening, and the evidence is irrefutable. Adapted from rte.ie

(b) (i) Outline the importance of environmental sustainability for the future of our economy.

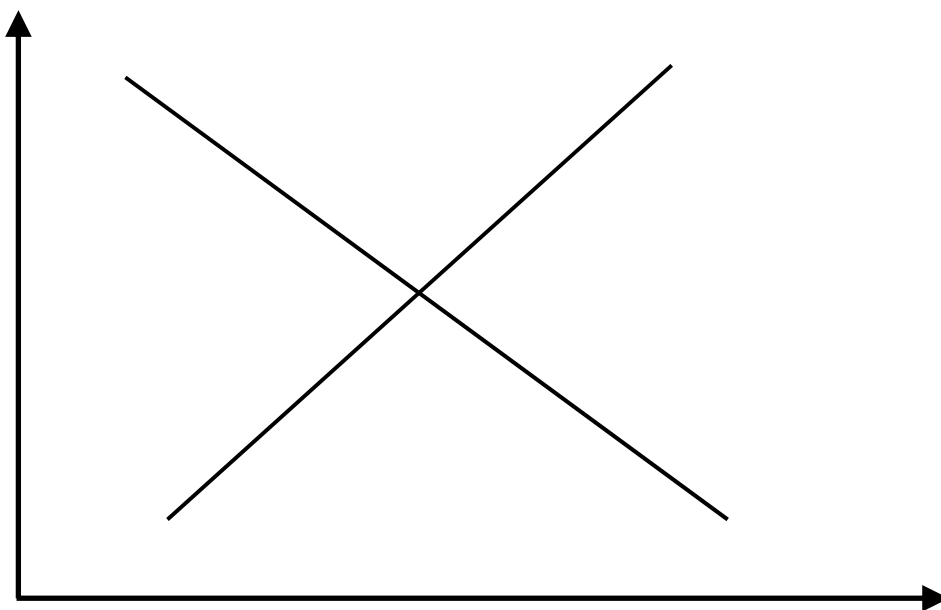
(ii) Suggest **strategies** that could be employed by the Irish government and Irish citizens to aid with the transition to a low carbon economy.

Irish Government:
Irish Citizens:

- (c) The fashion industry produces 10% of all humanity's carbon emissions. It is the second largest consumer of the world's water supply and pollutes the oceans. 85% of all textiles go to landfill each year. Research shows that people are buying more clothes now than ever but are only keeping them for half as long.

Adapted from businessinsider.com

- (i) Explain, with the use of a fully labelled diagram, how the introduction of minimum pricing (**above the market equilibrium price**) on fast fashion will impact on the market for fast fashion.



Explanation:

Explanation:

- (ii) Outline two steps **consumers** in Ireland can take to reduce the effects of the fast fashion industry.

1.
2.

- (iii) Outline one step **businesses** in Ireland can take to reduce the effects of the fast fashion industry.

Businesses in Ireland:

75 marks

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

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Leaving Certificate – Higher Level

Economics

Friday 24 June

Morning 9.30 - 12.00