



Coimisiún na Scrúduithe Stáit
State Examinations Commission

Leaving Certificate Examination 2023

Economics

Higher Level

Friday 23 June Morning 9:30 - 12:00

400 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 400 marks in total.

Section A: 100 marks
Answer **8** out of **10** questions from this section.

Questions two, three and four contain an internal choice.

Section B: 300 marks
Answer **4** 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 8 out of 10 questions

Question 1



- (a) France will host the Rugby World Cup in 2023.

Explain, with the aid of a fully labelled diagram (including the axes) the supply curve for tickets for this event.

Diagram	Explanation

- (b) Explain two conditions necessary for **price discrimination** to occur in the selling of tickets for the Rugby World Cup 2023.

1.
2.

Question 2

On the 3rd of March, 2022 the price of petrol in Ireland broke the €2 barrier for the first time.

Adapted from independent.ie

- (a) Select, using a tick (✓) if petrol is considered to have price elastic demand or price inelastic demand.

Explain your answer. Price elastic: ☐

Price inelastic: ☐

Explanation:

Answer (b) or (c)

- (b) Outline two reasons why it is important for retailers to understand the concept of price elasticity of demand.

1.
2.

OR

- (c) Outline one advantage and one disadvantage for the Irish economy of the Minister for Finance's decision **not to increase excise duties** on petrol in Budget 2023.

Advantage:
Disadvantage:

Question 3

- (a) Complete the missing total utility and marginal utility figures in the table below. Show your workings.

Number of units consumed	1	2	3	4
Total Utility in Units/Utils	40	80		137
Marginal Utility in Units/Utils	40		35	

Workings:

Answer (b) or (c)

- (b) Based upon the marginal utility figures calculated above, at what point does the law of diminishing marginal utility set in? Explain your answer.

Answer:
Explanation:

OR

- (c) Does the formula below obey the Equi-Marginal Principle of consumer behaviour? Explain your answer.

$$\frac{MU_x}{P_x} = \frac{1800}{10} \text{ and } \frac{MU_y}{P_y} = \frac{3600}{10}$$

Answer:
Explanation:

Question 4

The table below shows the output and total costs in a firm.

(a) Complete the missing average cost and marginal cost figures in the table below.

Output (units)	1	2	3	4
Total Cost (€)	55	82	108	152
Average Cost (€)	55		36	
Marginal Cost (€)	N/A	27		

Workings:

Answer (b) or (c)

(b) To remain in production, in the **short run** a firm must cover its average total costs. Do you agree or disagree with this statement?

Agree: ☐ Disagree: ☐

Explain your answer.

Explanation:

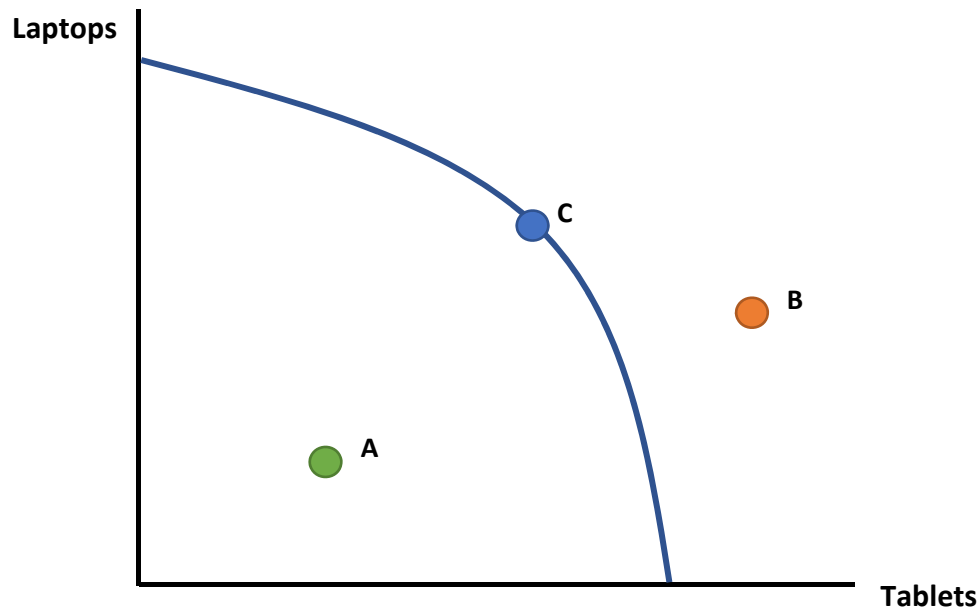
OR

(c) Explain the relationship between the Marginal Cost Curve and the Average Cost Curve.

Explanation:

Question 5

- (a) The diagram below shows the Production Possibilities Frontier for a digital manufacturing company that produces both laptops and tablet devices.



Identify from the diagram above which option (A, B or C) represents,

- an efficient
- an inefficient
- and an impossible production point respectively.

Complete the table below.

Choose one letter for each	A, B or C
Efficient Production Point	
Inefficient Production Point	
Impossible Production Point	

- (b) Justify each of your choices you made in (a) above.

Efficient:
Inefficient:
Impossible:

Question 6

- (a) In each case below, indicate by placing a tick (✓) whether the tax is an example of direct taxation **or** indirect taxation.

Tax	Direct Tax	Indirect Tax
VAT		
PAYE		
Customs and Excise Duty		

- (b) Outline three **canons/principles of taxation** which are achieved through the use of direct taxes.

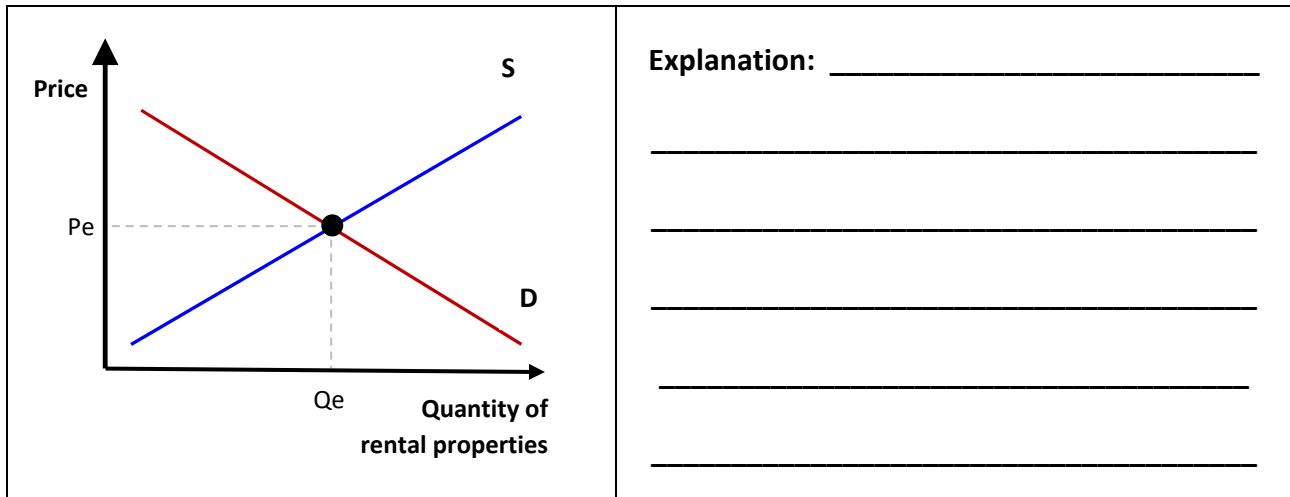
1.
2.
3.

Question 7

- (a) Landlords are leaving the Irish housing market in their thousands, blaming excessive taxation, rent control and constantly changing laws.

Adapted from Sunday Business Post

Show on the diagram below how this development will alter the rental market equilibrium position. Explain your answer.



- (b) The introduction of the vacant property tax in Ireland can be classed as a government intervention. Outline two reasons why the Irish government introduced this vacant property tax.

1.	
2.	

Question 8

Eurozone interest rates increased four times in the last six months of 2022.

Adapted from [ecb.europa.eu](https://www.ecb.europa.eu)

(a) Justify why the European Central Bank (ECB) made this decision.

(b) Does being a member of the Eurozone affect Ireland's ability to implement monetary policy in Ireland? Yes: ☐ No: ☐

Explain your answer.

Explanation:

Question 9

China is the world's powerhouse in manufacturing goods e.g. clothing. Its share of world exports in these products dwarfs every other nation. This is seemingly unaffected by the law of diminishing marginal returns.

Adapted from hks.harvard.edu

- (a) Explain the economic concept of the law of diminishing marginal returns.

Explanation:

- (b) Harvard Kennedy School suggests that China's next area of specialisation will move from clothing to high tech exports.

Adapted from hks.harvard.edu

Outline two cost advantages China's firms experience through **specialisation**.

1.
2.

Question 10

The data below has been adapted from Ireland's National Accounts for 2021.

Description	Value
Net factor income from abroad	- €103bn
EU Subsidies	€1.7bn
EU Taxes	€0.5bn
Adjustments <i>Including</i> - Factor income of redomiciled companies - Depreciation on R&D imports and trade in IP - Depreciation on aircraft leasing	€89bn

Given that **Gross Domestic Product (GDP) at Current Market Prices (CMP)** was €426bn, use the information above to calculate the following terms **B**, and **C**.

A has been completed for you.

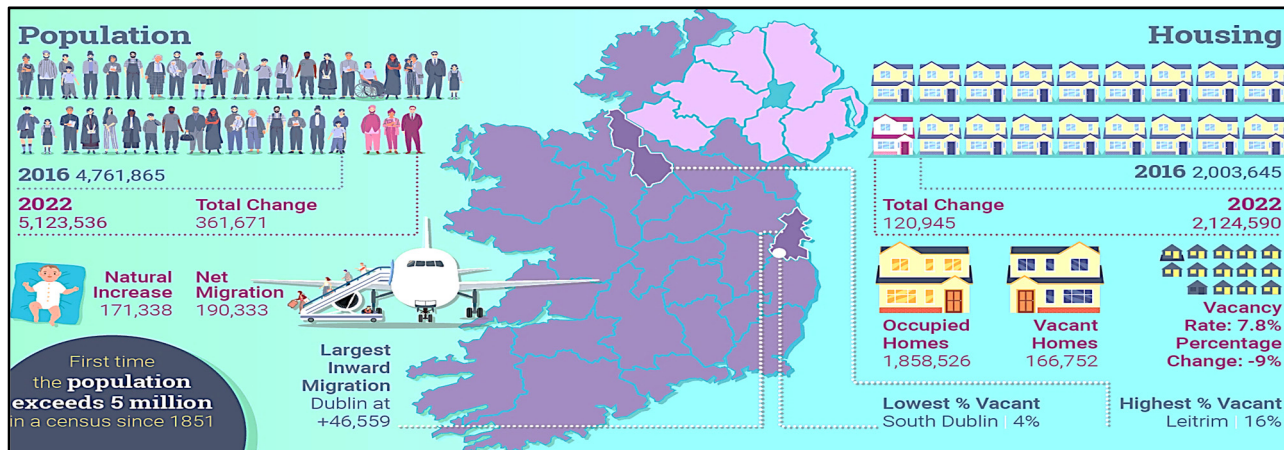
State the relationships and show all your workings.

	Relationships / Workings	Answer € bn's
	Gross Domestic Product (GDP) at Current Market Prices (CMP)	€426bn
↓	Relationships / Workings: Gross Domestic Product (GDP) at CMP +/- Net Factor Income from Abroad	426.00 (103.00)
A	= Gross National Product (GNP) at Current Market Prices	Ans: €323 bn
↓	Relationships / Workings:	
B	= Gross National Income at Current Market Prices	Ans:
↓	Relationships / Workings:	
C	= Modified Gross National Income at Current Market Prices	Ans:

Answer 4 out of 6 questions

Question 11

The infographic below shows preliminary results for Census 2022, adapted from the CSO.



- (a) (i) Using the data in the table below (extracted from the infographic above), calculate the percentage change in the Irish population from 2016 to 2022. Show your workings.

Population 2016	Population 2022	Total Change
4,761,865	5,123,536	361,671

Workings:

Answer:

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

1.

2.

- (iii) An increase in population can have a positive and negative effect on government finances. Discuss one negative effect **and** one positive effect on government finances.

One negative effect:
One positive effect:

- (b) Labour is one of the factors of production.

- (i) Explain the factor of production **labour**.

- (ii) Explain two factors that influence **geographical mobility of labour**.

1.
2.

- (iii) Explain two ways the government can possibly increase **geographical mobility of labour**.

1.
2.

- (c) The table below (adapted from the UNDP) shows the Human Development Index (HDI) rank and score of two countries in 2021.

Rank	Country	Human Development Index. (HDI) (value)	Life expectancy at birth (years) SDG 3	Mean years of schooling (years) SDG 4.4	Gross national income (GNI) per capita (2017 PPP \$) SDG 8.5
8	Ireland	0.945	82.0	11.6	76,169
153	Congo	0.571	63.5	6.2	2,889

- (i) In your opinion, if the average life expectancy in Ireland were to **decrease**, would it positively or negatively affect Ireland's HDI score?

Positively: Negatively:

Explain the reason for your answer.

Explanation:

- (ii) Despite Ireland's high HDI ranking, inequalities still exist.
Outline two economic policies which the Irish Government could consider to address inequality in Ireland. Justify your answers.

1.
2.

- (iii) If the policies you suggested in (ii) above were introduced, outline two possible economic **disadvantages** of the implementation of these policies.

1.
2.

75 marks

Question 12

- (a) If a consumer wishes to purchase milk in the Irish market, they are currently faced with an abundance of choice from low-fat milk to super milk to lactose free milk. In the past this market was closer to a model of perfect competition.



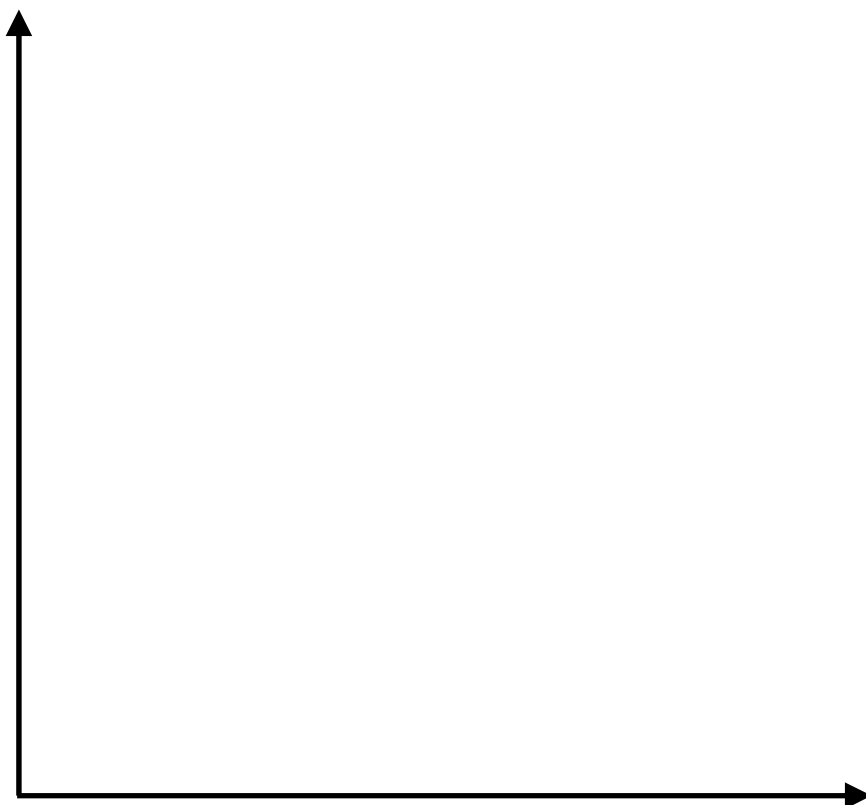
Adapted from Irish Times.ie

- (i) Identify three characteristics of a **perfectly competitive market**.

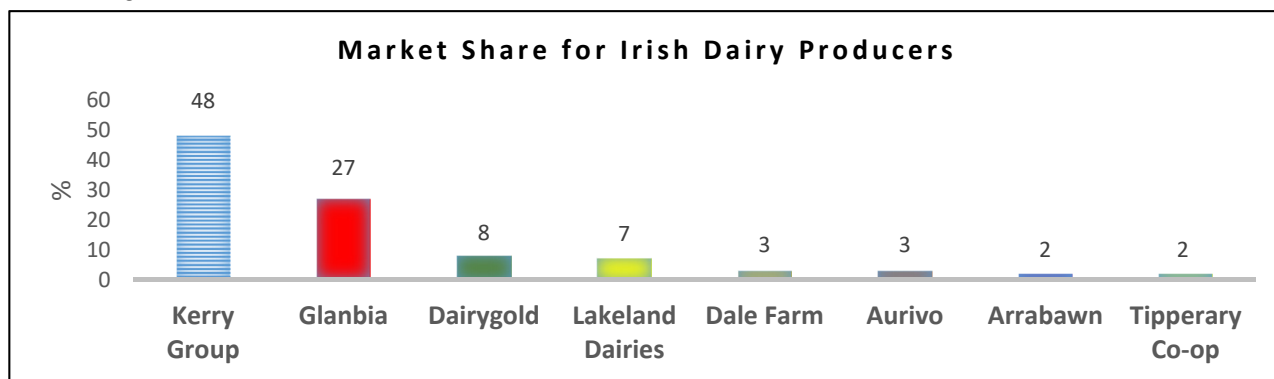
1.
2.
3.

- (ii) Identify **one** reason why the market for Irish milk can no longer be considered perfectly competitive.

- (iii) Explain, with the use of a fully labelled diagram (including the axes), the long run equilibrium of a firm in **perfect competition**.



- (b)** The bar chart below shows the percentage (%) market share for Irish Dairy Producers in 2021.



Adapted from Top1000.ie

- (i)** Based upon the figures in the bar chart above, calculate the Herfindahl Hirschman Index for Irish Dairy Producers. Show your workings.

Workings:

Answer:

- (ii)** Would you consider this market to be competitive, moderately concentrated, or highly concentrated? Explain your answer.

Answer:

Explain:

- (iii)** Outline one possible economic advantage and one possible economic disadvantage of a perfectly competitive market.

Advantage:

Disadvantage:

- (c) Budget 2023 proposed introducing a temporary 33% windfall tax on energy companies' profits, in line with the rest of the EU.

*Note a windfall tax is a tax on excess profits.

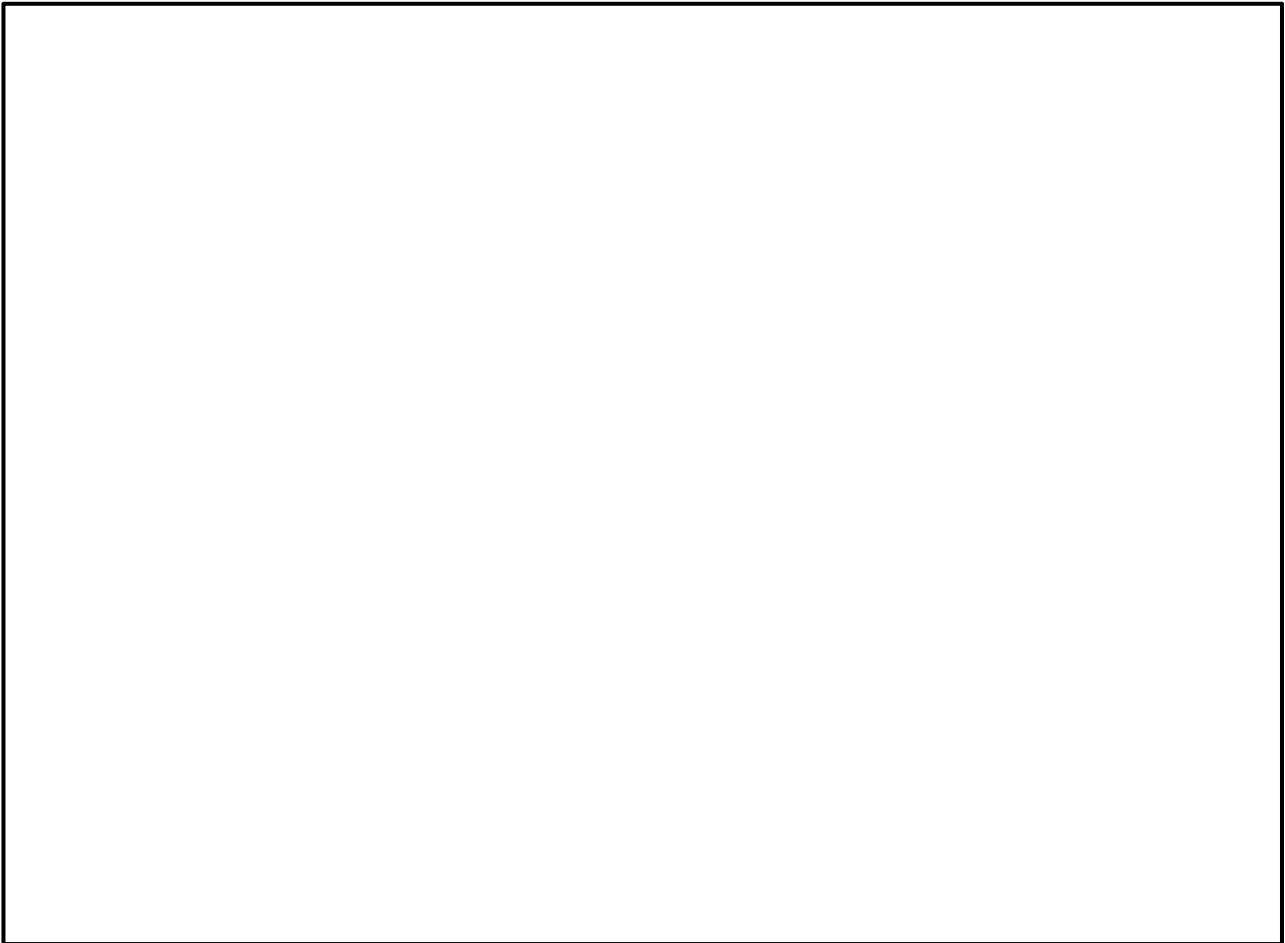
Adapted from deloitte.com

Discuss the arguments for **and** the arguments against this proposal.

75 marks

Question 13

- (a) (i) Draw a fully labelled diagram showing the Circular Flow of Income for an open economy.



- (ii) Explain the terms injections and leakages and refer to two examples of each from your diagram above.

Injections:	
Example 1:	Example 2:
Leakages:	
Example 1:	Example 2:

- (iii)** Some citizens engage in activities in the hidden economy in Ireland.
Outline two effects on the Irish economy of activities in the hidden economy.

1.
2.

- (b)** Use the information in the table below, to answer the questions that follow:

Marginal Propensity to Consume (MPC)	0.7
Marginal Propensity to Import (MPM)	0.2
Current equilibrium level of National Income	€500m
Level of National Income that would give full employment	€750m

- (i)** Calculate the marginal propensity to save (MPS) for this economy.
Show your workings.

Workings:
Answer:

- (ii)** Calculate the value of the multiplier in this open economy. Show your workings.

Workings:
Answer:

- (iii) How much will the government have to inject into this economy if it wants the economy to operate at its full employment level? Show your workings.

Workings:

Answer:

- (c) Our income tax system is heavily reliant on a relatively small number of employees; just 500,000 workers and 10 multinational companies account for over one third of our total tax revenue.

Adapted from Statement by Pascal Donohoe on Budget 2023

- (i) Outline two risks associated with over-reliance on multinational companies for Ireland's tax revenue.

1.

2.

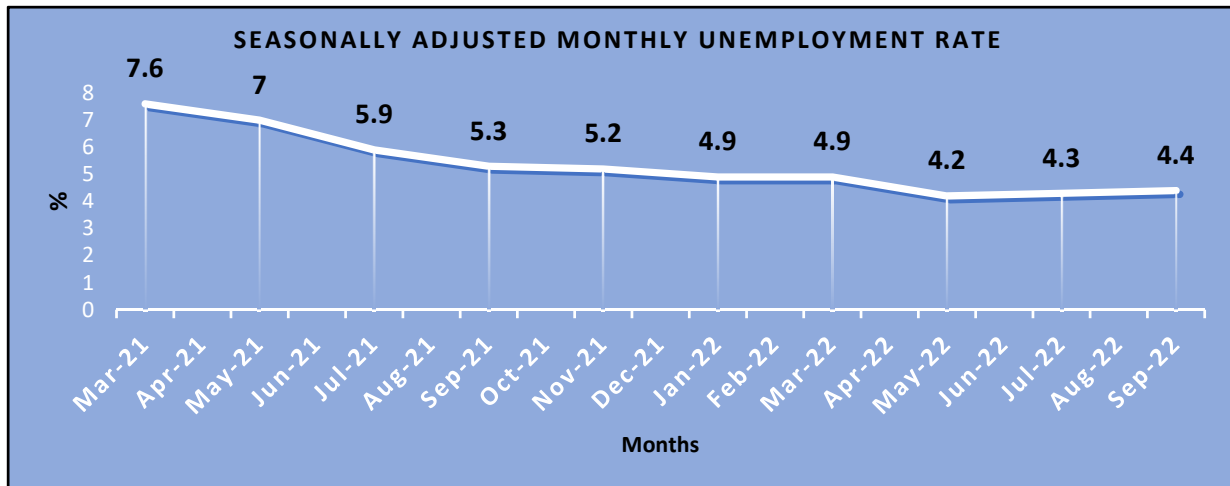
- (ii) Discuss two factors that are currently impacting on **Ireland's international competitiveness**.

1.
2.

75 marks

Question 14

The graph below shows the monthly unemployment rate from the Live Register between March 2021 to September 2022.



Adapted from the CSO

- (a) (i) From the graph above analyse **one** trend in Ireland's monthly unemployment rate from March 2021 to September 2022, using figures from the above graph.

- (ii) Another method of measuring unemployment is the Quarterly National Household Survey. Give two reasons why this measure is considered more accurate than data collected from the Live Register.

1.
2.

(iii) Describe two types of unemployment giving examples to support your answer.

Type 1:
Explanation:
Type 2:
Explanation:

(b) (i) Explain the economic term full employment.

Full employment:

(ii) Maintaining full employment is an objective of the government. Outline two other current economic objectives of the government in 2023, and justify your answers.

1.
2.

- (iii) The Irish government spent €8.8bn on the Pandemic Unemployment Payment (PUP) in 2021. Adapted from gov.ie

Use a cost-benefit approach to assess who enjoyed the private benefit, the external benefit and who bore the costs of this scheme.

Private benefit:
External benefit:
Who bore the costs:

- (c) In the 1950s and 1960s, Ireland had a very high rate of unemployment. During this period policy makers favoured trade protection.

- (i) Explain the economic term **trade protection**.

Explanation:

- (ii) Some countries are now favouring a return to trade protection measures. Discuss two economic reasons why countries are favouring a return to trade protection.

1.
2.

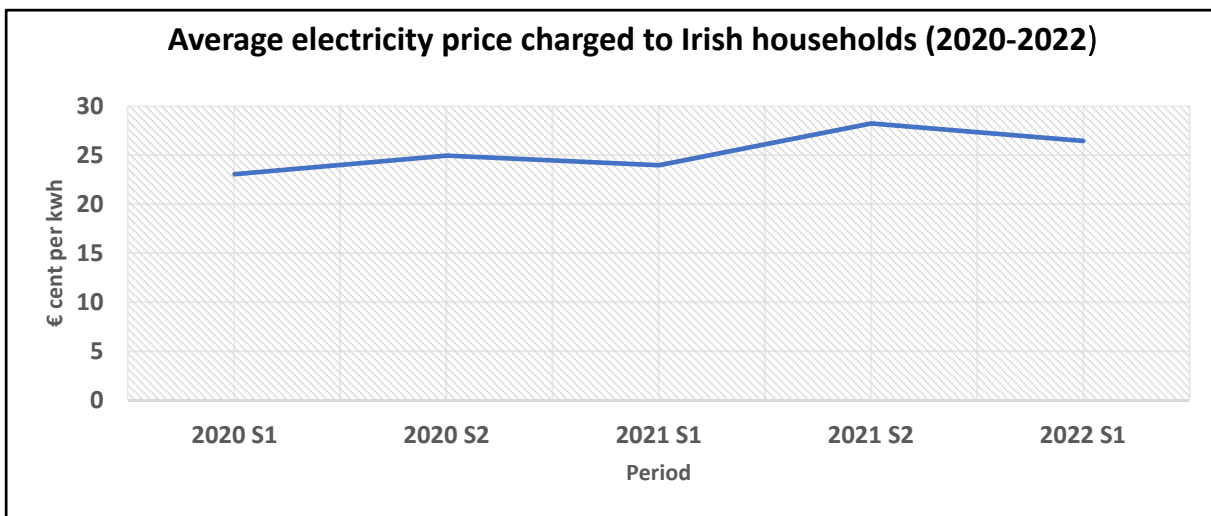
- (iii) Outline two possible disadvantages of trade protection.

1.
2.

75 marks

Question 15

The diagram below shows the average electricity price charged to Irish households (2020-2022).



S = Semester

Adapted from seai

- (a) (i) Outline **one** key trend in electricity prices, using figures from the graph above **and** explain how this will have impacted on Irish consumer behaviour.

Trend:
Effect on consumer behaviour:

- (ii) Distinguish between demand-pull inflation and cost-push inflation.

Demand-pull inflation:
Cost-push inflation:

- (iii) The table below shows a country's composite price index for the following categories of expenditure: food; transport; and other items. Using the information in the table below to calculate the price index for the current year. The base value is 100. Show your workings.

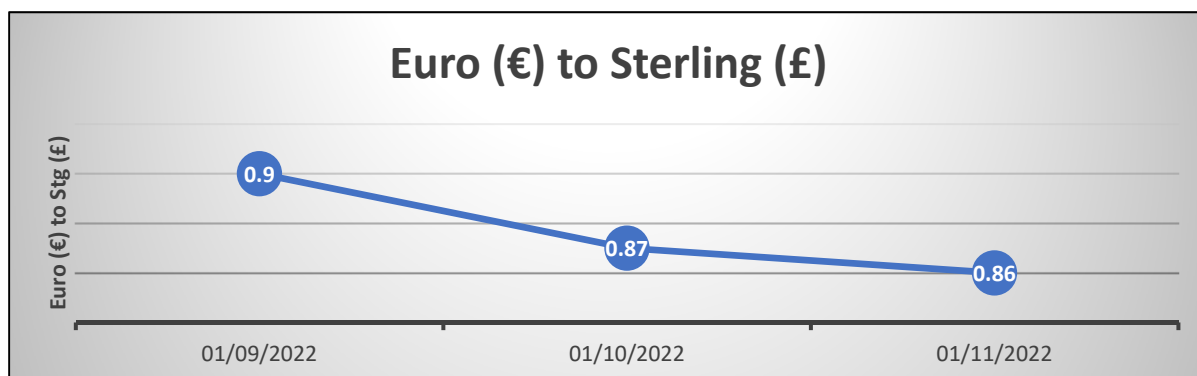
Category	% of income (weight) spent on item (s)	Price of item (s) in base year €	Price of item (s) in the current year €	Calculation of Simple Price Index	Weight	Result
Food	60%	50	55			
Transport	25%	20	24			
Other Items	15%	75	81			
	100%				Price Index for the current Year	

- (b) One role of the European Central Bank (ECB) is to formulate monetary policy for the Eurozone.

- (i) Explain the term monetary policy.

- (ii) Does the prevailing trend on the graph below indicate appreciation or depreciation of the Euro (€) to Pound Sterling (£)?

Appreciation: ☐ Depreciation: ☐ Explain your answer.



Explanation:

- (iii) Should the Irish government be concerned if the Euro to Dollar exchange rate is **appreciating**? Yes: ☐ No: ☐ Justify your answer.

- (c) In budget 2023 the Irish government introduced a €600 electricity credit for all households.

- (i) Explain the main economic reason for the above government intervention.

- (ii) Outline one possible economic disadvantage of this government intervention.

- (iii) In your opinion does the above government intervention encourage electricity users to reduce their use of electricity?

Yes: ☐ No: ☐

Explain your answer.

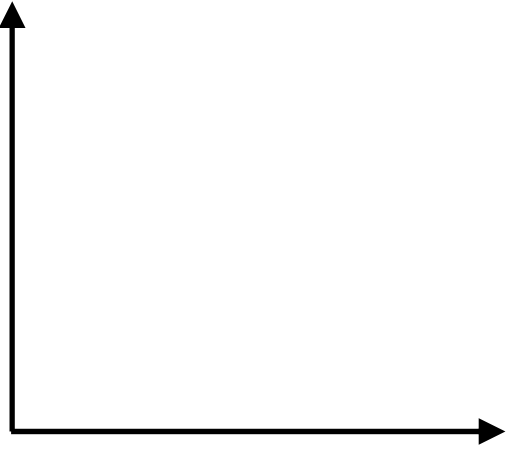
75 marks

Question 16

- (a) (i)**
- Distinguish between the economic terms individual demand and market demand.

Individual demand:
Market demand:

- (ii)**
- The Irish Government has provided free school transport for the 2022/2023 school year. Demonstrate, with the use of a fully labelled diagram the impact this new scheme will possibly have on the market equilibrium for petrol/diesel cars.

Diagram	Explanation
	

- (iii)**
- The rapid introduction of this scheme created an additional demand of 6,000 bus tickets in late September 2022 after schools had opened. Does this represent a government failure? Explain your answer.

Yes: ☐ No: ☐

Explanation:

- (b) In 2006, multinational oil trading company Trafigura rejected an offer from a disposal company to deal with their toxic waste safely in The Netherlands for circa US\$620,000. Instead they got a local company to dump it illegally in Côte d'Ivoire for just US\$17,000 and in the process left more than 100,000 local people in need of medical assistance.

Adapted from amnesty.ie

- (i) Does this represent a market failure? Justify your answer.

Yes: ☐ No: ☐

- (ii) The Circular Economy and Miscellaneous Provisions Act 2022 became law in Ireland in July 2022. The circular economy aims to transition away from the traditional 'take, make, waste' economy.

Adapted from gov.ie

Outline two of the **challenges** the economy will face supporting the transition to the circular economy in Ireland.

1.
2.

- (iii) On average households in Ireland are responsible for 117 kg of food waste.
The cost to households is between €400 and €1,000 per year.

Adapted from epa.ie

Describe initiatives the Irish government could take to address the issue of food waste.

1.
2.

- (c) (i) Deputy Barry Cowen described the argument that the agricultural industry ‘must simply reduce the national herd (dairy and beef) to play its role as absurd’.

Adapted from gov.ie

The argument for reducing the national herd (dairy and beef) is a controversial one.
Outline one argument for **and** one argument against this proposal.

For:
Against:

- (ii) The Deposit Return Scheme is to be introduced in February 2024. Anyone who buys a drink will pay a small deposit for the plastic bottle or can container. Customers will get their money back when they return the container to a retailer or other collection point to be recycled.

Adapted from gov.ie

Outline two likely effects the introduction of the Deposit Return Scheme will have on the Irish **consumer**.

1.
2.

75 marks

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

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Leaving Certificate – Higher Level

Economics

Friday 23 June

Morning 9:30 - 12:00