



**Economics
Leaving Certificate
Higher Level**

**Past Exam Questions on
Inflation**

Q6 Section B 2013

6. (a) (i) Explain, using a numerical example, how banks create credit in an economy.
(ii) Outline two factors which limit the ability of banks to create credit during recessionary times. (30)
- (b) Some central banks have responded to the global financial crisis by introducing the monetary policy measure of 'Quantitative Easing' (i.e. buying financial assets from financial institutions using new money it has created).
- (i) Outline two possible economic effects of this measure for an economy.
The European Central Bank (ECB) reduced interest rates in 2012.
- (ii) Discuss two possible economic benefits of falling interest rates for the Irish economy. (20)
- (c) The monetary policy of the ECB aims to maintain the annual euro area inflation rate at a very low level.
- (i) State the rate of inflation in Ireland during 2013, as measured by the Consumer Price Index (CPI).
(ii) Outline two uses of the CPI, other than as a measure of the rate of inflation.
(iii) Discuss the possible limitations of the CPI as an accurate measure of changes in the cost of living in Ireland. (25)

[75 marks]

Q4 Section A 2009

4. Define 'cost-push' inflation. Identify two sources of this form of inflation in the Irish economy.

Definition: _____

Source 1: _____

Source 2: _____

(16 marks)

Q8 Part (b) & (c) Section B 2008

- (b) Irish citizens experienced an increase in the rate of price inflation during 2007.
- (i) Explain the underlined term.
 - (ii) Discuss the economic effects of this development on the Irish economy.
- (20 marks)*
- (c) For a composite (weighted) price index covering three categories of expenditure given in the following table, calculate the index for the current year.
The base year value is 100. (Show all your workings).

| Category | % of Income spent on item(s) | Price of Item(s) in base year | Price of Item(s) in current year |
|---------------------|------------------------------|-------------------------------|----------------------------------|
| | | € | € |
| Food | 40% | 20.00 | 24.50 |
| Clothing & Footwear | 25% | 42.00 | 40.00 |
| Other Items | 35% | 30.00 | 36.00 |
| | 100% | | |

(25 marks)

Q1 Section A 2007

1. State **FOUR** possible economic effects of rising **price inflation** on the Irish economy.
- (i) _____
 - (ii) _____
 - (iii) _____
 - (iv) _____
- (16 marks)**

Q7 Part (a) & (b) Section B 2006

7. (a) (i) What economic uses are made of a **Consumer Price Index**?
- (ii) Explain how a Consumer Price Index is constructed.
- (25 marks)*
- (b) Explain the likely economic effects on the Irish economy of a significant increase in the annual rate of price inflation.
- (25 marks)*