



**Economics
Leaving Certificate
Higher Level**

**Past Exam Questions on
The Government in the Economy**

Q5 Section A 2013

5. Outline three mechanisms for restricting free trade.

(i) _____

(ii) _____

(iii) _____

(16 marks)

Q9 Section A 2013

9. A recent report to the Irish government highlighted the growing issue of alcohol abuse in Ireland.

(a) Outline one private cost and one social cost related to excessive alcohol consumption.

(b) Describe one advantage and one disadvantage of the government imposing a minimum price on alcohol products.

(a) Private Cost: _____

Social Cost: _____

(b) Advantage: _____

Disadvantage: _____

(17 marks)

Q5 Section B 2013

5. (a) Explain the following terms which are commonly used in estimating the National Income statistics of a country:

- Subsidies;
- Incomes-in-kind;
- Net Factor Income from the Rest of the World. (15)

(b) (i) Illustrate by means of a diagram the Circular Flow of Income for an open economy.

(ii) Are transfer payments an injection into, or a leakage from the Circular Flow of Income? Explain your answer.

(iii) Outline three current determinants of the level of consumption in the Irish economy. (35)

(c) (i) Using the Keynesian multiplier process outline how a fiscal stimulus (i.e. a government injection) would affect an economy's Aggregate Demand.

(ii) Explain why the Irish government might find it difficult to implement such a Keynesian stimulus plan at the current time. (25)

[75 marks]

Q4 Section B 2013

4. (a) 'The Exchequer deficit in December 2012 was €14.89bn'.
(Department of Finance, January 2013)
- (i) Discuss four possible economic consequences of the Government Current Budget Deficit for the Irish economy.
 - (ii) Explain how a government budget could be used to reduce income inequalities in an economy. (30)
- (b) (i) State and explain two reasons why the government increased taxes on cigarettes and alcohol in its most recent budget.
- (ii) Outline three economic impacts for the Irish economy of an increase in Motor Tax. (30)
- (c) 'The Public Capital Programme must make a further contribution to budgetary consolidation'.
(Infrastructure and Capital Investment, 2012 – 2016)
- As an Advisor to the Minister for Public Expenditure and Reform, discuss two economic arguments in favour of a reduction in capital expenditure in the Budget. (15)

[75 marks]

Q9 Section A 2012

9. The Irish Government introduced the household charge (property tax) of €100 per household in its 2012 budget.

(a) State two advantages of this charge/tax for the Exchequer.

(i) _____

(ii) _____

(b) Is this a progressive tax or a regressive tax? Explain your answer.

(17 marks)

Q3 Part (b) Section B 2012

- (b) (i) State and explain the economic reasons why entrepreneurship is important to the development of the Irish economy.
- (ii) State and explain three means by which the Irish Government could encourage entrepreneurship in Ireland. (30)

Q6 Part (a) Section B 2012

6. (a) One of the economic aims of the Irish Government at present is to decrease government current expenditure.
Discuss **four** other economic aims of the Government **and** use relevant statistics/information to justify your choice. (20)

Q3 Section B 2011

3. (a) (i) Define the term Marginal Revenue Productivity (MRP) of a factor of production.
(ii) State and explain **two** factors that can influence MRP.
(iii) Outline **two** difficulties that may arise in measuring MRP. (25)
- (b) '*Capital Investment has been an important driver of economic advancement in Ireland over the past ten years, providing the capacity and scope for growth*'.
(The National Recovery Plan 2011 – 2014)
- (i) State and explain **three** reasons why investment is important for the Irish economy.
(ii) Describe **three** factors that currently influence the level of investment in the Irish economy. (30)
- (c) Advise the Minister for Transport on **two** possible economic advantages and **two** possible economic disadvantages of investing in public transport, rather than investing in the construction of new roads. (20)

[75 marks]

Q5 Section B 2011

5. (a) The Budget is a statement of the Government's fiscal policy. The Irish Government, in its National Recovery Plan 2011-2014 committed to reducing the General Government Deficit to under 3% of GDP by 2014.
- (i) Explain the underlined term.
(ii) State and explain **four** possible economic effects on the Irish economy of the government's plan to significantly reduce the deficit over the next four years. (30)
- (b) It has been suggested that in order to reduce the National Debt the government should privatise state owned companies in the coming years.
- (i) Explain the term 'privatisation'.
(ii) Outline **four** economic arguments in favour of privatisation OR outline **four** economic arguments against privatisation. (25)
- (c) '*The number of staff in the Irish public sector grew by 15.5% from 2001 to 2008, according to OECD statistics*'.
(Report on the Sources of Ireland's Banking Crisis, 2010)
- Discuss **four** measures the Minister for Finance could take to reduce the public sector wage bill. (20)

[75 marks]

Q2 Section A 2010

2. Outline two measures the Irish Government could take to increase consumer spending in the economy.

Answer 1:

Answer 2

(16 marks)

Q5 Part (b) Section B 2010

- (b) Explain the economic effect which each of the following could have on the level of GNP at Market Prices:
- (i) a reduction in the general level of VAT;
 - (ii) a reduction in the subsidies paid to farmers.

(20 marks)

Q6 Part (b) Section B 2010

- (b) (i) State and explain what you consider to be the three most important economic aims of the Irish Government.
- (ii) Outline two examples of possible conflicts between government economic aims/objectives.

(25 marks)

Q3 Part (c) Section B 2009

- (c) 'The Irish government should encourage initiatives that will prevent further cost increases and in turn sustain employment in small firms'.

Suggest with reasons actions the government could take to improve the competitiveness of small firms.

(20 marks)

[75 marks]

Q6 Section B 2009

6. (a) Define each of the following terms:
- (i) Current Budget Deficit;
 - (ii) Exchequer Borrowing Requirement;
 - (iii) Public Sector Borrowing Requirement;
 - (iv) National Debt.
- (20 marks)*
- (b) Ireland's National Debt grew from €36bn at end of 2006 to €50.4bn at end of 2008.
- (i) Outline the major reasons for the increase in National Debt.
 - (ii) Describe the economic consequences (positive and negative) of the increase in National Debt in recent years.
- (35 marks)*
- (c) The Irish economy will experience a substantial Current Budget Deficit for 2009. You have been employed as an Economic Advisor to the Minister for Finance.
- (i) State and explain two specific courses of action (one on the revenue side and one on the expenditure side of the Government Account) you would advise the Minister to take in order to reduce significantly the Current Budget Deficit.
 - (ii) Outline the possible economic effect(s) of each course of action you have chosen.
- (20 marks)*
[75 marks]

Q2 Section A 2008

2. "It is estimated that the 'Black Economy' costs the Irish Economy over €1 billion per month".
(Irish Small and Medium Enterprises (ISME), August 2007).

Explain the underlined term and state **one** method by which the government could discourage this activity.

Explanation: _____

Method: _____

(16 marks)

Q5 Section B 2007

5. (a) Explain the following economic terms, using appropriate examples in each case:
- (i) Government Current Budget;
 - (ii) Government Capital Budget;
 - (iii) Revenue Buoyancy;
 - (iv) Regressive Taxation.
- (25 marks)*
- (b) State and explain how a government budget could be affected by each of the following developments:
- (i) a rise in interest rates in the economy;
 - (ii) a fall in the rate of stamp duty on property purchased;
 - (iii) the introduction of subsidised child care for all families within the state.
- (30 marks)*
- (c) You are appointed Economic Advisor to the Minister for Finance. Outline the economic arguments you would identify for the Minister in favour of lowering Irish income taxation rates.
- (20 marks)*
[75 marks]

Q8 Section A 2006

8. State TWO functions of the Irish National Treasury Management Agency:
- Function 1: _____
- Function 2: _____
- (17 marks)**

Q5 Section B 2006

5. (a) Among Adam Smith's contributions to economic thought, was his **Canons of Taxation**.
- (i) State and explain Adam Smith's **FOUR** Canons of Taxation.
 - (ii) Do you consider that these Canons are useful for analysing the taxation system in Ireland today? Justify your answer.
- (25 marks)*
- (b) Outline possible positive **and** negative economic consequences of a Government Current Budget Surplus.
- (25 marks)*
- (c) You are the economic advisor to the Minister for Finance. The Minister is considering raising tax revenue through indirect taxation. Discuss the economic advantages **and** economic disadvantages of such a policy.
- (25 marks)*
[75 marks]