



**Coimisiún na Scrúduithe Stáit
State Examinations Commission**

LEAVING CERTIFICATE EXAMINATION 2005

ECONOMICS

ORDINARY LEVEL CHIEF EXAMINER'S REPORT

HIGHER LEVEL CHIEF EXAMINER'S REPORT

CONTENTS

	Page
1. GENERAL INTRODUCTION	3
1.1 The Syllabus	3
1.2 The Examination	3
2. ORDINARY LEVEL	6
2.1 Introduction	6
2.2 Performance of Candidates	6
2.3 Analysis of Candidate Performance	6
2.4 Conclusions	15
2.5 Recommendations to Teachers and Candidates	16
3. HIGHER LEVEL	18
3.1 Introduction	18
3.2 Performance of Candidates	18
3.3 Analysis of Candidate Performance	18
3.4 Conclusions	29
3.5 Recommendations to Teachers and Candidates	30
4. EXEMPLARS OF STANDARD	32
4.1 Ordinary Level	32
4.2 Higher Level	37

1. GENERAL INTRODUCTION

1.1 The Syllabus

Leaving Certificate Economics as a separate business subject has been on the curriculum of second-level schools since 1969 and was examined for the first time in 1971. Some minor revisions were made to the syllabus in the late 1970's and the revised syllabus, which is the current syllabus, was examined for the first time in 1981. A new syllabus, which was recently completed by the National Council for Curriculum and Assessment (NCCA), was presented to the NCCA Council for approval in December 2005.

The current syllabus is examined at two levels – Ordinary Level and Higher Level. Although the syllabus content is common to both levels, (*Rules and Programme for Secondary Schools 2004/05 p. 148*), Higher Level demands a more in-depth knowledge of economic concepts and theories and the ability to apply this knowledge to real life situations. Information/statistics and relevant data on contemporary economic issues are also required.

Economics is examined at both Higher and Ordinary levels by means of a terminal written examination. This report should be read in conjunction with the examination papers and marking schemes, which are available on the State Examinations Commission website www.examinations.ie

1.2 The Examination

Ordinary Level

Economics at Ordinary Level consists of one examination paper of two and a half hours duration. The examination paper consists of two sections:

- Section A: 100 marks – This section consists of nine short response type questions. Candidates are required to attempt six of the nine questions. To obtain full marks candidates are required to attempt the last four questions with a mark allocation of 17 marks each and

any two other questions from the remaining five questions with a mark allocation of 16 marks each. Questions range over the entire syllabus.

- Section B: 300 marks – This section consists of eight questions and candidates are required to attempt four of these. All questions require constructed responses and carry an equal weighting of 75 marks each.

Higher Level

Economics at Higher Level consists of one examination paper of two and a half hours duration. The examination paper has the same format as the Ordinary Level paper.

- Section A: 100 marks – This section consists of nine short response type questions. Candidates are required to attempt six of the nine questions. To obtain full marks candidates are required to attempt the last four questions with a mark allocation of 17 marks each and any two other questions from the remaining five questions with a mark allocation of 16 marks each.
- Questions range over the entire syllabus. They include the following types of questions: definitions, economic calculations, drawings and analyses of diagrams and applications of economic principles/concepts.
- Section B: 300 marks – This section consists of eight questions and candidates are required to attempt four of these. All questions require constructed responses carry an equal weighting of 75 marks.

Participation Rates in Economics

Table 1 shows the number of candidates taking Economics in the Leaving Certificate and the percentage of the total Leaving Certificate cohort in the years 2001-2005. While Economics continues to be the least popular business subject at senior cycle, participation rates have remained fairly stable over the last decade. The percentage male/female take-up is generally 65% males and 35% females.

**Table 1 Numbers of candidates taking Economics in the Leaving Certificate
2001 to 2005**

Years	2001	2002	2003	2004	2005
Number of candidates sitting Economics	4937	4728	4843	4810	4799
% of Total Leaving Certificate Cohort	8.7%	8.5%	8.6%	8.7%	8.9%

**Table 2 Numbers and percentages of candidates taking Economics at
Higher and Ordinary Levels**

Years	2001	2002	2003	2004	2005
Number of Higher Level Candidates	3720	3727	3753	3809	3682
%	75%	79%	77%	79%	77%
Number of Ordinary Level Candidate:	1217	1001	1090	1001	1117
%	25%	21%	23%	21%	23%
Total	4937	4728	4843	4810	4799

ORDINARY LEVEL

2.1 Introduction

A total of 1,117 candidates presented for the Ordinary Level Examination in 2005. This represents 23% of the total cohort of candidates who presented for the Economics Examination.

2.2 Performance of Candidates

Table 3 below outlines the percentage of candidates achieving each grade at the Ordinary Level in the years 2001 to 2005.

Table 3 Percentage Grades Awarded - Ordinary Level Candidates 2001 to 2005

	A	B	C	D	E	F	NG
2001	11.9	26.1	31.1	23.1	4.9	2.3	0.60
2002	11.8	29.3	30.7	23.0	4.2	0.90	0.20
2003	11.5	33.9	31.6	17.4	3.6	1.80	0.30
2004	11.4	30.6	31.5	20.2	4.4	1.70	0.30
2005	10.1	31.8	32.3	19.3	3.6	2.5	0.40

As can be seen from the data in the table above, the final results for the examination in 2005 are broadly in line with previous years' results, except for a slight disimprovement in the A grade.

2.3 Analysis of Candidate Performance

The data in Table 4 below is derived from an analysis carried out on the marks awarded in the initial sample of 40 scripts chosen at random by each examiner. It shows the average mark scored in percentage terms per question; the rank order of individual questions in terms of average score; the percentage of candidates who answered each question, and the order of popularity of individual questions.

Table 4 Attempt Frequency and Average Marks Obtained in Ordinary Level - 2005

QUESTION	%Attempt	Popularity	Average Marks	Average %
Section A: 9 short answer questions	100	No preference evident	82	82%
Section B				
Q.1	79	1	44	59%
Q.2	58	4	47	63%
Q.3	78	2	46	61%
Q.4	62	3	42	55%
Q.5	25	7	34	45%
Q.6	23	8	50	66%
Q.7	37	6	42	55%
Q.8	42	5	44	59%

It is clear from the table above that candidates achieved very well in the Section A short response type questions. The average percentage mark was 82% and this has been the trend for the past number of years. The average mark was 69.73% when the last Chief Examiner Report was published in 2002. In Section B the micro economic questions were the most popular questions. However, the candidates performed equally well on both macro and micro economic questions.

Question Analysis

SECTION A

Total Marks: 100

This section is mandatory. Candidates are required to attempt six questions out of a possible nine questions. The first five questions carry a weighting of 16 marks and the remaining four carry a weighting of 17 marks.

Candidates performed very well in Section A in general. The performance in this section has continued to improve overtime. Many candidates attempted all 9 questions, with no particular question being omitted by a significant number of candidates.

QUESTION 1. This was well answered. However, some candidates had difficulty explaining what a negative PED meant.

QUESTION 2. This was a very popular and a very well answered question. The terms substitute and complementary goods were well understood.

QUESTION 3. This was generally well answered. Some candidates wrote the word 'human' rather than 'social' and the word 'goods' rather than 'resources'.

QUESTION 4. Most candidates had the correct answers. However, some candidates explained the long run or the short run equilibrium positions of the firm.

QUESTION 5. This question was generally well answered. However, some candidates had difficulty stating two distinct points and the second point was often a repetition of the first point.

QUESTION 6. This question was well answered. In Part (i) some candidates gave examples of 'incomes-in-kind' rather than an explanation as required. Other candidates confused the definition with 'transfer payments'. In Part (ii) the calculation did not present any difficulties.

QUESTION 7. This question was generally well answered. However, some candidates gave one-word answers and there was some repetition of points.

QUESTION 8. This question was generally very well answered. However, some candidates ignored the word 'outline' and gave one-word answers.

QUESTION 9. This question was well answered by most candidates. A small number of candidates misread the question and wrote about disadvantages while some other candidates were only able to state one point. Many candidates identified the health benefits.

SECTION B

Total marks: 300

Candidates are required to attempt 4 out of 8 questions in this section. All questions are equally weighted at 75 marks.

QUESTION 1. Monopoly

Attempt Frequency: 79%

Average mark: 59%

Unlike previous years this was the most popular question in Section B, and it attracted a good average mark. Examiners commented that the diagram was particularly candidate friendly and that it allowed candidates the opportunity to do well. Highlighting the point Q 1 on the diagram helped candidates identify the other points correctly. In light of the fact that market forms take up a considerable amount of school teaching time it is good to see more candidates attempting this question and performing well on it.

(A) Most candidates successfully labelled the diagram and identified the particular points required.

(B) This part was generally well answered. However, many candidates failed to provide examples to illustrate their answers.

(C) Candidates demonstrated a good knowledge of the advantages of a monopoly firm. However, stating two disadvantages to the consumer presented problems for some candidates.

QUESTION 2. Demand, Markets and An Post

Attempt Frequency: 58%

Average mark: 63%

This was the fourth most popular question and had the second highest score.

(A) This part was very well answered and most candidates scored well.

(B) The example given of the supply of seats at Croke Park helped candidates to

explain the relationship between the price of tickets and the supply curve. Most candidates understood that the diagram represented fixed supply.

(C) Many candidates identified only one reason for the fall in demand for letter post, mainly “change in fashion” resulting in the use of the e-mail, texting etc. Candidates generally identified two ways in which An Post could increase the level of demand for its service.

QUESTION 3. Costs, Factors of production and Waste Disposal

Attempt Frequency: 78%

Average mark: 61%

This was the second most popular question with the third highest average score.

(A) The question on definitions was very well answered in general. However, some candidates omitted reference to ‘as output changes’ in their definitions and, therefore, did not achieve full marks. Some candidates incorrectly identified wages as a fixed cost.

(B) The factor of production ‘capital’ presented some problems for candidates. It was defined as ‘money used to set up business’ or in some cases as just ‘money’. The question on the factors which encourage enterprise in Ireland, was generally not well answered. Many candidates focused on the factors which influence the level of investment in an economy.

(C) Part (i) was well answered in general. However, some candidates confused ‘social costs’ with ‘private costs’.

In Part (ii) many candidates referred to the TV slogan on environment awareness “**reduce, re-use, re-cycle**” in answering this question and performed very well. Some candidates tended to repeat points under the different headings.

QUESTION 4. Money, Interest Rates and Savings

Attempt Frequency: 62%

Average mark: 55%

This was the third most popular question, with the fifth highest score.

(A) The definition of ‘legal tender’ caused problems for some candidates. The reference to the law was not mentioned in some cases.

(B) Most candidates correctly named the financial institution which sets interest rates for the Irish economy. However, candidates in general found it difficult to link the increase in interest rates with the factors identified. Some candidates confused interest rates with inflation rates. Many candidates saw the increase in interest rates as a good thing, due to its impact on savings.

(C) Candidates in general had a very good understanding of savings and the effect of increases in interest rates on savings. In identifying factors which influence the level of savings, other than the rate of interest, most candidates identified either income or future expectations. Only a minority of candidates identified two factors.

QUESTION 5. Trade, EU and Economist Adam Smith

Attempt Frequency: 25%

Average mark: 45%

This was not a popular question and it had the lowest average score.

(A) Candidates, generally, explained the term ‘open economy’ correctly but had difficulty explaining the term ‘economic growth’. The majority of candidates were unable to identify the factors which could make Irish exports cheaper abroad.

(B) The majority of candidates stated only one EU country which does not use the euro currency. Common errors included Norway and Switzerland. Candidates wrote very vague answers to the second part of this question dealing with the effect on the Irish economy of a UK decision to introduce the euro.

(C) Candidates in general demonstrated a very limited knowledge of Adam Smith's Canons of Taxation and his concept of division/specialisation of labour.

QUESTION 6. Inflation and Population

Attempt Frequency: 23%

Average mark: 66%

This was the least popular question, yet it had the highest average score.

(A) Most candidates performed well in parts (i) and (ii) of this question. However, the requirement to explain the possible uses of information on price inflation for the different sectors was not well answered in general.

(B) This part was poorly answered in general. The effect of an increase in lending by the banks on inflation presented the biggest problem for candidates.

(C) Candidates performed well in this part. A common incorrect answer was that there would be more unemployment as a result of increase in the size of the population.

QUESTION 7. Trade and Balance of Payments

Attempt Frequency: 37%

Average mark: 55%

This question was not a popular choice ranking sixth in order of popularity with the second lowest average score.

(A) While most candidates were able to explain 'visible exports', and give appropriate examples, the concept of 'invisible exports' was not understood and the examples given were frequently very unclear. For example, the word 'tourism' was commonly given as an example with no further explanation.

(B) Candidates did very well with the computations on the Balance of Payments

extract provided.

(C) This section was not well answered in general. Many candidates stated only one advantage and one disadvantage of free international trade in each case.

QUESTION 8. Taxation, The Budget and Economic Boom

Attempt Frequency: 42%

Average mark: 59%

This question was fifth in popularity and had a good average mark.

(A) While many candidates did very well in this part, some candidates incorrectly stated PRSI as a tax on employees' wages.

(B) This part was well answered, in general. Some candidates included the existing current budget deficit when calculating the new situation. Some candidates failed to show their workings, thereby losing marks.

(C) In Part (i) candidates generally stated only one valid point, namely the social welfare point. However, candidates had no difficulty explaining two reasons why government Current Income may rise during a boom in an economy.

2.4 Conclusions

- In general, candidates demonstrated satisfactory levels of knowledge and skills.
- Candidates with a thorough knowledge of all aspects of the syllabus performed very well in the examination.
- Candidates who performed less well tended to do so because they had not studied all aspects of the syllabus and /or they did not complete the required number of questions and/or they failed to read the questions carefully.
- The average mark for Section A has been improving consistently over the years. The average mark for Section A was 82% in 2005, while it was 69.73% in 2002 when the last Chief Examiner Report was published. Candidates seem to be well prepared for these short response type questions.
- Candidates, in general, are attempting more micro economic questions than was previously the case at the Ordinary Level. More candidates are attempting Question 1, on market forms, and this is to be welcomed given that this topic takes up a considerable amount of class teaching time.

2.5 Recommendations to Teachers and Candidates

The following recommendations are offered to teachers and candidates with the view to assisting them in improving examination performance.

Teachers:

- Refer to the published Leaving Certificate Economics Marking Scheme and notes, available on the SEC website www.examinations.ie, as a resource and a guide in preparing candidates for the examination
- Pay particular attention to the content of the Economics Syllabus as outlined in the *Rules and Programme for Secondary Schools*
- Familiarise candidates with the examination requirements by ending each topic with examination style questions
- Advise candidates to show workings, where requested, in their answer book
- Ensure candidates have plenty of practice in computational type questions and in writing answers to macro economic type questions, which are relevant to the questions asked and sufficiently comprehensive in treatment
- Advise candidates to keep up to date with topical events as this will provide everyday examples of economic topics and thereby help their understanding of economic concepts and theories
- Use contemporary events, if possible, to support candidate engagement with the subject.

Candidates:

- Read and practice questions as often as possible, especially the macro economic type questions
- Be very familiar with definitions of economic concepts and practice writing them under examination conditions

- Know the requirements of the examination and the number of questions to be attempted
- Complete the required number of questions in order to maximise the marks obtained
- Read the questions carefully in the examination. Do not be put off by some questions, as very often, after careful reading of the question, candidates can perform very well on them
- Take a critical look at each question before moving on. Ensure that all sub-sections are completed and that all relevant details/key points are included
- Use the full time allocated in the examination in order to complete the examination paper
- Take care when drawing diagrams. They should have a title and be labelled correctly
- Avoid one-word answers when the question requires you to 'state and explain', or 'outline'.

3. HIGHER LEVEL

3.1 Introduction

A total of 3,682 candidates presented for the Higher Level Examination in 2005. This represents 77% of the total cohort of candidates who presented for the Economics examination.

3.2 Performance of Candidates

Table 5 Percentage Grades Awarded - Higher Level Candidates 2001 to 2005

Year	A	B	C	D	E	F	NG
2001	12.5	33.3	27.6	20.4	4.2	1.8	0.20
2002	12.6	29.0	28.3	22.3	4.8	2.5	0.40
2003	12.3	29.4	29.7	22.6	4.3	1.6	0.20
2004	12.1	31.2	27.1	23.2	4.9	1.5	0.10
2005	11.6	29.1	31.5	22.0	3.9	1.7	0.20

As be seen from the data in table 5 above, the final results for the examination in 2005 are broadly in line with previous years' results, except for a slight disimprovement in the A grade in 2005.

3.3 Analysis of Candidate Performance

The table below sets out the attempt frequency of questions and the average marks obtained per question. The attempt frequency and average marks given for each question are based on a sample of 40 scripts per examiner and should be used as a general guideline only. Section A had questions ranging over the entire syllabus. Section B had three micro economic questions and five macro economic questions in 2005.

Attempt Frequency and Average Marks obtained Higher Level – 2005

QUESTION	Attempt %	Popularity	Average Mark	Average %
Section A: 9 short answer questions	100	No preference evident	72	72%
Section B				
Q.1	67	2	45	60%
Q.2	88	1	52	69%
Q.3	61	4	48	64%
Q.4	62	3	38	50%
Q.5	35	6	37	49%
Q.6	40	5	44	58%
Q.7	24	8	36	48%
Q.8	26	7	28	37%

Candidates performed well in the short response type questions in Section A. The average % mark was 72%. Responses to the questions in Section A showed a noticeable general improvement with more candidates than previously providing precise and concise answers as required. The average % mark was 68% when the last Chief Examiner Report was last published in 2002. Micro Economic questions continue to be the most popular questions on the examination paper and generally attract the highest marks for the candidate. However, Question.6, the macro question on National Income, while not taken by the majority of candidates, always attracts a high score.

Questions 7 and 8, both macro economic questions, continue to be the least popular questions on the examination paper and consistently attract the lowest average scores.

Question Analysis

SECTION A: Total Marks 100

This section is mandatory. Candidates are required to attempt six questions out of a possible nine questions. The first five questions carry a weighting of 16 marks and the remaining four carry a weighting of 17 marks.

Candidates performed very well in Section A in general. The performance in this section has been improving overtime. Many candidates attempted all nine questions, with no particular question being omitted by a significant number of candidates.

The following is an analysis of candidates' answers to each question in Section A with specific reference to common errors made.

QUESTION 1. The question was well answered by the majority of candidates. Some candidates provided an example of opportunity cost, rather than an explanation, as was required. The concepts of 'scarcity and choice' were central to the second part of the question.

QUESTION 2. This was a challenging question for most candidates, even though it had been asked as part of a question in Section B in the 2004 examination. One-word answers were not adequate for full marks and some candidates provided only one relevant reason.

QUESTION 3. This question was generally well answered. Some candidates omitted the essential phrase 'rather than do without the good' in their answer.

QUESTION 4. Many candidates were unable to apply the equi-marginal principle formula to this question.

QUESTION 5. The majority of candidates answered this question well. Some of the candidates omitted one of the elements of the PSBR.

QUESTION 6. The question was generally very well answered. However, some candidates were unable to calculate the simple price index while other candidates gave only the answer, even though they were asked to show their workings.

QUESTION 7. While most candidates stated correctly that the statement was false, the explanations given were generally poor. Most candidates stated only that the profit maximising position is where $MC=MR$.

QUESTION 8. The standard of answer was low overall. Some candidates confused Keynes with other economic thinkers. There was evidence of guesswork and answers contradicted each other in some cases. Candidates gave one or two points but few gave three points, as required.

QUESTION 9. This question was poorly answered with few candidates getting both calculations correct. The most common error observed was adding indirect taxes and subtracting subsidies.

SECTION B: Total Marks 300

Candidates are required to attempt four out of eight questions in this section. All questions are equally weighted at 75 marks.

QUESTION 1. Demand, Markets and Government Intervention

Attempt Frequency: 67%

Average mark: 60%

This was the second most popular question in Section B and it attracted the third highest average mark.

(A) This part was very well answered with many scoring the full 25 marks. The main errors were treating substitute goods and complementary goods as two separate points, and some candidates confused the question with factors affecting PED.

(B) (i) Candidates in general scored very well in this section.

(ii) Some candidates omitted to state the effect on the new equilibrium price and quantity.

(C) This part of the question was not well answered in general.

Many candidates discussed both policy measures in their answer, rather than deciding on a particular policy measure. Either measure was accepted, provided the candidate could support the answer with appropriate economic analysis. The most popular measure was the price subsidy to the producer of energy. Some candidates outlined the negative aspects of one measure as an argument in favour of the other measure. Some candidates, having done very well in the previous parts omitted this part of the question. Candidates need more practice in analysing economic situations and making decisions based on their analysis. Candidates with a good understanding of demand and supply performed very well in this section.

QUESTION 2. Imperfect Competition

Attempt Frequency: 88%

Average mark: 69%

This question was the most popular question and it had the highest average score. Even though part (C) was considered difficult, the overall score for this question was similar to that of previous years and the majority of candidates attempted it.

(A) The majority of candidates scored very well here. Some candidates stated the points but did not develop them and the assumption in relation to ‘many buyers’ was not well developed in some cases.

(B) (i) Many candidates drew and labelled very good diagrams but did not explain the entries adequately. Some candidates spent a lot of time explaining the shape of curves and the short run equilibrium position while not answering the question asked. Valuable time was lost as a result. In explaining the long run equilibrium position candidates were required to refer to the equilibrium point, the level of output produced, the price the firm sells this output for, the average cost of production and the fact that the firm is earning normal profits in the long run.

(ii) and **(iii)** did not present any problems for the majority of candidates.

(C) Some candidates listed the assumptions underlying the theory of imperfect competition and did not relate them, in any way, to the retail market for petrol. Some explanations given were very vague and a lot of guesswork was evident. Those candidates who had a good understanding of market forms, were able to link easily the theory of imperfect competition to the retail market for petrol and, consequently, performed exceptionally well. Some candidates omitted the reference to the retail market and argued that an oligopoly market exists. Arguments made for an oligopoly market from a national point of view were accepted and allowance was made in the marking scheme for this.

QUESTION 3. Factors of Production

Attempt Frequency: 61%

Average mark: 64%

This was fourth in order of popularity and it had the second highest score.

(A) Part (i) relating to the definitions was very well answered.

Part (ii) was, generally, not well answered. Many candidates stated the factors affecting the MEC. The law of diminishing marginal returns was rarely mentioned. Answers were poorly developed in some cases.

(B) The definition of land and the characteristics of land were generally very well answered. Some candidates, however, failed to develop the points and tended to list items when asked to outline. The concept of 'economic rent' was generally well understood but examples provided were in some cases very vague.

(C) While generally this section was very well answered, some candidates tended to repeat points. For instance, population increase and immigration were given as two separate points. Some candidates concentrated on population growth only. A number of candidates did not understand the term 'residential property' and focused on the price of land.

QUESTION 4. Government in the Economy

Attempt Frequency: 62%

Average mark: 50%

This was the third most popular question and it scored the fifth highest average mark.

(A) Most candidates were able to distinguish between the terms given. The most common errors included the following: the absence of the word 'current' in the explanation of fiscal policy; no reference to ECB in monetary policy; no reference to proportionality when discussing progressive and regressive taxes, and failure to state that tax avoidance operates within the law while tax evasion is illegal.

(B) (i) The majority of candidates answered this part well. However, there was some repetition of points evident, for example, increase in vat rates and higher spending in the economy given as separate points.

(ii) Most candidates correctly identified an expenditure opportunity for the government and they chose this as their priority. Some candidates stated a priority but did not develop it sufficiently, thereby losing marks. Many candidates had a difficulty identifying a revenue opportunity and appeared not to understand the question asked.

(C) Responses to this question indicated that it was one of the more challenging questions on the paper. Many candidates wrote lengthy answers on price elasticity of demand without answering the question. Some candidates explained the notion of taxing inelastic goods, so as to increase government revenue. The other point in relation to taxing of elastic goods with high social costs was less well developed. Some candidates gave excellent answers, displaying a very sound grasp of the concept of elasticity and making very good use of examples.

QUESTION 5. Trade

Attempt Frequency: 35%

Average mark: 49%

This question was sixth in order of popularity with the third lowest average score.

(A) This part of the question was, in general, poorly answered. A significant number of those who answered this question did not understand some basic economic concepts. Many candidates omitted the word 'visible' when explaining the term 'Balance of Trade'. Several candidates were confused between 'Balance of Trade' and 'Balance of Payments on Current Account'. Some candidates confused the Balance of Payments on Capital Account with the Capital Account of the Government Budget. Candidates continue to respond poorly when asked to explain the Balance of Payments on Capital Account. In explaining the 'Terms of Trade' the words 'ratio' or 'index' or 'prices' were often omitted

(B) (i) Some candidates listed the benefits of international trade in general without referring to either the particular situation given or the figures supplied. Many candidates stated what commodity each country should produce without referring to the percentage increase/decrease resulting from international trade.

(ii) The majority of candidates had no difficulty calculating total output when specialisation takes place.

(iii) The candidates who performed well in parts **(i)** and **(ii)** also did very well in this part. It was evident from marking scripts that some candidates attempting this question had no knowledge of this area of the syllabus.

(C) (i) This part was generally completed to a high standard. Some candidates, while identifying the reasons why foreign firms locate here, failed to develop the points adequately and some repetition of points was evident.

(ii) Many candidates failed to state whether the effect on the Balance of Payments would be positive or negative. The majority of answers focused on the visible trade. The invisible section of the Balance of Payments on Current Account or the Balance of Payments on Capital Account was seldom mentioned. Some candidates confused the concept with the Capital section of the Government Budget and discussed how foreign firms affect government revenue.

QUESTION 6. National Income and Economic Growth

Attempt Frequency: 40%

Marks awarded: 58%

This was the fifth most popular question and had the fourth highest average score.

(A) (i) The diagram of Circular Flow of Income was generally very well drawn. However, some candidates did not identify all the sectors in the open economy and some did not indicate the direction of the flows. While many candidates drew the circular flow diagram, they failed to explain the main elements of aggregate demand, thereby losing marks. A small number of candidates omitted the diagram.

(ii) Many candidates stated one effect in each case, although two points were required. The most common error was not referring to an increase in the level of imports in the open economy at full employment.

(B) This part of the question was very well answered.

(C) This question on economic growth was generally well answered. Some candidates, however, focused on the negative consequences of economic growth only. In such cases marks were lost as a minimum of two points were required from both sides. While the focus of the question was on economic consequences, some candidates gave the social consequences of economic growth instead.

QUESTION 7. Banking and the Euro

Attempt Frequency: 24%

Average mark: 48%

This question was not a popular choice ranking last in order of popularity with the second lowest average score. Candidates scored poorly despite elements of this question appearing many times before on previous examinations.

(A) The explanations of the twin objectives of liquidity and profitability were quite vague in many cases. Candidates omitted reference to ‘demand for cash by customers’ and the ‘needs of shareholders’ in their answers. Some candidates provided an illustration of the asset structure, but the illustration was inadequate in many instances.

(B) This part was reasonably well answered. While the Central Bank no longer has responsibility for creating monetary policy, many of the functions it had before the existence of ECB still remain. Candidates in general explained these functions well. However, some candidates discussed the monetary policy role of the Central Bank and the measures used to implement it.

(C) This part was reasonably well answered. The most common answers given for the economic effects of the introduction of the euro on Irish consumers were foreign

travel and price comparisons. Points such as low interest rates or prudent management of the economy were only mentioned by a minority of candidates. The effects of the introduction of the euro on Irish exporters and importers were generally not answered. Points were stated in some cases but not developed. In other instances points were repeated. The fluctuating value of the euro was rarely mentioned. Some answers indicated limited knowledge and understanding of this topic.

QUESTION 8. Population, Labour and Economic Policy

Attempt Frequency: 26%

Average mark: 37%

This question was seventh in popularity and had the lowest average score.

(A) This part was generally not well answered. Some candidates appeared to misread the question and focused on the reasons for population growth rather than the consequences of an increasing population.

(B) While the focus of this part was on the economic benefits of the inflow of labour into the economy, some candidates discussed the benefits of population growth and repeated the points they had given in part (A) of the question.

(C) (i) Many candidates explained four government policies, such as fiscal policy, monetary policy, prices and incomes policy, but did not answer the question set. Very few candidates outlined policies other than decentralisation and tax incentives to industry.

(ii) Most candidates did not explain the statement. Some examples, chosen to support the answer, did not relate to regional development and, therefore, were not considered relevant to the question asked. Answers generally indicated a very limited knowledge and understanding of the topic.

3.4 Conclusions

- The number of candidates taking Economics has remained at approximately 9% of the total cohort taking the Leaving Certificate.
- Candidates, for the most part, demonstrated satisfactory levels of knowledge and skills.
- There was, generally, a correlation between the popularity of the questions and the marks attained.
- Candidates with a thorough knowledge of all aspects of the syllabus and a clear understanding of the economic concepts and theories performed well in the examination.
- A failure by candidates to apply their knowledge to particular situations and an over-emphasis on preparation for examinations through rote learning, resulted in the award of low marks to some candidates.
- Answers achieving high marks focused on the question set showed a thorough knowledge and understanding of the syllabus, and were expressed clearly, using appropriate economics terminology.
- Some answers, especially answers to the macro economic questions, displayed a very limited knowledge and understanding of core concepts/theories while others displayed a high level of competence.
- Candidates tended to avoid parts of questions that appeared to be somewhat different from previous years' questions. However, the candidates who attempted these parts, generally, performed very well.
- Section A was, generally, well answered by the majority of candidates. The average score was 72%
- Some candidates lost marks through the non-development of points made.

3.5 Recommendations to Teachers and Candidates

The following recommendations are offered to teachers and students with the view to assisting them in improving examination performance:

Teachers:

- Pay particular attention to the aims and content of the published Economics Syllabus
- Refer to the published Economics Marking Scheme and notes. It is designed to serve as a resource and a guide
- Pay particular attention to outcome verbs used in the examinations paper, particularly: *state, outline, discuss and explain*, as the amount of detail required in the answers will vary
- Ensure candidates have plenty of practice in doing examination type questions, especially in the macro economic area
- Engage candidates in activities that both develop and demonstrate candidates' understanding of topics by requiring them to use what they know in new ways
- Try to introduce everyday examples/contemporary events to illustrate economic topics and to develop candidates' understanding of these topics.

Candidates:

- Read and practise questions as often as possible. By doing one or two extra examination questions per week your revision will be more manageable
- Read the examination paper carefully. Choose carefully the questions you intend answering and complete the required number of questions and sections
- Take care when drawing diagrams. They should have a title and be labelled correctly

- Definitions need to be precise and answers should be clear and unambiguous. One-word answers are not acceptable for full marks
- Allow more time for answering Section A instead of trying to answer extra questions in Section B
- Practise a structured approach to answering macro economic type questions. Most discussion type questions require 4/5 distinct and clearly developed points
- Think before writing your answer so that you can apply your knowledge to different situations where required
- Be disciplined with your time when answering different questions.

4. EXEMPLARS OF STANDARD

The following is a selection of exemplars from the scripts of candidates who sat the Economics at Higher and Ordinary Level, 2005. These exemplars should be read in conjunction with the Economics examination papers and Marking Schemes which are available on the website www.examinations.ie

These exemplars are produced as they are written.

4.1 ORDINARY LEVEL

SECTION B

QUESTION 2. Demand, Markets, An Post

(b) (i) Explain the relationship between the price of tickets and the supply of seats shown on the diagram.

Candidate's Answer:

Regardless of the price of tickets, the supply is fixed, as Croke Park can only hold a fixed number of people. With a fixed supply of seats not everybody can attend.

Comment:

The candidate was awarded the full 7 marks as reference was made to **price change** and **fixed** supply.

(b) (ii) Tickets may sell in the black market at very high prices.

Explain the term 'black market'

Explain why tickets may sell at high prices in this market.

Candidate's Answer:

This is where things are sold at higher prices illegally and is not included in the nation budget.

Comment:

The candidate has made reference to an ‘illegal market’ and also that prices differ from the ‘face value’ of the tickets and therefore is awarded full marks.

(c) In recent years the demand for the ‘letter-post’ service provided by An Post has fallen.

(i) State and explain TWO reasons for this fall in demand.

Candidate’s Answer:

The price of letter-post is much dearer than its alternative, e-mail therefore more people are switching to the cheaper substitute.

Comment:

The candidate has explained clearly, by means of an example, that increases in price may lead to consumers choosing cheaper alternatives. The candidate, therefore, was awarded full marks.

(c)(ii) State and explain TWO ways in which An Post could increase the level of demand for this service.

Candidate’s Answer:

1. An Post could increase the speed of delivery of the letters as e-mail is very speedy, and this could increase the demand.

Comment:

Candidate has presented the idea of increased efficiency leading to greater demand for the service and was awarded full marks.

Candidate’s Answer:

2. They could have a new advertising campaign. By doing this they could reach a new market, the young market, and boost demand.

Comment:

The candidate has demonstrated that he/she understands the impact of advertising on consumer’s demand for a product. The candidate, therefore, was awarded full marks.

QUESTION 3. Costs, Factors of Production and Waste Disposal

(a) (i) Define fixed costs and variable costs

Candidate's Answer:

A fixed cost is a cost which is of a fixed amount and must be paid at regular times e.g. rent every week.

Comment:

The candidate understood that the fixed cost doesn't change, however, did not mention 'as output changes' in the answer. Candidate was awarded 4 marks out of a possible 6 marks.

Candidate's Answer:

A variable cost is a cost which changes from month to month depending on the usage.

Comment:

The candidate understood that the variable costs change with usage, which implies an understanding that it varies with output changes. Candidate was awarded full marks.

(c)(i) State and explain ONE social cost associated with waste disposal.

Candidate's Answer:

Pollution is a major social cost associated with waste disposal. It comes in many different forms such as noise, rats and mice, devalued residential property and damage to the environment.

Comment:

The candidate has a very good understanding of the term 'social cost' and provided a number of relevant examples. Candidate was awarded the full 9 marks.

(c)(ii) State and explain ONE way in which EACH of the following could help to reduce the social costs associated with waste disposal:

- **Consumers;**
- **Manufacturers;**
- **Government.**

Candidate's Answer:

Consumers;

Consumers: reduce, reuse and recycle. Consumers could reuse materials such as plastic bags and recycle materials such as paper and glass. This would reduce the total amount of waste if they separated it into recyclables and waste.

Manufacturers;

Manufacturers could promote recycling. We will take for example the drinks industry, if a consumer brings a certain amount of empty bottles or cans back to them for recycling they could get money off the next purchase.

Government;

The government could promote recycling by producing more information by advertising etc. They could also collect recyclable materials for free but charge for general waste disposal thus encouraging everyone to recycle.

Comment:

While not a typical textbook type question, candidates performed very well in general. The above answers demonstrate a very good understanding of social costs and a willingness to express their own views on issues of concern. The candidate was awarded full marks in each case.

QUESTION 4. Money, Interest rates and Savings

(b)(ii) State and explain how an increase in interest rates in Ireland would affect each of the following:

- **The level of consumption in Ireland;**
- **Property prices in Ireland;**
- **The cost of repaying the National Debt.**

Candidate's Answer:

The level of consumption would decrease (3 marks) as more money would be put into savings in order to avail of the higher/better interest rates (4 marks).

Property prices would decrease (3 marks) as people would be able to borrow less money because the interest rates are higher meaning they would have to keep up with higher repayments, which many people cannot do. (4 marks)

The cost of repaying the national debt will increase (3 marks) as more money will now have to be repaid in order to cover the interest rates charged therefore increasing the cost (4 marks).

Comment:

A fully developed point was required for full marks in each of these cases. The candidate stated the effect in each case, developed each point adequately and thereby was awarded the full 7 marks.

4.2 HIGHER LEVEL

SECTION B

QUESTION 1. Demand, Market and Government Intervention

(c) Which policy measure you would advise the government to take. Explain the economic reason for your answer.

(Two points required at 10 marks each)

Candidate's Answer:

1. I would advise the government to give an increased allowance to the low-income family as the lower income family will then be able to pay the extra and maintain the same standard of living. It would lead to a fairer distribution of wealth as the higher income families would be able to pay the extra amount (10 marks).

2. If the government were to subsidise the good they would be decreasing the price for higher income families as well and this is not a requirement. This would lead to an increase in government expenditure, which is not required. It would be a drain on government finances (10 marks).

Comment:

Marks are awarded in accordance with the quality of the response. In this case the candidate made a decision and was able to back it up with suitable economic reasons. The first point referred to 'no change in the standard of living' and the second point recognised the 'efficient use of scarce state revenues'. The candidate was awarded full marks in each case.

QUESTION 2. Imperfect competition

(c) Consider the retail market for petrol. Do you believe that this market operates under conditions of imperfect competition? State reasons for your answer.

(Three points required at 5 marks each)

Candidate's Answer:

Yes I believe this market operates under conditions of imperfect competition as there are many buyers and sellers (2 marks) in the industry/there are no barriers to entry (2 marks)/ and there is almost perfect knowledge (2 marks) of the prices being asked by all firms in the industry.

Comment:

The candidate did not link the answer to the particular market i.e. the retail market for petrol and was therefore only awarded 6 marks out of a possible 15 marks.

QUESTION 4. Government in the economy

b (ii) State ONE revenue opportunity and ONE expenditure opportunity for the government arising from this increased revenue. Which of these would you consider a priority? Explain your choice.

(10 marks were assigned to this part of the question)

Candidate's Answer:

The government could use the increased income to lower tax rates (3 marks). This would be a popular move but would not be wise as it would lead to problems with inflation, which we have at present got to a low level.

One expenditure opportunity would be to increase funding in the health service (3 marks). This is an area where money and reforms are needed. If this money was spent wisely it could reduce waiting time in hospitals (greater efficiency). It could also result in a healthier population and a fall in absenteeism at work, hence greater productivity (4 marks).

Comment:

The candidate displayed a very good understanding of the government current budget and was awarded full marks. The candidate was only required to state a revenue opportunity and was not required to develop this point.

QUESTION 6. National Income and Economic Growth

(c) Discuss the economic consequences (positive and negative) of economic growth on the Irish economy.

(5 points required and 5 marks were assigned to each point depending on the quality of the response. A minimum of two positive and two negative consequences was required for full marks.

Candidate's Answer:

- 1. There will be increased employment in the economy (2 marks).*
- 2. Government will receive greater tax revenues (2 marks)*
- 3. Increased levels of investment since the economy is growing and the demand for goods and services due to higher incomes is growing also. (5 marks)*
- 4. Higher incomes result in inflation (2 marks)*
- 5. Increased incomes cause increased demand and this is often satisfied by imports which could cause a Balance of Payments deficit (5 marks)*

Comment:

While the candidate stated five acceptable points (a minimum of two points from each side) only two points were developed, hence candidate lost the 3 marks each for three of the points given.