



Coimisiún na Scrúduithe Stáit
State Examinations Commission

Leaving Certificate 2024

Marking Scheme

Economics

Higher Level

Note to teachers and students on the use of published marking schemes

Marking schemes published by the State Examinations Commission are not intended to be standalone documents. They are an essential resource for examiners who receive training in the correct interpretation and application of the scheme. This training involves, among other things, marking samples of student work and discussing the marks awarded, so as to clarify the correct application of the scheme. The work of examiners is subsequently monitored by Advising Examiners to ensure consistent and accurate application of the marking scheme. This process is overseen by the Chief Examiner, usually assisted by a Chief Advising Examiner. The Chief Examiner is the final authority regarding whether or not the marking scheme has been correctly applied to any piece of candidate work.

Marking schemes are working documents. While a draft marking scheme is prepared in advance of the examination, the scheme is not finalised until examiners have applied it to candidates' work and the feedback from all examiners has been collated and considered in light of the full range of responses of candidates, the overall level of difficulty of the examination and the need to maintain consistency in standards from year to year. This published document contains the finalised scheme, as it was applied to all candidates' work.

In the case of marking schemes that include model solutions or answers, it should be noted that these are not intended to be exhaustive. Variations and alternatives may also be acceptable. Examiners must consider all answers on their merits, and will have consulted with their Advising Examiners when in doubt.

Future Marking Schemes

Assumptions about future marking schemes on the basis of past schemes should be avoided. While the underlying assessment principles remain the same, the details of the marking of a particular type of question may change in the context of the contribution of that question to the overall examination in a given year. The Chief Examiner in any given year has the responsibility to determine how best to ensure the fair and accurate assessment of candidates' work and to ensure consistency in the standard of the assessment from year to year. Accordingly, aspects of the structure, detail and application of the marking scheme for a particular examination are subject to change from one year to the next without notice.

Marking Scheme and Support Notes

In considering the marking scheme and the support notes the following points should be noted:

- The support notes presented are neither exclusive nor complete and further relevant points of information presented by candidates are rewarded on their merits.
- They are not model answers but rather a sample of possible responses.
- The support notes in many cases may contain key phrases which must appear in the candidate's answer in order to merit the assigned marks.
- The detail required in any answer is determined by the context and the manner in which the question is asked and by the number of marks assigned to the answer in the examination paper. Requirements may therefore vary from year to year.
- Words, expressions or phrases must be correctly used in context and not contradicted, and where there is evidence of incorrect use or contradictions the marks may not be awarded.
- This marking scheme used descriptor marking to allocate marks for certain parts of some questions for the development of a point/points. Copies of the descriptor marking that were used are in the tables below. The descriptor mark that was used was dependent on the mark allocation for that particular part of the question. Questions with allocation of 4 marks – use the table below.














3	2	1	0
Excellent	Good	Fair	Weak
<ul style="list-style-type: none"> • In-depth knowledge • Relates to question • Concise • Logical 	<ul style="list-style-type: none"> • Some knowledge • Limited development 	<ul style="list-style-type: none"> • Vague knowledge 	<ul style="list-style-type: none"> • No knowledge • Repetition of statement

4	3	2	1	0
Excellent	Good	Fair	Poor	Weak
<ul style="list-style-type: none"> • In-depth knowledge • Relates to question • Concise • Logical 	<ul style="list-style-type: none"> • Some knowledge • Limited development 	<ul style="list-style-type: none"> • Vague knowledge 	<ul style="list-style-type: none"> • Confusing or Contradictory knowledge 	<ul style="list-style-type: none"> • No knowledge • Repetition of statement

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The table below contains information about annotations used for marking throughout the exam paper.

Annotation	USE	Marks (if applicable)
 1	Valid information	1
 2	Valid information	2
 3	Valid information	3
 4	Valid information	4
 5	Valid information	5
 6	Valid information	6
 7	Valid information	7
 8	Valid information	8
 9	Valid information	9
 10	Valid information	10
 11	Valid information	11
	Surplus answer or part of answer	N/A
0	Incorrect answer	0
	Page seen by examiner / information not valid	N/A

SECTION A 100 marks)

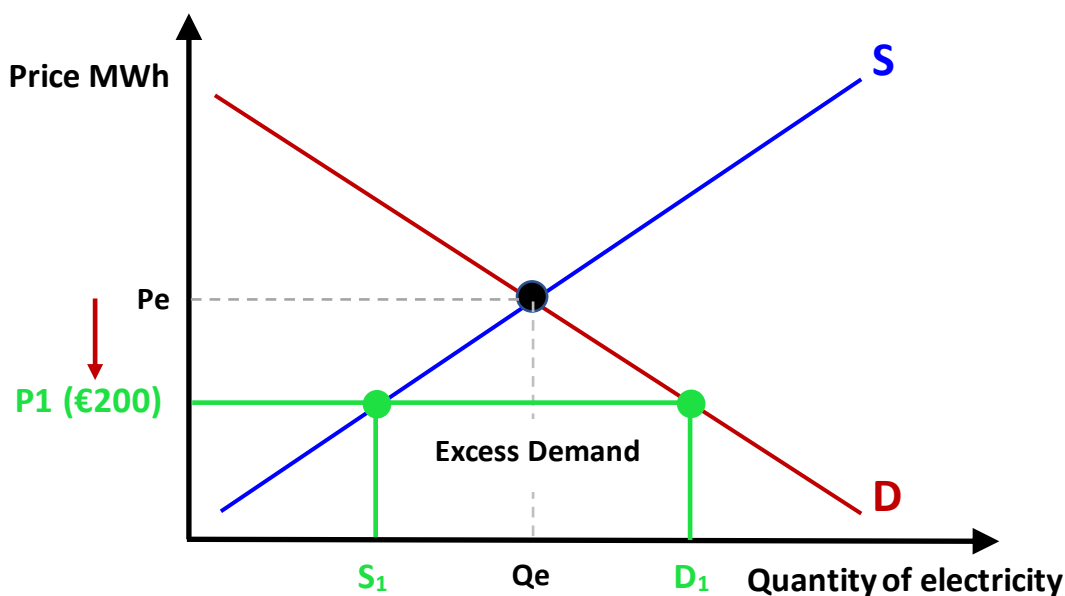
Award 1 extra mark for each of the first four correctly answered question.

Q	Possible responses	Marks												
1	<p>The adapted infographic displays data relating to Ireland’s Balance of Payments on the Current Account for Q2 2023.</p> <div style="text-align: center;">  <p>An Phríomh-Oifig Staidrimh Central Statistics Office</p> <p>Ireland's Economic Interactions with the Rest of the World</p> <table border="1" style="margin: 0 auto; border-collapse: collapse;"> <thead> <tr> <th colspan="2">Goods</th> <th colspan="2">Services</th> </tr> <tr> <th>Exports</th> <th>Imports</th> <th>Exports</th> <th>Imports</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">€76bn</td> <td style="text-align: center;">€38bn</td> <td style="text-align: center;">€91bn</td> <td style="text-align: center;">€83bn</td> </tr> </tbody> </table> </div> <p>(a) From the data above, calculate the balance of payments, current account balance. State whether it is a surplus or a deficit. Show all your workings.</p> <p>Workings:</p> <p>$€76bn + €91bn = €167bn$ $€38bn + €83bn = \underline{€121bn}$ $€46bn$</p> <p>Surplus or Deficit? Surplus</p> <p>(b) Outline one advantage of having a surplus on the balance of payments.</p> <p>Increased Economic Growth - If a country has a surplus on the balance of payments that means that its exports are greater than its imports. More goods and services are being produced and this should increase the GNP per capita.</p> <p>Increased Employment – If a country has a surplus on the balance of payments that means that their exports are greater than their imports. If exports have increased, more people need to work to create these goods and services and so the creation of jobs is an advantage of having a surplus on the balance of payments account.</p> <p>Taxation revenue – exports contribute significant taxation revenue to the Exchequer. Employment from those involved with exports generates direct tax.</p> <p>Injection into the economy - exports are an injection into the circular flow of income, the multiplier is increased in size and national income rises.</p> <p>Attract FDI – MNCs may become aware of Ireland’s success on foreign markets and this may encourage them to locate in Ireland.</p>	Goods		Services		Exports	Imports	Exports	Imports	€76bn	€38bn	€91bn	€83bn	<p>6</p> <p>6</p>
Goods		Services												
Exports	Imports	Exports	Imports											
€76bn	€38bn	€91bn	€83bn											

2	<p>According to CSO data, Ireland’s seasonally adjusted unemployment rate for October 2023 was 4.8%. This may be regarded as full employment.</p> <p>(a) Explain what you understand by the term full employment.</p> <p>Full employment is a situation when everyone in the labour force, who are willing and able to work are employed at existing wage rates. In Ireland it usually occurs when the unemployment rate lies between 4% to 5%.</p> <p>Answer either (b) or (c)</p> <p>(b) Explain, giving two reasons, why full employment is an economic aim of the government.</p> <p>Increased direct/indirect tax revenue – When individuals are in employment, they contribute to the exchequer’s tax take through direct tax (PAYE and USC). When individuals are employment also, they have more disposable income and consequently can spend more. This generates indirect tax revenue (VAT) for the exchequer.</p> <p>Decreased social welfare payments – If individuals are in employment that means that the government does not have to pay them social welfare which reduces the government’s current expenditure.</p> <p>Boosts demand / economic growth in the economy – If individuals are in employment, they should have more disposable income to spend in the economy. This boosts aggregate demand in the economy.</p> <p>Reduction in poverty: if people are in employment they are earning an income and this increases their standard of living reducing poverty levels within the state.</p> <p>OR</p> <p>(c) The achievement of full employment is an economic aim of the government. Explain how any other two current economic aims of the government may conflict with this aim.</p> <p>Full employment vs price stability/control inflation - with full employment comes an increase in spending in an economy but this can lead to an increase in demand-pull inflation.</p> <p>Full employment vs balanced budget/control of state finances - the Government may wish to increase expenditure to try to maintain full employment, but this will conflict with its desire to balance the budget / control the state finances.</p> <p>Full employment vs balance of payments equilibrium - when more people are working, incomes will rise in the economy. As Ireland is a small open economy, some of that increased income will be spent on imports which could reduce the surplus on our balance of payments.</p> <p>Full employment vs housing for all – with full employment comes increased demand for home ownership. This may not be possible due to labour shortages; lags between demand and supply; planning permissions difficulties.</p>	<p>6</p> <p>2 @ 3</p> <p>2 @ 3</p>
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3 During 2022, the equilibrium megawatt price per hour for electricity was €600. In an effort to combat the energy crisis, the European Commission considered a €200 per megawatt hour limit on the price of electricity. Adapted from the Financial Times

(a) Illustrate, on the diagram below, how the European Commission’s proposal above would alter the diagram.



(b) Explain your understanding of the economic term **price ceiling**.

A price ceiling is a maximum price usually set by a government that can be charged for a good/service by law/legally.

This price may be below the equilibrium price set by the market, but a firm cannot exceed this maximum price.

A measure put in place to prevent consumers being charged excessive prices.

OR

(c) In Budget 2024 the government announced energy credits of €450 for all households. Explain why you think the government introduced this credit.

Ease cost of living / improve standard of living – the main aim of the energy credit was to reduce electricity bills for all households as inflation is still very high. This meant that citizens standards of living were being impacted negatively.

Protect fixed income holders - this €450 intervention should help those who are on fixed incomes and as a result have seen a big drop in their living standards as inflation energy costs soared in 2022/2023.

Market Failure - this intervention should help to protect consumers who are suffering as a result of this partial market failure (market has produced an unsatisfactory price).

War in Ukraine - this €450 intervention that cost over €1.2 billion was part of a broader €4.1 billion package of one-off measures that was announced in Budget 2023, that supported households and businesses right across the country in the midst of high energy prices, as a result of Russia’s invasion of Ukraine.

6

2 @ 3

2 @ 3

4 (a) The table below shows a firm's capital to labour ratio for the previous two years.

	2022	2023
No. of machines	5	10
No. of workers	5	5
RATIO	1:1	2:1

Capital Widening

Capital Deepening

Capital deepening is occurring in this scenario because in 2023 the firm is employing 2 machines per worker compared to 2022 when it was only employing 1 machine per worker.

Capital deepening occurs when an increase in the capital stock leads to **more capital per worker**.

(b) Outline two factors which may affect an individual company's demand for labour.

Wage Rate - the lower the wage rate, the higher the firm's demand for labour (If wage rate increases, then cost to employer increases which may lower demand for labour).

Demand for the firms output / derived demand- if demand for a firms output is high, a company may hire extra staff - during recessionary times (reduced demand), the demand for labour falls.

Availability of new technology – the introduction of new technology can often lead a fall in costs which will result in a fall in demand for labour e.g. self-service checkouts or online check in facilities.

Entrepreneurs' expectations - if business people are optimistic about the future (International climate/current economic growth) they may invest in new projects/expand existing firms generating demand for labour.

Price of other factors of production - a firm would compare the price of other factors of production e.g. capital with the cost of additional labour to determine the most competitive.

Government incentives / state subsidies - Incentives to companies to encourage the employment of additional staff e.g. reducing employer's PRSI or Local Enterprise Office employment grants

Taxation levels - if profitability of a firm is reduced by higher taxes on a firm's profits, this may reduce demand for additional labour.

MRP of labour - will the worker generate more revenue than his/her wage rate? If so then it is profitable for the firm to employ this worker.

OR

(c) Explain the term **Marginal Efficiency of Capital (MEC)**.

The MEC is the extra profit earned as a result of employing one extra unit of capital.

6

2 @ 3

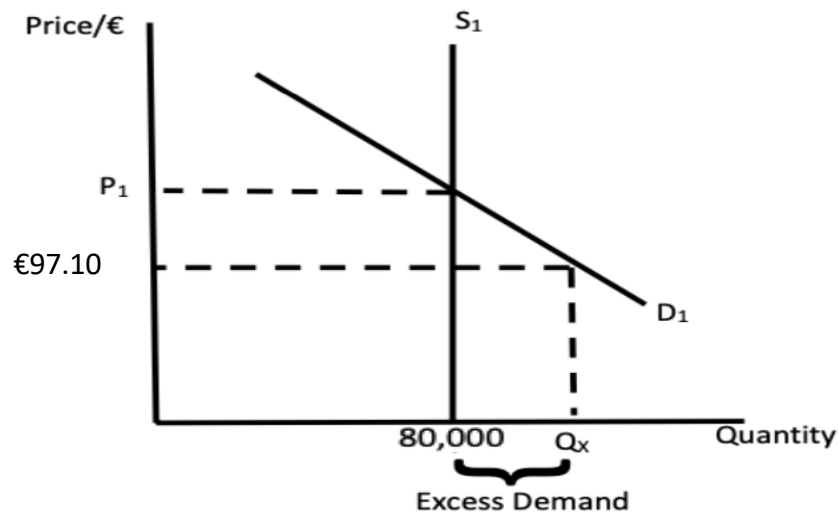
6

5

Harry Styles performed a concert at Slane Castle on 10th June 2023 with a maximum capacity of 80,000 people. The ticket prices for the show were €97.10 each and the concert sold out in hours.

- (a) Using the information above, illustrate with the aid of a fully labelled diagram how a shortage of tickets for this concert may arise.

8

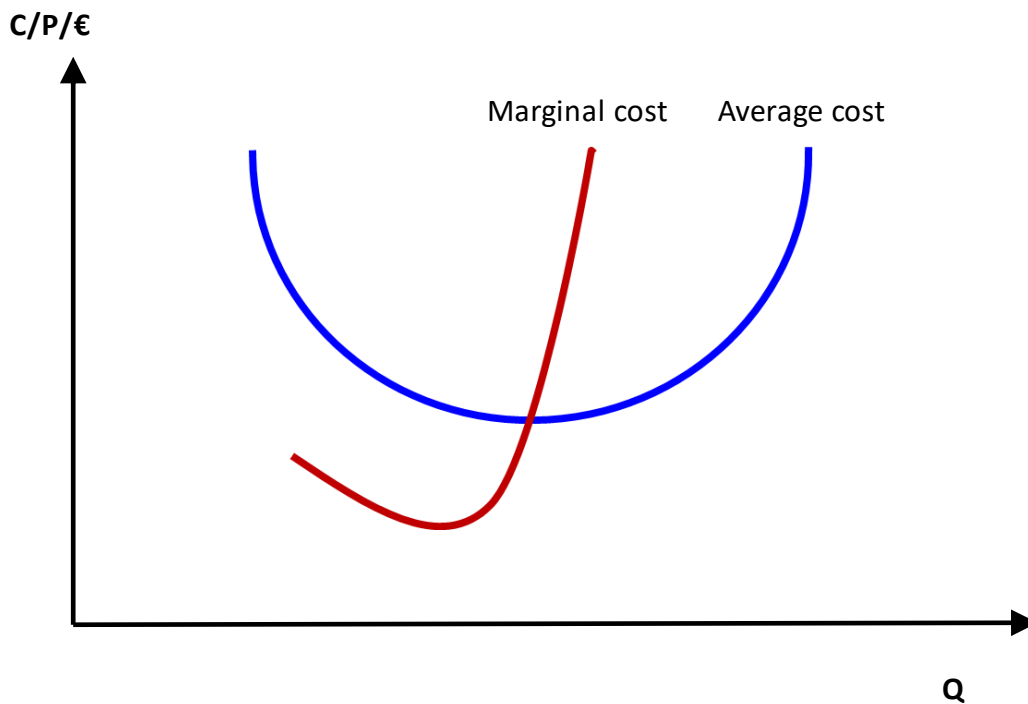


- (b) Explain your diagram above.

4

The demand for tickets is downward sloping from left to right.
The supply of tickets is fixed or perfectly inelastic at 80,000.
If the price of tickets €97.10 is below the equilibrium price here will be excess demand.

6 (a) With the aid of a fully labelled diagram below (including the axes), explain the relationship between a firm's short run average cost curve and its marginal cost curve.



Explanation:

If marginal cost is less than average cost, then average cost is falling.
 If marginal cost is greater than average cost, then average cost is rising.
 If marginal cost equals average cost, then average cost is constant / at its minimum point.

(b) Explain the shape of the short run average cost curve that you drew in (a) above.

Downward sloping part:

Specialisation/division of labour: this can occur if production increases, and the firm decides to employ specialists or if existing workers concentrate on a smaller number of tasks. This can lead to greater efficiency and thereby lower unit costs.

OR

Greater spread of fixed costs: as a company expands, its fixed costs will not increase directly as more is produced. Fixed costs are static over a range of output and behave in a step-like fashion. Therefore, fixed costs are spread over an increasing number of units and as production increases, the fixed cost per unit falls.

Upward sloping part:

The law of diminishing marginal returns - as more and more of a variable factor is added to a fixed factor, at some stage the increase in output caused by the last unit of the variable factor will begin to decline. To produce more in the short run, a company requires increasing quantities of the variable factor (labour) per unit produced to increase output. In other words, it takes more workers to produce a given quantity of output than it did when production first began.

5

3

2 @ 2

<p>7</p>	<p>The number of teenagers in Ireland who vape is on the rise. Vaping poses a number of possible dangers to teenagers.</p> <p style="text-align: right;">Adapted from RTÉ News</p> <p>(a) Explain why the purchase of vape products are a form of market failure.</p> <p>The purchase of demerit goods i.e. vape products is regarded as market failure because in a free market vapes will be overproduced and overconsumed.</p> <p>Their consumption causes negative externalities – effects on third parties not involved in the consumption or production of vape products.</p> <p>Vape products are demerit goods as users may underestimate <i>or</i> be unaware of their harmful effects.</p> <p>Their free-market price fails to reflect their true private and social cost. If the free market were to take full account of the private and social costs of vapes, their price would be much higher.</p> <p>(b) Outline two ways the Irish government could intervene in the vaping market to overcome this market failure.</p> <p>Ban sale of vapes to those under 18 years of age – the government could ban the sale of vapes to consumers under the age of 18 and enforce this law by imposing heavier penalties for sellers who breach the law.</p> <p>Educational initiatives/information – the solution to information failure is better access to information. If the government allocates more funding to educating people about the harmful effects of vaping then consumers may be less likely to purchase vapes.</p> <p>Impose higher taxation – the government could introduce higher levels of taxation and/or minimum unit pricing similar to the MUP of alcohol directed at making e-cigarettes more expensive to reduce the consumption of them.</p> <p>Ban/restrict advertising for vape products – the government could legislate for strict advertising guidelines. This could restrict the marketing of vapes and consequently could have the effect of lowering demand.</p> <p>Packaging / point of sale – the government could force producers to put health warnings on the packaging of products similar to that on cigarettes. They could insist on plain packaging and/or (as with cigarettes) restrict their sales to certain retailers or put them out-of-sight of people under 18.</p>	<p>6</p> <p>2 @ 3</p>
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<p>8</p>	<p>(a)</p>	<p>Price discrimination remains a popular pricing strategy used by firms worldwide.</p> <p>Explain, using an example, what you understand by the term price discrimination.</p> <p>Explanation: Price discrimination is when a firm charges a different price for the same product to different consumers and the price difference is not due to a difference in the cost of production.</p> <p>Example:</p> <ul style="list-style-type: none"> • A cinema/sporting organisation offering reduced price tickets for teenagers and OAPs. • Netflix / Spotify charging different subscription prices in different countries. • Airlines charging more for a flight seat nearer departure date. • Banks offering mortgages at a lower rate of interest to new customers. 	<p>4</p> <p>2</p>
	<p>(b)</p>	<p>Outline two characteristics of consumers that permit/allow price discrimination to take place.</p> <p>Consumer ignorance – consumers are unaware that good is available elsewhere at a lower price.</p> <p>Consumer indifference – the difference in price may be so small that consumers don't mind paying higher price.</p> <p>Consumer attitude – the consumer is willing to pay higher price as they feel the product/service is of better quality.</p>	<p>2 @ 3</p>

10

The data in the table below has been adapted from Ireland’s national accounts for 2023.

Description	Value
Net factor income from abroad	- €105 bn
EU subsidies	€2 bn
EU taxes	€0.5 bn

- (a) Given that **Gross Domestic Product (GDP) at Current Market Prices (CMP)** is €430bn, use the information above to calculate part (ii). **Part (i) has been completed for you. State the relationships and show all your workings.**

6

	Relationships / Workings	Answer € bn’s
	Gross Domestic Product (GDP) at Current Market Prices	€430bn
↓	Relationships / Workings: Gross Domestic Product (GDP) at CMP <u>+/- Net Factor Income from Abroad</u>	430.00 <u>(105.00)</u>
(i)	= Gross National Product (GNP) at Current Market Prices	Ans: €325 bn
↓	Relationships / Workings: Gross National Product (GNP) at CMP + EU subsidies - EU taxes	€325bn <u>+ €2bn</u> €327bn <u>- €0.5bn</u> €326.5bn
(ii)	= Gross National Income at Current Market Prices	Ans: €326.5 bn

- (b) Explain the term **net factor income from abroad**.

6

Net factor income is the income earned by Irish factors of production abroad and sent home (repatriated) minus income earned by foreign factors of production in Ireland and sent back (repatriated) to their own country.

Section B: 300 marks

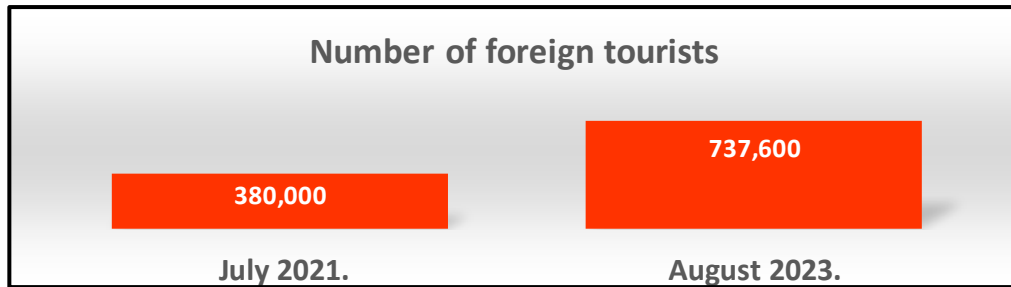
Question 11

Possible Responses

Marks

(a) The chart below shows the number of foreign tourists who arrived in Ireland in July 2021 and in August 2023.

20



(i) Calculate the percentage increase in foreign tourists in August 2023 compared to July 2021. **Show your workings.**

8

Workings:

$$737,600 - 380,000 = 357,600$$

$$\frac{357,600}{380,000} \times 100 = 94.11\% / 94\% \text{ Increase}$$

$$\text{-----} \quad \times \quad 100 \quad = \quad \mathbf{94.11\% / 94\% \text{ Increase}}$$

$$380,000$$

$$= \mathbf{94.11\% / 94\% \text{ Increase}}$$

- 1 mark if % omitted

(ii) Outline the effect of this increase in tourism on Ireland's circular flow of income.

6

Foreign tourists coming to Ireland are an invisible export because they spend money on goods and services produced in Ireland / this is an injection into the circular flow of income. It will increase Ireland's circular flow of income.

(iii) Outline one possible **disadvantage** of increasing tourism numbers in the Irish economy.

6

Increased pressure on infrastructure/services – increased tourism means that services that are already under pressure in Ireland come under more strain. This can upset local populations who also use these services and can cause unrest.

Increased prices – tourist hotspots are often associated with inflated prices. An example of this can be clearly seen in Temple Bar in Dublin where in response to tourism many businesses have increased prices and as a result locals have faced higher prices for goods/services.

Increased pressure to secure workers – with rising tourism numbers the hospitality sector is under pressure to attract workers and this may also lead to an wage rates increases.

Possible damage to the environment – with increasing numbers damage may be caused to heritage sites and/or the local environment.

Increased littering/pollution – tourist hotspots are often the most littered. An example of this can be clearly seen in beach areas during the summer or areas associated with nightlife.

(b)							
28		<p>(i) It has been estimated that in the Irish economy: $MPT = 0.22$, $MPM = 0.30$ and $MPC = 0.6$. Based on the information stated above and using an appropriate formula, calculate the value of the multiplier in the Irish economy and explain the economic meaning of your answer. Show all your workings.</p>					
		<p>Method 1:</p> <p>Workings: $MPS = 1 - 0.6 = 0.4$</p> <table style="margin-left: 40px;"> <tr> <td style="text-align: center;">$\frac{1}{0.22 + 0.3 + 0.4}$</td> <td style="text-align: center;">$\frac{1}{0.92}$</td> </tr> </table> <p>Answer = 1.08</p> <p>Method 2:</p> <table style="margin-left: 40px;"> <tr> <td style="text-align: center;">$\frac{1}{1 - (0.6 - 0.22 - 0.3)}$</td> <td style="text-align: center;">$\frac{1}{0.92}$</td> </tr> </table> <p>Answer = 1.08</p> <p>Explanation:</p> <ul style="list-style-type: none"> • In this case if there is an injection of €1 into the circular flow of income, national income will increase by 1.08 times . • Any initial injection of spending will cause a greater increase in the circular flow of income by 1.08 times. <p>(ii) Explain briefly how a reduction in income tax rates would affect the value of the multiplier.</p> <p>A reduction in income tax would result in less of a leakage within the economy and spending would increase compared to the previous year.</p> <p>When spending increases, more economic activity is generated within the economy.</p>	$\frac{1}{0.22 + 0.3 + 0.4}$	$\frac{1}{0.92}$	$\frac{1}{1 - (0.6 - 0.22 - 0.3)}$	$\frac{1}{0.92}$	<p style="text-align: right;">12</p> <p style="text-align: right;">4</p> <p style="text-align: right;">4</p>
$\frac{1}{0.22 + 0.3 + 0.4}$	$\frac{1}{0.92}$						
$\frac{1}{1 - (0.6 - 0.22 - 0.3)}$	$\frac{1}{0.92}$						

(iii) Outline two **uses** of the information provided by national income statistics.

2 @ 4

Indication of alterations to our standard of living - Any change in national income figures will indicate the level of economic growth, or otherwise, within the country from one year to the next, and give a general indication of changes to the standard of living - Used by trade unions to justify wage demands.

A way of comparing the standard of living in different countries - We can use the national income statistics to compare the standard of living in our country with that of other countries.

Help determine EU budget contributions - The national income statistics will determine the contribution, if any, which Ireland must make to the EU budget. The figure will also be used within the EU to determine those countries which require financial aid from the EU and the amount of that aid.

Formulating economic policy / helps government in economic decision making - Governments have a greater influence on the development and growth of the economy. To effectively plan for this governments need information about the economy such as that provided by the National Income statistics.

Evaluating economic policy - Evaluate economic policy to assess changes to the economy and economic changes in the various sectors, and to provide a benchmark against which progress can be monitored, it is useful to have national statistics.

Effective research - They show the distribution of income throughout the country.

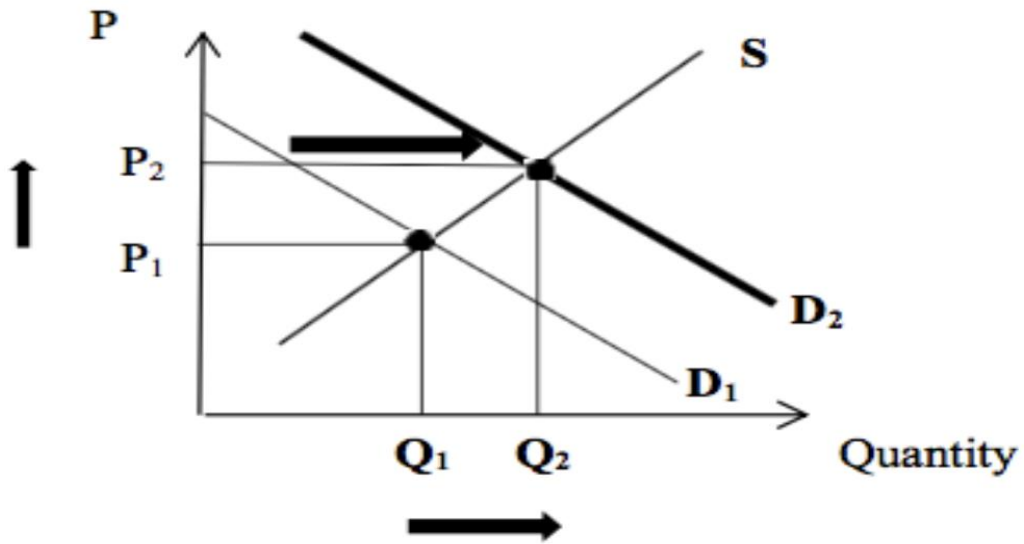
(c)

27

Assume the market for brand of organic ice cream is in equilibrium.

Explain with the aid of a separate diagram in each case, the effects which each of the following is most likely to have on the initial equilibrium position of this market:

(i) A prolonged heatwave during the summer in Ireland.



- D/C shifts to the right (D_2).
- Due to the good weather consumers will increase their demand for ice cream.
- They will pay a higher equilibrium price – P_2 .
- It results in an increased quantity sold – Q_2 .

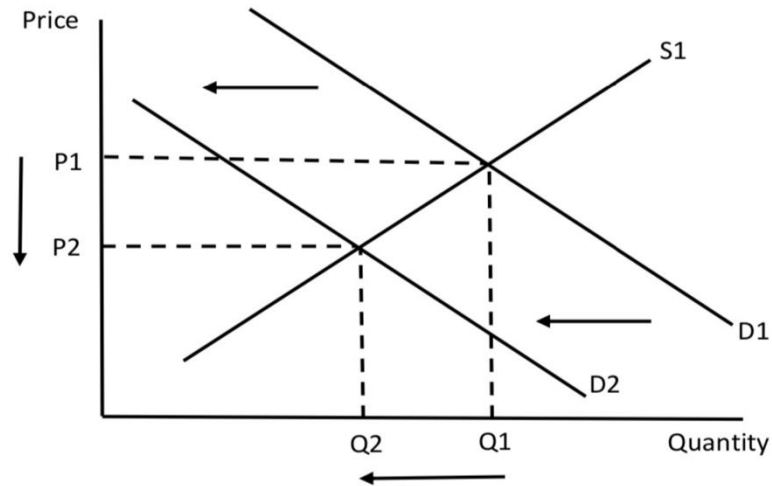
Explanation

Shift in D/C to the right / Higher P / Higher Q /
reference to unplanned factor (good weather).

5
5 @ 1

4
4 @ 1

(ii) An increase in lactose intolerant consumers.



- D/C shifts to the left (D_2).
- This change in consumer tastes will lead to a decrease in the demand for ice-cream.
- This decrease in demand will bring down the prices to the lower price - P_2 .
- It also results in a lower equilibrium quantity sold - Q_2

Explanation

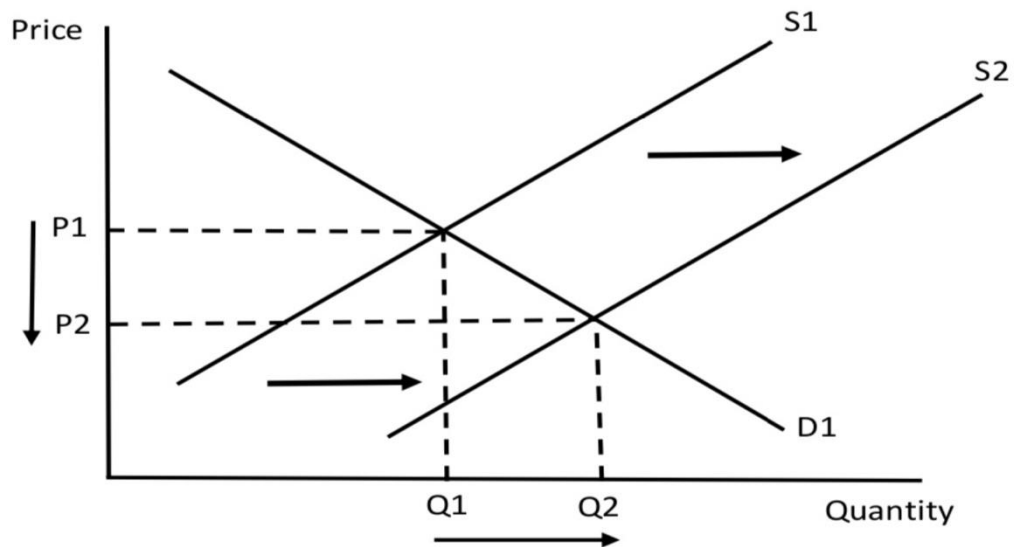
Shift in D/C to the left / Lower P / Lower Q / Reference to change in consumer tastes.

5
5 @ 1

4
4 @ 1

(iii) Producers are receiving a subsidy for organic ice cream production.

5
5 @ 1



- S/C shifts to the right (S_2).
- The subsidy will reduce the firms cost of production/lead to lower unit costs and will lead to an increase in the supply of ice cream.
- This increase in supply will bring down the prices to a lower price – P_2 .
- This also results in a higher equilibrium quantity sold – Q_2 .

Explanation

Shift in S/C to the right / Lower P / Higher Q /
reference to subsidy reducing cost of production.

4 @ 1

Question 12

Possible Responses

(a)

In 2022, €313m in tax revenues was overpaid by 481,000 taxpayers in Ireland.
Adapted from the Irish Independent

24

(i)

The principle of certainty is one of the canons of taxation, i.e. taxpayers should be aware of their tax liability. Explain two **other** canons/principles of taxation.

Equity: taxes should be progressive, i.e. taking a higher proportion of income in tax as income rises. People on higher incomes should carry a greater burden of taxation, whether or not they benefit from it. Income tax in Ireland is very progressive as those on higher incomes pay a greater proportion of their income in taxation.

Economy: the tax system should be structured so that the cost of collecting the tax is small compared to the yield from the tax (the main aim of taxation is to raise revenue for government). Most of the tax take should be available for the welfare of the economy not for administration. e.g. The Local Property Tax (LPT) is economic as it can be collected online.

Convenience: the tax should be collected in a way and at a time which is convenient for the taxpayer. It's more convenient to have tax deducted at source, e.g. PAYE rather than receiving a bill for the total amount due in a single payment after the income has been spent.

Taxes should not be perceived, nor act, as a disincentive: tax rates should not discourage workers from working; should not discourage entrepreneurial investment; should not discourage people from saving.

Taxes should assist in the redistribution of income : a good tax system should help the government to redistribute income progressively from those who can afford to pay to those with limited incomes.

Taxes should be consistent with and aid the national economic objectives: the taxes levied should enable to Government to achieve other economic and social objectives e.g. raising excise rates on cigarettes to discourage smoking.

Taxes should have a stabilising influence on the economy: an effective system of taxation can prevent the level of economic activity from rising as fast as it would otherwise in economic growth. Similarly the system should shield the level of economic activity from falling as fast as it otherwise would in a recession

Tax evasion should not be possible - effective taxes should not be possible to evade. Otherwise the tax is not fair.

2 @ 5

	<p>(ii) Revenue actively challenges all forms of hidden economic activity. Adapted from Revenue Annual Report 2021</p> <p>Outline two effects on the Irish economy of an increase in activities in the hidden economy.</p> <p>Loss of tax revenue to the government/pressure on government services: Revenues which are essential to the provision of state services are lost to the exchequer. These could have been used by the government in various ways. The loss of revenue to the state the government may have to cut spending and find additional sources of tax revenue and/or reduce the volume of services which it provides and/or increase borrowing.</p> <p>Decline in legitimate business activity: Legitimate businesses will suffer a decline in sales, leading to possible job losses and a decline in economic activity.</p> <p>Increased government expenditure on enforcement: To curb the activities of the shadow economy the government may have to increase spending on enforcement which will lead to pressure on the state's finances.</p> <p>Increased crime levels: An increase in shadow/hidden economic activities results in increased crime and may instil fear in citizens.</p> <p>Standards of products/services: Because of lack of regulation, products may be unsafe or harmful to consumers.</p> <p>Increase in employment in the hidden economy: More people may opt to seek employment in this economy i.e. cleaning services. Hindering legitimate business.</p> <p>(iii) A new 30% tax rate for middle-income earners (lower than the current 40% tax rate) has not been ruled out, according to Taoiseach Leo Varadkar.</p> <p>Outline one economic consequence for either the tax payer or the government if this new tax rate was introduced. Indicate your choice below by ticking the relevant box.</p> <p>Tax payer:</p> <p>Increased disposable income/improved standard of living – middle income earners will keep a larger amount of income and thus will be able to spend more on goods and services improving their standard of living.</p> <p>Incentive to work / less emigration / increased immigration - rewards to employees are greater and this is an incentive to work – this could also lead to a more productive workforce. As working conditions will have improved in Ireland there will be less of an incentive for people to seek employment abroad. There will also be more of an incentive for migrant workers to come to Ireland from other countries.</p>	<p>2 @ 5</p> <p>1 @ 4</p>
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More equitable - more equal distribution of income across the population. The 'squeezed middle' are better rewarded for their efforts as the majority of their income will be taxed in a lower tax band than the 40% tax rate currently being charged.

Greater consumer demand / the multiplier effect - greater aggregate demand can be achieved for the Irish economy as decreased taxation reduces the size of leakages from the circular flow of income reversing the negative multiplier effect.

Reduced pressure on wage demands - employees real income will increase as their take-home pay will have increased even though their nominal wage rate has not increased. Employees may not look for pay increases.

Improved choice for employees: leisure vs work – with a higher disposable income it may allow some employees to re-balance their lives by reducing their work hours.

Government:

Less government revenue from direct taxation - as the government introduces a new tax rate, less of peoples' incomes will be eligible to be taxed at the higher rate meaning that the government will receive a smaller amount of tax from these workers. Conversely if it leads to more people seeking employment– tax revenue may increase.

More government revenue from indirect taxation - as people have more disposable income it should led to increased spending in the economy. This increase in spending should mean the government collects more indirect revenue through VAT.

Negative impact on balance of payments - there may be a negative impact on the balance of payments on current account as people with increased take-home pay are likely to increase their consumption of goods and services. Some of these goods and services will come from abroad, impacting negatively on Ireland's balance of payments.

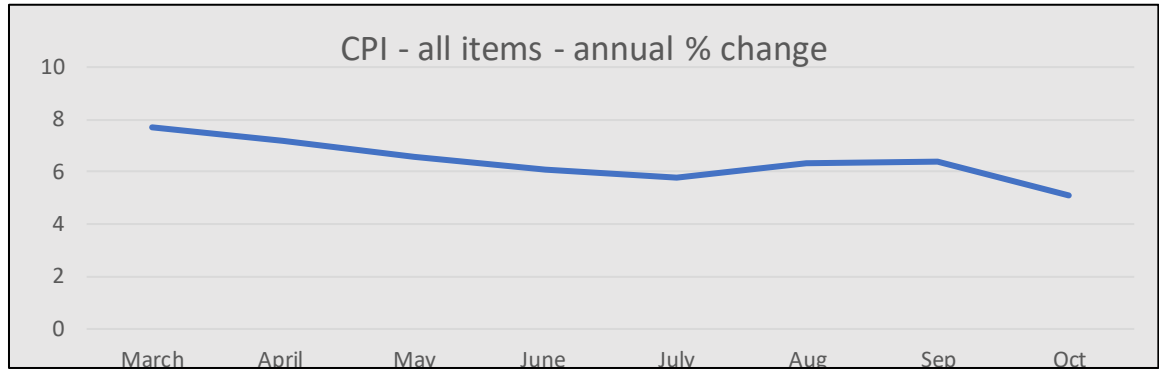
Opportunity cost of initiative – with the possibility of reduced tax revenue the government may have to reduce the availability of public service and /or look for an alternative source of revenue.

Government more reliant on a less stable form of tax revenue - revenue from income tax is fairly stable so maybe the government will now become more reliant on a less stable form of income i.e. VAT receipts / CPT.

(b)

31

Data from the Consumer Price Index (CPI), all items, which shows the inflation rate in Ireland, annual percentage (%) change is displayed below for the months March to October 2023.



(i) Outline the overall trend of the CPI annual % change in data as shown in the graph above. Use figures from the graph.

The overall trend of the CPI between March and October is decreasing. It has decreased by almost 3%. It has decreased from just under 8% in March 2023 to approx.. 5% in October 2023.

(ii) 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 above table calculate a simple price index for each of the items above. 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	65%	60	66	$\frac{66 \times 100}{60} = 110$	x 65%	71.5
Transport	20%	30	45	$\frac{45 \times 100}{30} = 150$	x 20%	30.0
Other Items	15%	80	96	$\frac{96 \times 100}{80} = 120$	x 15%	18
	100%				Price Index for the current year	119.5

6

19

	<p>(iii) Outline two possible economic effects of high price inflation on the Irish economy.</p> <p>Loss of purchasing power / fall in living standards - it now requires more money to purchase the same goods/services, meaning the purchasing power of consumers in Ireland has fallen. Therefore they purchase fewer goods than they were previously able to, resulting in a lower standard of living / some businesses, to cut costs may reduce their workforce.</p> <p>Those on fixed incomes are losing lose out - people who earn fixed incomes (e.g., welfare recipients) are suffering more during this inflationary period because they suffer the greatest loss of purchasing power and their incomes are always trying to catch up.</p> <p>Possibility of wage demands – workers experiencing a reduction in their standard of living may seek an increase in wages causing jobs losses; increase in prices etc.</p> <p>Loss of international competitiveness – if the inflation rate is higher than that of our competitors then it may cause exports from Ireland to become too expensive and demand fall.</p> <p>If tax rates are not indexed to the rate of inflation, the issue of fiscal drag can arise – as wages increase to compensate workers for high inflation, workers may move into the marginal tax bracket, meaning a higher proportion of income is paid in tax. This leads to their income being reduced in real terms as prices continue to rise.</p> <p>Borrowers may benefit: the real cost of repayments is reduced.</p>	2 @ 3
(c)	<p>Up to €10,000 a minute is spent in Ireland by consumers on online gambling. Adapted from the Irish Times</p>	
20	<p>(i) Outline two reasons why it is important that the gambling industry in Ireland is regulated.</p> <p>Protects consumers from exploitation – as gambling is addictive regulation may prevent people from getting into financial hardship / debt.</p> <p>Prevent anti-competitive behaviour -- regulation may put an end to aggressive advertising by firms / the use of gimmicks which can attract potential clients and thereby exploit consumers.</p> <p>Protect those under the age of 18 - gambling within this age group is a cause of concern. If regulation can put an end to practices which targets and attract this age group it may help prevent becoming addicted to gambling.</p> <p>Prevent the growth of monopoly power – some firms in this industry may become dominant and abuse this position by pricing policies; targeting of specific age / demographic groups; their influence on some sports.</p> <p>Prevent market failure – the gambling industry in Ireland may cause negative externalities i.e. third parties who are affected by, but not involved in gambling, who bear the cost.</p>	1 @ 4 1 @ 2

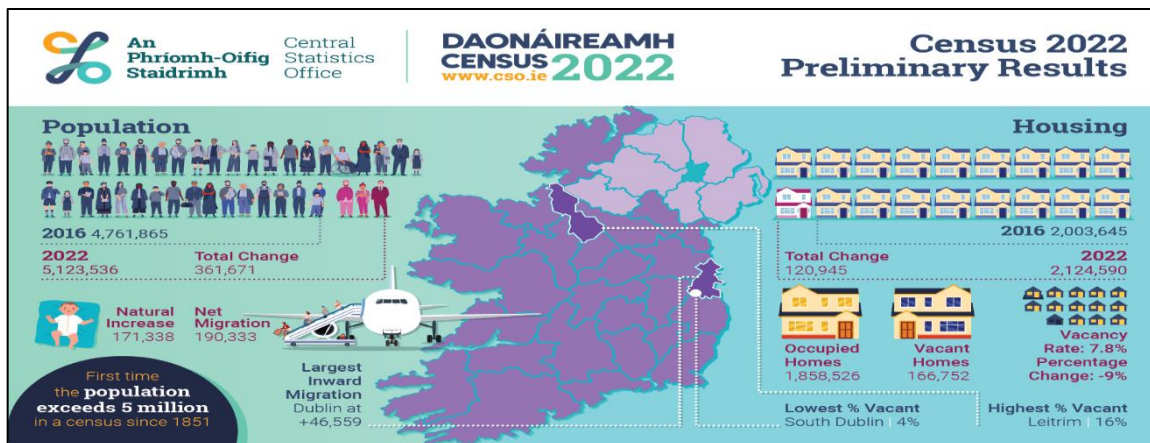
	<p>(ii) Cigarettes are classified as demerit goods. Outline one possible effect of the demerit good markets.</p> <p>Over-consumption of a product – if the private cost is less than the social cost it may lead to over-consumption of the product resulting in socially undesirable consequences.</p> <p>Employment (direct and spin off)– demerit markets even though they produce goods that can be harmful, are a huge source of employment in the Irish economy and without them the economy would not be in as strong of a position. With most businesses there are indirect jobs created and this again benefits the Irish economy.</p> <p>Tax revenues – demerit markets are a huge source of employment in the Irish economy and as a result generate large direct tax revenues for the state. The government also benefits from large indirect tax revenues generated through the transactions that take place. Without these revenues the economy would not be in as strong of a position.</p> <p>Negative externalities – a negative effect of demerit goods are negative externalities i.e. they have negative effects on third parties not involved in the consumption of the good. Demerit goods can have major negative effects on third parties i.e. increased crime levels; increased debt for families of users.</p> <p>Government funding of programmes to deal with negative externalities – funding may be required to deal with addiction; crime; provision of health services etc.</p> <p>(iii) One assumption of consumer behaviour is that they have limited incomes. Explain two other key assumptions of consumer behaviour.</p> <p>Consumers seek to get maximum utility from that income/obey the equi-marginal principle of consumer behaviour - consumers will spend their limited incomes in such a way that they will try to achieve the most satisfaction from the goods and services they purchase and receive the best value for money.</p> <p>Consumers are subject to the law of diminishing marginal utility - the law of Diminishing Marginal Utility states that as more units of a good are consumed, a point will be reached where marginal (extra) utility eventually begins to decline</p> <p>Most consumers will act rationally - the consumer acts in a manner consistent with their preferences e.g. If a person sees an identical commodity priced differently in two shops, they will buy the good at the lower price.</p>	<p>1 @ 4</p> <p>2 @ 5</p>
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Question 13

Possible Responses

(a) The infographic below is from the CSO. It shows preliminary results from Census 2022.

28



(i) Using the data in the table below (extracted from the infographic above), calculate what percentage of the change in the population between 2016 and 2022 consisted of net migration. **Show your workings.**

Population 2016	4,761,865
Population 2022	5,123,536
Total Change	361,671
Net Migration	190,333

$$\frac{190,333}{361,671} \times 100 = 52.63\%$$

(-1 for omission of %)

	<p>(ii) Discuss two economic consequences of an increasing population.</p> <p>Increased demand for goods & services / larger domestic market for firms - with a rising population the demand for goods and services within the country grows. This may lead to increased opportunities for investment. Firms who increase output may benefit from economies of scale.</p> <p>Increased government revenue - the numbers joining the labour market should increase meaning increased tax revenue for the government.</p> <p>Reduction in labour shortages - if vacancies exist, an increase in population may help reduce these labour shortages and reduce unemployment in general. This will help the reduce social welfare expenditure.</p> <p>Increased pressure on public services - a rising population may put further pressure on essential services e.g. health services, schools etc.</p> <p>Increased pressure on the country's infrastructure - greater pressure is exerted on the infrastructure of the country leading to bottlenecks e.g. increased traffic congestion, limited spaces in educational facilities for the population.</p> <p>Land values / housing shortages - as population density increases, available land becomes scarcer, the price of land increases and the housing crisis worsens.</p>	<p>1 @ 6</p> <p>1 @ 4</p>
	<p>(iii) The infographic on page 21 also highlights why the Government introduced the Vacant Home Tax. Outline two advantages of the introduction of the Vacant Home Tax.</p> <p>Encourage people to sell the vacant property - this may encourage those people with the vacant property to sell and so those people who actually need a home may now get access to one.</p> <p>May ease the housing crisis / reduction in homelessness - the housing crisis is one of the most persistent economic issues in Ireland in recent years and is requiring the government to fund emergency accommodation. This cost may be reduced in providing accommodation for those who are homeless.</p> <p>Revenue for the government – this VHT will increase revenue to the state and allow the government to use this revenue for the benefit of citizens.</p> <p>Misallocation of resources/opportunity cost/market failure - an economy in which there is a homeless crisis and at the same time idle houses is clearly suffering from market failure as resources are being misallocated. Those who need homes have none whilst those who have them are not using them.</p> <p>Reduction on derelict sites – if this is achieved by the sale of such properties then these sites become available for development increasing house supply and removing 'eyesores'.</p>	<p>1 @ 6</p> <p>1 @ 4</p>

(b)		
26	<p>(i) Globalisation is not dead. It may not even be dying. But it is changing.</p>	6
	<p>Explain the term globalisation.</p> <p>Globalisation is the process by which the world is becoming increasingly interconnected as a result of massively increased trade and cultural exchange.</p> <p>Globalisation is the increasing internationalisation of markets for goods and services, the means of production, financial systems competition, technology and industries.</p> <p>Globalisation is the ability to produce any good or service anywhere in the world, using raw materials etc from anywhere, sell the resulting output anywhere and place profits anywhere.</p> <p style="text-align: center;">Integration between countries / international trade markets</p> <p>(ii) Explain two reasons behind the growth of globalisation in the second half of the 20th Century (i.e. between 1950 – 1999).</p> <p>Improved transport - transport advances make global travel easier. For example, there has been a rapid growth in air travel, enabling greater movement of people and goods across the globe. The costs of shipping have come down too, due to containerisation, bulk shipping, refrigeration and other efficiencies. The lower unit cost of shipping products around the world reduces prices in the country of manufacture closer to those in export markets. This makes markets more contestable globally</p> <p>Improved technology - rapid and sustained technological change has reduced the cost of communicating information. This has led to the growth of international trade via advancements in the internet, mobile tech and e-commerce. This area is constantly developing to allow better communication in real time.</p> <p>Increased population / increased consumer demands – population is rising leading to increased demand worldwide. Coupled with rising income levels consumers are becoming more demanding in terms of choice of products and services and increased awareness of global businesses</p> <p>Peace / recovery following World War II – peace allowed governments to rebuild their countries, and this was helped by the sharing of knowledge and availability of labour. Governments had to invest in infrastructure requiring international assistance.</p> <p>Free Trade agreements – the desire to trade internationally, without barriers, grew. Free Trade areas developed i.e. the European Economic Community which assisted globalisation.</p> <p>Labour availability and skills - countries with lower labour costs such as India and Vietnam, have attracted many global companies to take advantage of the low costs of production.</p>	<p>1 @ 6</p> <p>1 @ 4</p>

	<p>(iii) Outline one positive and one negative impact of globalisation.</p> <p>Positive:</p> <p>Enhances division of labour / employment - as business and countries specialise it will allow workers specialise and help increase productivity. Jobs will be created and skills enhanced.</p> <p>Economic growth – gains due to efficiencies should aid economic growth resulting in higher incomes. Developing countries may benefit from globalisation - creates employment and a higher standard of living for people living in these areas.</p> <p>Reduction in poverty – Some of the world’s poorest countries achieve higher rates of economic growth and may help reduce the numbers living in extreme poverty. Progress has been made in countries with GDP rising.</p> <p>Innovation encouraged / advancements of ICT – competitive markets may reduce monopoly profits and encourage businesses to seek cost-reducing innovations and improvements in technology.</p> <p>Boosts competition / benefits of economies of scale - globalisation boosts ongoing competition between countries all over the world. With specialisation producers should benefit from cost savings which may lower prices for consumers.</p> <p>Spin-off effects - companies operating on a global scale create wealth and help bring foreign currency into local economies. They also purchase local resources and raw materials generating further economic activity.</p> <p>Improvements in trade / international relations - Globalisation has helped reduce trade barriers between countries through adjustment of tariffs and import duties. It allows for the sharing of new ideas, experiences, lifestyles and cultures resulting in closer relationships between countries. It may also bring different governments together so that they can work together towards achieving common goals.</p>	<p>1 @ 6</p> <p>1 @ 4</p>
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Negative:

Inequality / widens the gap between rich and poor

Globalisation has been linked to rising inequalities in income and wealth. Evidence for this is a rise in the Gini-coefficient and a growing rural–urban divide in various countries. This may result in political and social tensions and instability.

Re-location of jobs / Outsourcing / exploitation

Concern has been expressed by some that capital investment and jobs in advanced economies will drain away to developing countries as firms switch their production to countries with lower unit labour costs. This may also lead to exploitation of workers and pressure on governments to adhere to MNCs requests for favourable treatment.

Increases in world prices

Strong demand for food and energy has caused a steep rise in commodity prices. Food price inflation has placed millions of the world's poorest people at great risk with hunger occurring in some countries.

Global brands may dominate the market place

Globalisation may stifle competition if global businesses with dominant brands and superior technologies take charge of key international markets be it communications, motor vehicles, IT etc. Small firms suffer and may disappear.

Environmental threats

A major long-term threat is the impact that rapid growth and development is having on the environment. Threats of damage to ecosystems, land degradation, deforestation, loss of bio-diversity and the fears of a permanent shortage of water are afflicting millions of the most vulnerable people

Trade Imbalances

Global trade has grown but so too have trade imbalances. Some countries are running enormous trade surpluses, and these imbalances are creating tensions and pressures to introduce protectionist policies such as new forms of import control.

Economic Instability

A decade or more of strong growth, low interest rates, easy credit in developed countries created a boom in share prices and property valuations. The economic crash of 2008 brought severe difficulties for many countries across the world, particularly on poorer & vulnerable nations.

Standardisation of commodities / loss of culture and identity

Critics of globalisation point to a loss of economic and cultural diversity as giant firms and global brands dominate domestic markets in many countries. Some say the individual distinctiveness of culture and identity is under threat.

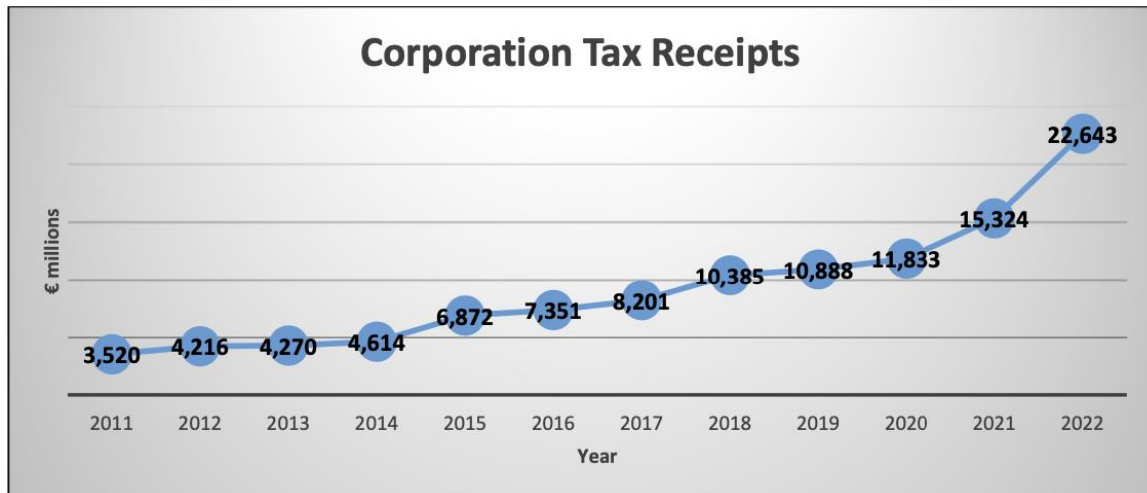
Loss of self-sufficiency

Countries may become dependent on trade and domestic production is put under threat due to higher costs of production. If this production ceases then the country may not be self-sufficient.

(c)

The diagram below shows Ireland's Corporation Tax receipts between 2011 – 2021.

21



(i) Outline the overall trend in corporation tax receipts as shown in the diagram above, using data from the above line graph. Explain a reason for this trend.

8
2 @ 4

Trend:

- Ireland's corporation tax receipts have been **increasing** steadily year on year.
- Between 2011 and 2022 they have increased by €19,123 million or by over 543%.
- The biggest increase was from 2021 to 2022 when it increased from €15,324 million to €22,643 million.

Explanation:

- This increase is due to the strong performance by many multinationals companies' who are resident in Ireland primarily due to new MNCs being sent up in Ireland.
- Ireland's corporation tax rate being at an historic low rate of 12.5% since 1998.

It is essential that the government uses the budget surpluses wisely.

Adapted from gov.ie

(ii) Explain the term **government current budget surplus**.

7

A government current budget surplus occurs when current government revenue exceeds current government expenditure.

	<p>(iii) Outline one possible positive and one possible negative economic consequence of having a government budget surplus.</p> <p>Positive:</p> <p>Prudent management of the economy - When a country is constantly in the red, it is spending a lot of money only to pay the interest on what it owes. Even while interest rates are low, this can be a major concern, but a large budget shortfall can soon become unsustainable when interest rates rise. By paying down debt and operating a budget surplus, the country may reduce, if not eliminate, those costly interest payments. This puts the government, on a more secure financial foundation in the future.</p> <p>May help dampen inflation – if the government is spending less it may help reduce demand pull inflation within the economy.</p> <p>Creation of a future Wealth Fund – the government may use this surplus of revenue to ‘future-proof’ its finances by creating such a fund to prepare for future dangers to the Irish economy.</p> <p>Plan on future uses of budget surpluses – these surpluses allow the government options on how best to use this money in the future: help to repay the national debt; provide for social welfare / tax reform; improve the provision of state services.</p> <p>Negative:</p> <p>Wage demands - when public sector workers see a budget surplus they may see it as an opportunity for wage negotiations. Workers and trade unions may thus demand pay increases and /or an increase in the level of the workforce.</p> <p>Impacts growth - If the government is bringing in more money than it is spending, this is a net leakage from the circular flow of income which can have a deflationary effect on GDP negatively impacting growth.</p> <p>Provision of Public Services - if the budget surplus is as a result of a decrease in government spending, it could mean that the quality of public services may have declined or have been reduced.</p> <p>Rise in conflicting expectations - when citizens observe the budget surplus they may demand improvements in state services e.g. health services, education provision etc.</p> <p>Deflation - transitioning from a budget deficit to a budget surplus may result in deflation. This is due to the fact that a budget surplus would have a negative influence on aggregate demand.</p> <p>Opportunity costs of a surplus - the budget surplus may mean that the states money is not being used wisely to alleviate ‘pressure points’ within society i.e. provision of respite care; SNAs; reduction in hospital waiting lists etc.</p>	<p>1 @ 3</p> <p>1 @ 3</p>
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Question 14

Possible Responses

(a)	(i)	<p>In the Irish economy there are many restaurants in the market. This is an example of monopolistic competition. Outline three characteristics (other than many sellers) of a firm operating in monopolistic competition.</p> <p>There are many buyers - an individual customer, by their own actions, cannot influence the market price of the food on offer at the restaurant.</p> <p>Each firm seeks to maximise profits - the aim of each company is to maximise profits, to do this they produce the quantity where $MC = MR$</p> <p>Freedom of entry and exit - no barriers to entry exist in the restaurant industry. It is possible for outlets to enter and exit the industry as they wish.</p> <p>Reasonable knowledge regarding profits - everyone is assumed to have reasonable knowledge as to the profits made by other firms, consumers have reasonable knowledge of the prices being charged.</p> <p>Product differentiation exists - the foods/ meals on offer from the many restaurants are not identical but may be close substitutes. Firms may use advertising and special offers to attract consumers i.e. Early Bird Special.</p>	3 @ 5
21			
	(ii)	<p>Firms operating under monopolistic competition waste resources. Do you agree or disagree with this statement? Indicate your choice below by ticking the relevant box and justify your choice.</p> <p>AGREE:</p> <p>It does not produce at the lowest point of average cost, so they are not minimising their costs. This may be due to spending by the firm on advertising its products <i>or</i> the firm does not produce a sufficient quantity to benefit from economies of scale.</p> <p>DISAGREE:</p> <p>If a firm invests in innovation and increases sales it may not be considered wasteful, e.g. Apple's investment confers an advantage on the company that it would not enjoy without such spending.</p>	1 @ 6

(b) (i) Explain, with the aid of a fully labelled diagram (including the axes), the long run equilibrium of a firm operating in **monopolistic competition**.

26

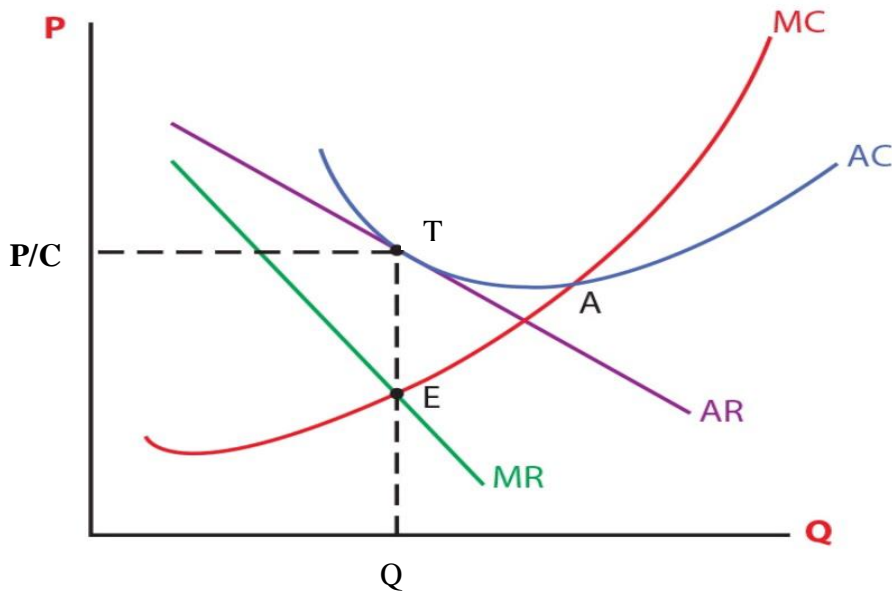


Diagram:

Price axis	P	C	Q	Qty axis	MR	AR	AC	MC	E	T or •	A

12
(12 x 1)

1. Equilibrium:
 - Occurs at point E where
 - $MC = MR$ (and MC is rising faster)
2. Output:
 - The firm produces Q.
3. Price:

The price charged is P.
4. Cost:
 - Costs or production are shown at point C.
5. Profit:
 - The firm is earning normal profit
 - because $AR = AC$.
6. Scarce resources:
 - The firm is wasting scarce resources / it is inefficient
 - as they are not producing at the lowest point of the AC.

9

(ii)	<p>Outline one possible economic advantage to consumers of monopolistic competitive markets.</p> <p>Consumers benefit from increased choice - differentiation creates diversity of goods for consumers and they benefit from having more choice / potentially lower prices.</p> <p>Access to information - as the firms in this industry engage in competitive advertising, it could be argued that consumers have the benefit of access to more information / consumers may have access to brand loyalty bonuses.</p> <p>Normal profit - as firms earn normal profit in the long run, consumers are less likely to be exploited by higher prices.</p> <p>Increased quality of services - due to competition, there may be more innovation / competition within the industry. Consumers may as a result benefit from a better quality of service / product.</p>	1 @ 5
(c)	<p>The President of the European Central Bank, Christine Lagarde, defended the interest rate increases made by the ECB in 2022/2023 and has said she recognised that interest rate increases were a burden for some people. Adapted from RTÉ.ie</p>	
28		
(i)	<p>Explain one economic effect these interest rate increases have on each of the following:</p> <p><u>Level of consumer spending:</u></p> <p>Decreased spending - rising interest rates affect spending because the cost of borrowing money goes up. So, if you have a mortgage, any type of credit card or a loan, you could end up paying more for the money you originally borrowed. This will mean that you inevitably have less money to spend on goods and services.</p> <p>Decreased level in consumer confidence – consumers may fear for the future and so reduce their current spending / postpone spending until the future / there is a greater incentive to save.</p> <p><u>Cost of servicing the national debt:</u></p> <p>Increased interest payments - higher interest rates raise concerns about government debt sustainability especially in countries with high public debt. As the interest rates rise, so too does the cost of borrowing which means the government has to allocate more of its scarce resources to paying back the national debt.</p> <p>Zero effect on debt - negotiated where no interest rate increases apply to this part of the national debt.</p>	2 @ 4
(ii)	<p>Calculate the real rate of interest if the nominal interest rate was 2.25% and the inflation rate was 5.5%. Show your workings.</p> $\begin{array}{rclcrcl} \text{Nominal interest rate} & - & \text{Inflation rate} & = & \text{Real rate of interest} \\ 2.25\% & & - 5.50\% & & = - 3.25\% \end{array}$ <p style="text-align: center;">(-1 for omission of %)</p>	8

(iii) The number of people using the services offered by Neobanks/Challenger banks such as Revolut and N26 has grown rapidly in Ireland in recent years.

Adapted from RTÉ News

Outline two reasons why so many Irish people have adopted a digital-only bank account such as Revolut.

2 @ 6

Convenience - money transfers are more convenient and faster than with the traditional banks. It is possible to split bills using Revolut. It is possible to send and receive money in 29 currencies The transfers are instant regardless of where in the world the consumers are based.

Extra services - Neobanks often offer services which the traditional banks do not such as investing on the stock market, investing in cryptocurrencies etc. This has helped attract 'hobby investors'. It may provide mobile phone and overseas medical insurance.

Void in Irish banking market - the exit of Ulster bank and KBC Bank has left a void in the Irish banking market and for some younger customers the neobanks have filled that void.

Cheaper banking – Neobanks have generally less fees and charges compared to traditional banks due to them having less brick and mortar premises. Money transfers are generally free of charge.

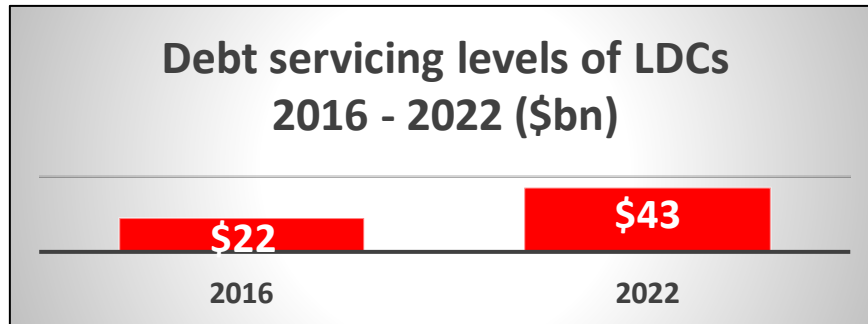
Higher interest rates on savings – Some of the Neobanks now offer higher interest rates on savings than that of the traditional banks.

Question 15

Possible Responses

(a) The chart below shows the rising debt repayment in \$bn of Less Developed Countries (LDCs) for 2016 and 2022.

23



Adapted from UNCTAD.org

(i) Calculate the percentage increase in the above trend in debt repayment between 2016 and 2022. **Show your workings.**

8

$$\$43 - \$22 = \$21$$

$$\frac{21}{22} \times 100 = 95.45\%$$

(-1 for omission of %)

(ii) Outline one step which could be taken by the **governments of developed countries** to help solve the debt crisis which LDCs are experiencing.

5

Abolish the outstanding debt - the quickest and simplest way to solve the debt crisis is to 'write-off' the existing debts of these countries and start afresh.

Help restructuring of national debts - if national debts of these countries are re-structured, more funds would become available for these countries to use for economic development in their countries. Lengthening the repayment period allows these countries retain more of their funds for improving standards of living. Allow LDCs to extend the length of the repayment period which will enable them to repay at a time more suitable to them.

Reduce the annual interest repayments – arrange with the lending agencies to reduce the negotiated interest rates on the debts. This will help reduce annual repayments.

Provide financial aid / official development assistance - governments can provide aid to the LDCs so that they can also assist with the development of infrastructure, provide education, improve health so that the country can promote economic growth and increase incomes which will provide the LDCs with the ability to repay the debts in the longer term.

	<p>(iii) Explain two reasons why financial aid given to LDCs may not always help LDCs resolve their difficulties.</p> <p>Countries / citizens may become too dependent on the financial aid / food aid – In some LDCs, a culture of dependency may develop and this may prove to be a major barrier in promoting economic growth and development. This culture of dependency may reduce the desire of people to work / to become entrepreneurs / to increase domestic food production. Foreign NGOs can sometimes stifle indigenous industry through their free aid.</p> <p>Unfair distribution of benefits - any aid that is given to LDCs may find its way into the hands of a small ruling elite. In the case of some LDCs the aid may not reach the people who really need it.</p> <p>Financial aid may be ‘tied’ - some of the aid may be ‘tied aid’, based on political and trade factors rather than on necessity. Thus the aid is not being used for the purposes for which it was intended.</p> <p>Aid is used to invest in high profile projects - in some LDCs, the provision of adequate infrastructure together with land drainage and irrigation schemes, roads, housing, factories and communication facilities maybe bypassed in favour of ‘high profile’ projects to the detriment of citizens.</p> <p>Inadequate oversight by the donors – if the donors do not establish criteria that the aid is being used effectively then the aid received may not be used efficiently or achieve the maximum benefits.</p>	<p>1 @ 6</p> <p>1 @ 4</p>
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(b)	<p>In 2022, the IMD (Institute for Management Development) ranked Ireland as the third most competitive country in the euro area.</p>	
22	<p>Adapted from competitiveness.ie.</p>	
	<p>(i) Suggest two economic measures that the Irish government could implement to continue the improvement in the competitiveness of firms in Ireland.</p> <p>Reduce taxation - a reduction in indirect taxes, e.g. VAT or excise duty on fuel or raw materials would help reduce costs to small business. A reduction in income tax may help combat the current wage / price spiral thus helping firms to lower their costs.</p> <p>Subsidies to firms in relation to energy costs - by subsidising the current high energy costs, a firm's costs may decrease and it may become more competitive.</p> <p>Continue to promote foreign direct investment - Ireland remains a popular hub for foreign direct investment. This investment into our economy brings many advantages such as new knowledge, skills and technological advances which improve the productive capacity of the Irish economy. It helps give Ireland a competitive advantage.</p> <p>Increase the availability and affordability of accommodation - the dysfunctional housing market in areas of infrastructural development reduces the mobility of labour in areas where employees are needed to maintain Ireland's productive capacity.</p> <p>Invest more in infrastructure - the government could invest more resources in the roll out of the National Broadband Plan across the country as this remains a competitiveness concern. Reliable, high-speed broadband is essential to increase the attractiveness of regional areas for investment.</p> <p>Reduce costs for businesses – the government could restrict its involvement in the market place e.g. reduce PRSI for employers; defer minimum wage increases; changes to sick leave entitlement; postpone 'auto pension enrolment' – these have the effect of increasing costs and reducing competitiveness.</p> <p>(ii) Over the past year, the American dollar (\$) has increased in value against the euro (€). Outline the effects this increase in the value of the American Dollar could have on each of the following:</p> <p>Ireland's exports to the US Irish exports should increase - Irelands exports are now cheaper to buy in the US and so businesses who export to the US should see an increase in demand for their output.</p> <p>and</p> <p>Irelands imports from the US. Irish imports from the US should decrease - Irish people buying goods in the US will have to pay more than they did before the dollar increased in value.</p> <p>(iii) If competitiveness in Ireland was to deteriorate, this could increase the chance of Ireland entering into a recession. Explain the term recession.</p> <p>A recession is when the economy, as measured by GDP, experiences two consecutive quarters of negative growth.</p>	<p>2 @ 4</p> <p>2 @ 5</p> <p>4</p>

(c)	(i)	<p>In 2023, Ireland celebrated its 50th anniversary of its membership of the EU. Other countries like the Ukraine and Moldova wish to join the EU.</p>	
30		<p>Give two reasons why countries wish to join the EU.</p>	1 @ 6
		<p>Access to the single market - the EU's main economic engine is the single market. It enables most goods, services, money and people to move freely throughout most of the continent. The EU is the largest trade bloc in the world. It is the world's biggest exporter of manufactured goods and services, and the biggest import market for over 100 countries. This is an attractive proposition for indigenous businesses that would have a bigger market for their produce.</p> <p>Ease of movement / travel / work – with EU membership, it is much easier to move around Europe – all EU citizens have the right to study, work or retire in any EU country. As an EU national, for employment, social security and tax purposes, every EU country is required to treat you exactly the same as its own citizens.</p> <p>Provision and protections of citizens' rights - The Treaty on the European Union gives EU citizens and legal residents a wide range of rights, enacted in EU law across many fields.</p> <p>Access to financial funds / improvements in standard of living – it is usual for new members of the EU to receive funds to enable new members help develop their infrastructure and provide services comparable with established members. This should improve citizens standard of living.</p> <p>International diplomacy & development - EU countries acting in unison have much more of a voice on the world stage than 27 nations of varying size acting separately. Taken together, the EU institutions and national governments are the world's leading donor of development assistance and work collectively to promote good governance, fight hunger and preserve natural resources.</p> <p>Democratic society / structures - Moldova wants EU membership for many reasons but currently a major reason is protection against a possible threat from Russia and its authoritarian regime.</p>	1 @ 4

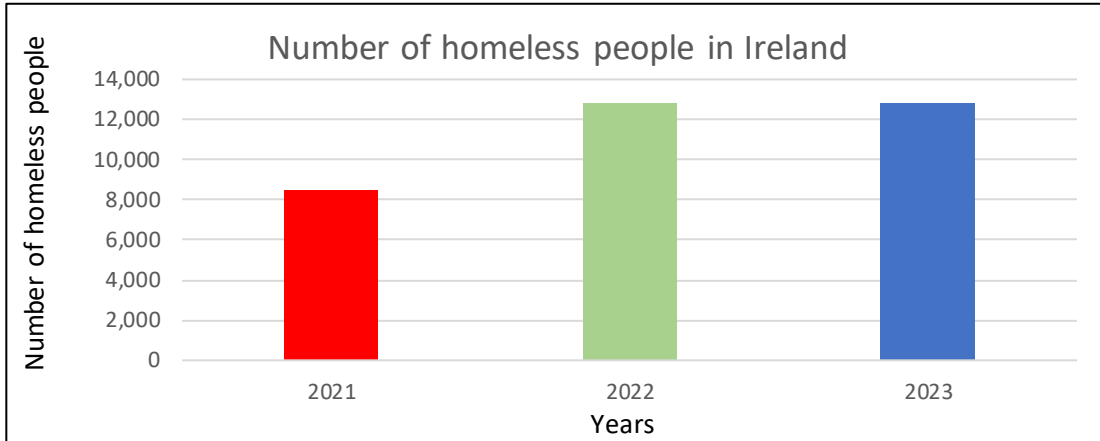
	<p>(ii) According to a European Agency, Eurostat, Ireland has the second highest rate of obesity in the European Union, with 26% of the adult population classified as obese.</p> <p>Explain one economic measure and one social measure which, if taken, could help reduce obesity levels in Ireland.</p> <p style="text-align: center;">Economic measure</p> <p>Increase sugar tax – by increasing the sugar tax, sugary drinks will be made even more expensive & this should have the effect of lowering demand for these harmful drinks.</p> <p>Increase VAT on products with a high calorie content – this will increase their price and may have the effect of reducing consumption.</p> <p style="text-align: center;">Social measure</p> <p>Improved information by government / state agencies – this may include calorie information to be displayed in take-aways and restaurants. This may allow for better decision making by consumers resulting in reduced consumption of high fat / sugar content foods. Target information to those considered at risk to help decision making.</p> <p>Improved social infrastructure - more walkways, cycle paths, greenways etc. may encourage a more active lifestyle and help reduce obesity.</p> <p>‘No fry zones’ - ban the establishment of fast-food outlets near all schools in the country in order to reduce the sale of fast-foods to school students.</p> <p>Ban vending machines in schools / colleges - this may help to reduce the consumption of foods with a high calorie content.</p> <p>Access to sports halls / PE in all schools – this may encourage greater participation by students of all ages; help curb the dropout by girls in sports; enhance physical fitness.</p> <p>(iii) Amazon secured planning permission for two new data centres in Dublin despite objections from environmental groups. (A data centre is a remote place, with many servers, used for the storage, processing and distribution of information.) Adapted independent.ie</p> <p>Discuss two possible negative consequences for the Irish economy of these data centres locating in Ireland.</p> <p>Energy supplies – Data centres use a large proportion of the country’s electricity. The national grid operator Eirgrid has warned that the State may face an electricity shortfall unless supply is increased.</p> <p>Environmental impact – Data centres account for large proportion of Ireland’s carbon emissions as they are currently mostly powered by fossil fuels (mainly gas).</p> <p>Water – One centre can use up to 500,000 litres of water a day to cool its systems and this can increase significantly during a heat wave.</p> <p>Increased demand of land – their location will reduce the land available for the provision of housing and may have an inflationary effect on land prices.</p> <p>Skilled labour shortages – Ireland faces a shortage of skilled labour and their location can exacerbate these shortages and cause wage rates to rise to attract workers.</p>	<p>1 @ 6</p> <p>1 @ 4</p> <p>1 @ 6</p> <p>1 @ 4</p>
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Question 16

Possible Responses

(a) 12,827 people living in emergency homeless accommodation in Ireland are facing into 2024 in homelessness.

20



(i) Outline two reasons for the increase in the number of homeless people in Ireland.

1 @ 6

Growing demand for housing - Ireland's population has grown to over five million people according to Census 2022. This places more pressure on those looking to buy or rent a home. Increase in Ireland's net migration has also increased demand.

1 @ 4

Low supply of affordable rental accommodation - Ireland's dysfunctional housing market means there are very few rental properties on the market and those which are available are often in excess of government rent supplements, so they are not affordable. Many landlords are also leaving the market which is exacerbating this problem.

Lifting of the eviction ban – the government voted to lift the eviction ban in place during Covid-19 and this has forced some people to lose their rented accommodation and become homeless.

Supply issues - Covid 19 resulted in the closure of building sites and this affected the building of new houses. Ireland is experiencing a difficulty in the number of workers in the trades / building industry. Planning issues may also mean that it takes a lot of time to go from the planning stage to the actual construction of houses.

Personal factors – some people who suffer from addictions, mental health issues, family breakdown etc., - they may leave home and become homeless due to the lack of emergency accommodation / adequate rental properties etc.

	<p>(ii) Over 7,400 new social housing units were built in 2022.</p> <p>Discuss two benefits of increasing expenditure on social housing apart from helping to reduce the level of homelessness.</p> <p>Reduced government spending on emergency accommodation - if people are in permanent accommodation then this should mean that the government will spend less on the provision of emergency accommodation.</p> <p>Revitalisation of local communities - areas where social housing is built will be revitalised, it should help distressed neighbourhoods and improve the quality of lives in those areas.</p> <p>Economic benefits to local communities - the increase in population in areas where the social housing is completed should result in increased spending in those communities, resulting in possible employment opportunities in local businesses.</p> <p>Less pressure on private property market - an increase in permanent accommodation should lead to a decrease in the need for rental accommodation, reduce the demand in the private property market and have a positive effect on house prices / rents.</p> <p>Employment in the construction & associated sectors - activity and employment in the construction sector will be boosted. There will be an increase in demand for goods and services associated with the construction industry, which will benefit the suppliers of these goods and services.</p> <p>Economic growth & government finances – increased economic activity should aid economic growth and have a positive impact on government finances: increased PAYE and VAT receipts to the exchequer because of increased economic activity in the labour-intensive construction industry.</p>	<p>1 @ 6</p> <p>1 @ 4</p>
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(b) (i) Explain the term income elasticity of demand.

8

27 This measures the percentage/proportionate change in the quantity demanded of a good caused by the percentage/proportionate change in the consumer's income.

(ii) Using an appropriate formula and the figures in the table below, calculate the **income elasticity of demand (YED)** for this good. Explain the economic meaning of your answer. **Show your workings.**

Year	Average Income	Quantity Demanded
2021	€40,000	150 units
2022	€50,000	180 units

Workings:

$$\frac{+30}{+10,000} \times \frac{40,000 + 50,000 (90,000)}{150 + 180^1 (330)} = +0.8$$

9

Explanation:

The good is inelastic – the percentage change in quantity demanded is less than the percentage change in income. This means that the good is a necessity. It is less than 1. The good is a normal good – it has a positive income effect – as income went up more was demanded.

4

(iii) Assume income elasticity of demand (YED) for a PlayStation 5 is + 5.2 and total sales in 2022 were 10,000 units. **Calculate the expected total sales** for the year if consumers' **incomes are expected to fall by 5%** in 2024. Show your workings.

6

Workings:

If income falls by 5%, then sales will be expected to fall by $(5\% \times 5.2) = 26\%$.

Sales will fall by 26% in 2023.

26% of 10,000 units = 2,600 units.

Expected sales in 2023 will be $10,000 - 2,600 = 7,400$ units.

Answer: 7,400 units

(c)	<p>A major expansion to the Dublin Area Rapid Transport (DART) service (named DART+ project) is set to begin construction in 2024 with an operational target date of 2029. The DART+ project plans to extend the length of the network from 50km to over 150km at a cost of €1.1bn.</p>	
28	<p style="text-align: right;">Adapted from dartplus.ie</p>	
	<p>(i) The above expenditure is classed as capital expenditure. Explain the term capital expenditure using an example other than transport.</p>	4
	<p>Capital expenditure is spending on items not used up during the year / they help increase the productive capacity of the company / their benefits accrue for the long-term term.</p>	
	<p>Example - building a new school or building a new hospital.</p>	2
	<p>(ii) Outline one social cost and one social benefit of the proposed DART+ project.</p>	2 @ 5
	<p>Social cost:</p>	
	<p>Traffic – there will be an increase in traffic congestion as the construction takes place.</p>	
	<p>Pollution – there may be increased pollution as the construction of the DART+ takes place. Heavy construction machinery emit carbon emissions polluting the area.</p>	
	<p>Disruption to local activity – during the construction phase disruption will occur possibly leading to a loss of business; greater inconvenience for residents; damage to property.</p>	
	<p>Loss of natural environment – the routeways may be at the cost of losing some of the natural environment resulting in less access for social activities.</p>	
	<p>Social benefit:</p>	
	<p>Reduced emissions – once the DART+ is completed more people should be using the service and having more people using public transport and not private cars is much better for the environment. These new DART+ should also be the most environmentally friendly.</p>	
	<p>Reduced congestion – once the construction phase is over, the DART+ should result in less traffic congestion which benefits people as they will spend less time every day/week commuting.</p>	
	<p>Reduced health care costs – less emissions should result in a healthier population and this will result in lower health care costs into future.</p>	
	<p>Improved economic activity – following completion more people may shop/reside in those areas serviced by DART+. This may boost activity in the area – boosting employment and help re-generate neighbourhoods.</p>	

	<p>(iii) To fund more expenditure into the future, the Minister for Finance is considering raising tax revenue through a policy of increasing indirect taxation.</p> <p>Discuss the economic advantages and disadvantages of increasing indirect taxation.</p> <p>Advantages:</p> <p>Low collection cost – more convenient collection because the taxes are collected by retailers.</p> <p>Evasion is more difficult – it is harder to avoid indirect taxes as these taxes are included in the price of the good or service.</p> <p>Less distortionary / no disincentive to work - VAT does not discourage work unlike increases in income tax.</p> <p>Possibly more ‘acceptable’ than alternatives - it may be easier for government to raise tax revenue through indirect tax rather as these taxes are included in the price of the good or service. Alternatives such as increasing income tax; chargers for services may be more unpopular.</p> <p>Used by government to change consumption patterns – a government can change consumption patterns (aligning private and social costs) by increasing indirect taxes e.g. reduce consumption of harmful products e.g. sugar tax and the carbon tax.</p> <p>Acts as a built-in stabiliser – indirect taxes take more out of the economy when the economy is performing well and leaves more money in the economy when it is not performing as strong. It is a built-in stabiliser.</p> <p>Disadvantages:</p> <p>Will increase inflation – Indirect taxes increase the prices of goods and services and hence the cost of living, possibly causing demands for further wages increases.</p> <p>Regressive / inequitable – lower income groups may end up paying a greater proportion of their income in this form of tax because they spend a greater proportion of their income on necessities.</p> <p>Revenue not as certain – the revenue collected is not as predictable as that from direct taxation which could hinder government planning / planning.</p> <p>Burden of collection with retailers – retailers now act as revenue collectors and procedures must be put into practice to collect, record and remit the revenue. This is a further cost for firm and may deter business set-up.</p> <p style="text-align: center;">Must have a MINIMUM of ONE advantage / disadvantage.</p>	<p>2 @ 6</p>
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Higher Level Economics Student Research Project

Before commencing marking read the entire Individual Investigative Study to familiarise yourself with the content presented for marking.

Note: Be careful not to penalise skilful brevity, nor to reward unwarranted length.

These descriptors should be interpreted in the context of the challenges and demands of the investigation the candidate has chosen.

Section	Excellent	Very Good	Good	Fair	Weak
Introduction LOI (Line of Inquiry)	LOI is stated clearly, as a question/problem/issue to be addressed and is relevant to the theme. The aims are very clearly laid out (SMART) and are in line with the line of inquiry chosen and Learning Outcomes of the specification.	A very good level of response. The LOI is coherent. The aims are reasonably clear and in context. Very good attempt at linking line of inquiry to the Learning Outcomes.	Good but lacks structure. A good attempt at linking the LOI with the theme but lacks depth and structure. Aims are vague and some not in context. Good attempt at linking line of inquiry to the Learning Outcomes.	Very basic level of response. Very poor linking of the LOI to the theme or the Learning Outcomes. Very poor aims if any offered.	Line of inquiry is not relevant to the theme or topic. No link to the Learning Outcomes.
10 marks	9-10	7-8	5-6	3-4	0-2
Evidence of Data: 5 marks	5	Deduct 1m if no quantitative data.		Deduct 1m if 2 sources not included.	

The Research Process 40 Marks					
	Excellent 9-10	Very Good 7-8	Good 5-6	Fair 3-4	Weak 0-2
Application & Analysis	Detailed application of key concepts and theories to the LOI. In depth critical analysis of LOI relevant to the concepts and theories used. Critical and perceptive analysis of the sources of information and data used.	Very good relevant application of key concepts and theories to the LOI. Very good critical analysis of the sources of information and data used.	Good relevant application of key concepts and theories to the LOI. Good analysis of the sources of information and data used.	A basic application of economic concepts and theories to the LOI. A basic analysis of information and data used.	No application of economic concepts and theories to the line of inquiry. Concepts and theories may be irrelevant to the line of inquiry. Analysis of sources of information and data if any are used is very poor and irrelevant.
Interpret & Evaluate	Excellent informed interpretation and evaluation of data, economic concepts and theories applicable to the LOI.	Economic concepts, theories, and data are interpreted and analysed to a very high standard.	Good interpretation and evaluation of economic concepts, theories, and data.	The Line of Inquiry is poorly researched and therefore a very poor standard of interpretation and evaluation. Some analysis could be incorrect.	Very poor selection of research sources. Basic if no interpretation or evaluation. Research irrelevant to the line of inquiry.
Arguments & Judgements	Excellent informed arguments and judgements are evaluated and interrogated in an objective manner and linked clearly with economic concepts and theories and supported with relevant data/diagrams/curves.	Very good informed arguments and judgements are evaluated. Some very good relevant arguments and judgements are discussed and supported by economic concepts, theories and relevant data/diagrams/curves.	Some good relevant arguments and judgements are put forward with some being supported by some economic concepts, theories, data/diagrams/curves.	Very limited arguments and/or judgements are put forward some being vaguely relevant.	No arguments or judgements are offered.
Data (Application & Analysis)	Data used is relevant, correct, critically analysed, interpreted and evaluated in depth to a very high standard.	Data is analysed, interpreted and evaluated to a very high standard.	Data is somewhat analysed, interpreted and evaluated to a good level. Lacks depth.	Data is poorly researched, some analysed correctly but some incorrectly applied and irrelevant.	Data if any provided is irrelevant and dated.
Research Process Overall Mark	36-40	28-35	20-27	19-12	0-11

	Excellent	Very Good	Good	Fair	Weak
Conclusion	<p>Very informed, relevant & substantiated judgements/conclusions clearly & explicitly based on the analysis & evaluation of the evidence relevant to concepts & theories.</p> <p>Intended aims have been met & relevant substantiated recommendations made.</p> <p>New relevant further line of inquiry suggested which emerged from the analysis of research.</p>	<p>Informed conclusions clearly based on the analysis and evaluation of the evidence with a clear link to concepts & theories.</p> <p>Intended aims have been addressed & most met. Relevant recommendations have been made.</p> <p>New somewhat relevant question/line of inquiry suggested.</p>	<p>Some conclusions are made based on the analysis and evaluation with some evidence that these are somewhat linked to concepts & theories.</p> <p>Intended aims are mostly met and some recommendations are made.</p>	<p>Some conclusions are made but limited evidence to support them. These may be based on irrelevant material.</p> <p>Some of the intended aims are somewhat addressed. Regurgitation and repetition of information already used is evident.</p>	<p>Little or no conclusions made with very little evidence to support them and irrelevant material used.</p> <p>Intended aims are not met. A lot of regurgitation and repetition.</p>
20 marks	18-20	14-17	10-13	6-9	0-5
Reflection	<p>Deep clear personal insights gained through deep insightful reflection on the engagement with the study.</p> <p>Clear thorough capacity to reflect on how their thinking/attitudes has changed or/and evolved, their opinions and/or behaviour influenced/not influenced as a result of engaging with the study.</p>	<p>Clear personal insights gained through reflection on the engagement with the study.</p> <p>Clear capacity to reflect on how their thinking/attitudes has changed or/and evolved, their opinions and/or behaviour influenced/not influenced as a result of engaging with the study.</p>	<p>Some personal insights gained through some reflection on the topic.</p> <p>Some reflection on how their thinking/attitudes has changed or/and evolved, their opinions and/or behaviour influenced/not influenced as a result of engaging with the study.</p>	<p>Limited personal insights gained through limited reflection on the topic.</p> <p>Limited reflection on how their thinking/attitudes has changed or/and evolved, their opinions and/or behaviour influenced/not influenced as a result of engaging with the study.</p>	<p>No personal reflection – inadequate reflection. Re-telling of facts learned.</p> <p>No personal insight into how their thinking/attitudes has changed and/or evolved, their opinions and/or behaviour influenced/not influenced as a result of engaging with the study.</p>
10 marks	9-10	7-8	5-6	3-4	0-2

	Excellent	Very Good	Good	Fair	Weak
Communication Presentation & Overall Coherence	<p>Extremely coherent & highly logical SRP in line with the brief and individual line of inquiry chosen.</p> <p>Construction is excellent. Communication of concepts, theories and data used is thorough and appropriate.</p> <p>Arguments and judgements are communicated with detailed knowledge, critical thinking and sharp focus.</p> <p>Excellent originality and innovation are evident throughout.</p>	<p>SRP is coherent & logical in line with the brief and individual line of inquiry chosen.</p> <p>Very good construction.</p> <p>The language, concepts & data used are well integrated.</p> <p>Arguments and judgements are communicated with good knowledge and evidence of critical thinking.</p> <p>There is evidence of originality and innovation.</p>	<p>SRP is somewhat coherent & logical and is reasonably in line with the brief and individual line of inquiry chosen.</p> <p>Reasonable construction.</p> <p>Communication of arguments and judgements displays a good level of knowledge.</p> <p>Very little evidence of originality and innovation.</p>	<p>A poor attempt at delivering a coherent and logical SRP.</p> <p>Poor construction. Communication is disjointed and lacks cohesion.</p> <p>Little to no evidence of originality and innovation.</p>	<p>This report totally lacks structure & coherence.</p> <p>The report lacks focus and clarity.</p> <p>The report contains incorrect information/plagiarism.</p>
15 marks	14-15	11-13	8-10	5-7	0-4

