

Coimisiún na Scrúduithe Stáit
State Examinations Commission

Leaving Certificate 2021

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.
- Where a candidate provides more valid points than are required in a question, the lowest scoring excess points are discounted by placing square brackets around the excess marks awarded. These excess marks are not included in the total mark for the question, **either** within the script or on the question grid on the cover, **and** nor are they included in the cumulative total.
- 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:

| 4 marks | 3 marks | 2 marks | 1 mark | 0 mark |
|---|---|---|--|---|
| 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 |

Questions with allocation of 3 marks – use the table below:

| 3 marks | 2 marks | 1 mark | 0 mark |
|---|---|---|---|
| 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 |

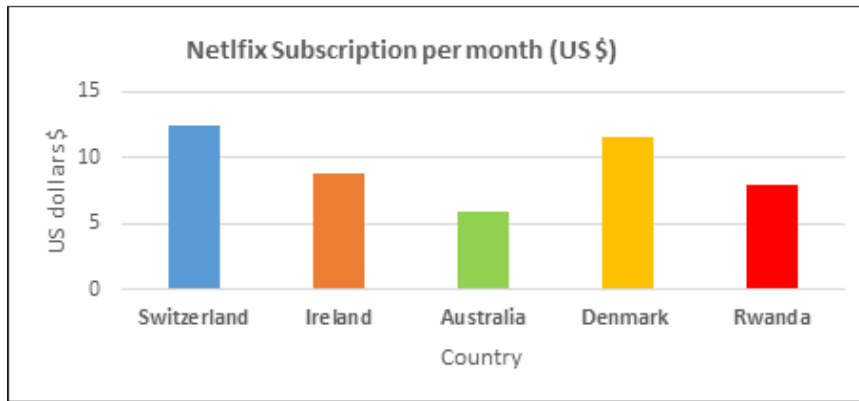
INDEX TO QUESTIONS

| Question(s) | Topic | Page(s) |
|-------------|------------------|---------|
| | Points to note | 2 |
| 1-10 | Section A | 3 – 11 |
| | Section B | |
| 11 | | 12 – 14 |
| 12 | | 15 – 20 |
| 13 | | 21 – 23 |
| 14 | | 24 – 27 |
| 15 | | 28 – 30 |
| 16 | | 31 – 34 |

SECTION A (75 marks)

| Q | Possible responses | Marks | | | | | | | | | | | | | | | |
|--|---|------------------------------|--------------------|---------------------|--|---|--|--|--|---|---|--|---|---|---|--|-------------------------------------|
| 1. | <p>(a) Calculate the trade balance for 2019 and identify whether it is a surplus or a deficit.</p> <p>Total Exports: $112+119+123+141+152=647$</p> <p>Total Imports: $70+74+83+92+91=410$</p> <p>$€647m - €410m = €237m$ / Trade Surplus</p> <p>(b) Outline two reasons why achieving a trade surplus is an objective of the Irish government.</p> <p>Increased employment If there is an increase in the demand for Irish exports abroad this will lead to an increase in demand for Irish labour to produce the goods domestically increasing Irish employment.</p> <p>Injection into Circular Flow / Economic Growth Irish exports represent an injection into the circular flow of income. Injections may also create a multiplier effect creating a more than proportional increase in Irish national income and generating further employment and improving the standard of living in Ireland.</p> <p>Imports are a leakage from the Circular Flow of Income. Irish imports represent a leakage from the circular flow of income. Leakages may also create a negative multiplier effect creating a more than proportional decrease in Irish national income and creating foreign employment in place of Irish employment.</p> | <p>7</p> <p>2 @ 4</p> | | | | | | | | | | | | | | | |
| 2. | <p>Select, using a tick (✓), whether each of the following statements are Normative statements or Positive statements.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;">Statement</th> <th style="width: 20%;">Positive Statement</th> <th style="width: 20%;">Normative Statement</th> </tr> </thead> <tbody> <tr> <td>If the Irish government increase jobseeker's allowance by 5% in the 2022 budget, unemployment in Ireland will increase by at least 2% by 2023.</td> <td style="text-align: center;">✓</td> <td></td> </tr> <tr> <td>We have to do more for the less well off in society.</td> <td></td> <td style="text-align: center;">✓</td> </tr> <tr> <td>The government should have increased unemployment benefit by more than €0.10 this year.</td> <td></td> <td style="text-align: center;">✓</td> </tr> <tr> <td>Sales of new cars in Ireland decreased during 2020.</td> <td style="text-align: center;">✓</td> <td></td> </tr> </tbody> </table> | Statement | Positive Statement | Normative Statement | If the Irish government increase jobseeker's allowance by 5% in the 2022 budget, unemployment in Ireland will increase by at least 2% by 2023. | ✓ | | We have to do more for the less well off in society. | | ✓ | The government should have increased unemployment benefit by more than €0.10 this year. | | ✓ | Sales of new cars in Ireland decreased during 2020. | ✓ | | <p>4+4</p> <p>4+3</p> |
| Statement | Positive Statement | Normative Statement | | | | | | | | | | | | | | | |
| If the Irish government increase jobseeker's allowance by 5% in the 2022 budget, unemployment in Ireland will increase by at least 2% by 2023. | ✓ | | | | | | | | | | | | | | | | |
| We have to do more for the less well off in society. | | ✓ | | | | | | | | | | | | | | | |
| The government should have increased unemployment benefit by more than €0.10 this year. | | ✓ | | | | | | | | | | | | | | | |
| Sales of new cars in Ireland decreased during 2020. | ✓ | | | | | | | | | | | | | | | | |

3.



(a) Outline **one** reason why consumers are willing to pay different prices for a Netflix subscription in different locations.

Consumers are willing to accept price discrimination for 3 possible reasons:

1. **Consumer ignorance:** the consumer is unaware that the price discrimination is taking place.
2. **Consumer indifference:** consumers are aware of the price discrimination but don't care about it.
3. **Consumer attitudes:** consumers feel that it is worth paying more for the product rather than go without it.

(b) Other than your answer given in part (a) explain two other conditions necessary for price discrimination to occur in this scenario.

Monopoly power

The firm must have some degree of monopoly power in order to price discriminate otherwise rival firms would undercut prices and the price discrimination would be ended. Consumers must view rivals such as Disney+ and Amazon Prime as imperfect substitutes for Netflix.

Different price elasticities of demand

In order for price discrimination to occur the firm must be able to recognise that different customers in different countries are more/less responsive to price changes and therefore price accordingly. E.g. Switzerland the most inelastic and Australia the most elastic.

Market separation (no arbitrage)

It must be impossible for customers to buy the product in the cheaper market and then resell it in the more expensive market, undercutting Netflix in the process and stealing their customers.

5
(2 + 3)

2 @ 5
(2 + 3)

| | | |
|-----------|--|---|
| <p>4.</p> | <p>In budget 2021, the price of a 20 pack of cigarettes rose from €13.50 to €14. Cigarettes are classed as 'Demerit Goods' and as such their purchase constitutes a market failure.</p> <p>(a) Explain your understanding of the economic term Demerit Goods.</p> <p>Demerit goods are goods whose positive effect is overestimated by consumers and which have negative effects which consumers possibly underestimate or are unaware of. Demerit goods usually also have negative externalities i.e., they have negative effects on third parties not involved in the consumption of the good.</p> <p>Answer part (b) <u>or</u> (c)</p> <p>(b) Explain why the purchase of demerit goods, such as cigarettes, is seen as a market failure.</p> <p>The purchase of demerit goods is seen as a market failure as the free market will lead to the production and overconsumption of a harmful good whereby the market price fails to reflect the true private or social cost of the product. If the free market were to take full account of the private and social costs of this product its price would be much higher.</p> <p>OR</p> <p>(c) Explain why the Irish Government intervenes by imposing higher taxes on cigarettes in budgets.</p> <p>The government intervenes in order to increase the price to deter consumption of a good which is harmful for consumers and harmful for society in creating negative externalities. The revenue earned can help fund the cost of dealing with the negative externalities e.g. over-crowding of healthcare services.</p> <p>The government feels the need to intervene in this market as if it is left to the free market to determine the price of the good, it will generate a price which is too low to reflect the true private and social cost of the consumption of the good. This leads to overconsumption of a harmful product.</p> | <p>7 (4 + 3)</p> <p>8 (4 + 4)</p> |
|-----------|--|---|

| | | |
|-----------|---|-----------------------|
| <p>5.</p> | <p><i>KBC Bank Ireland has been fined €18.3 million by the Central Bank of Ireland for its role in the State's tracker mortgage scandal.</i> Adapted from The Irish Times</p> <p>(a) Based upon the above statement outline why it is important for consumers that Irish banks are properly regulated by the Central Bank of Ireland.</p> <p>Protection of consumer of financial services</p> <p>If commercial banks such as KBC are not properly regulated it may result in them failing to operate within the recommended guidelines which may result in the exploitation of consumers.</p> <p>The Central Bank works to develop a positive consumer focused culture within regulated firms, ensuring the consumer protection framework remains effective so that financial institutions comply with the required standards.</p> <p>(b) Other than regulation of commercial banks, outline two other duties of the Central Bank of Ireland</p> <p>Eurosystem effectiveness and price stability</p> <p>The Central Bank is responsible for contributing to the formulation of Eurosystem monetary policy and helping to ensure that the Euro area inflation objective of below, but close to, 2% over the medium term is achieved.</p> <p>Stability of the financial System</p> <p>The Central Bank has an explicit mandate in domestic and European legislation to contribute to financial stability in Ireland and at EU levels. It does so by enhancing the macro-prudential policy framework by further developing a suite of indicators to assess systemic risk.</p> <p>Efficient and effective payment and settlement systems and currency services</p> <p>The Central Bank, in conjunction with the ECB and other national competent authorities, is responsible for ensuring that payment, settlement, and currency systems are safe, resilient, and efficient and that access to such systems is not restricted. It also ensures the provision of banknotes and coins and other related currency services to the public, a key component of payments systems.</p> <p>Independent economics advice and high-quality statistics</p> <p>The Central Bank aims to ensure that its economic advice is forward looking and independent and that statistics are robust and relevant. To achieve this, the Central Bank undertakes data collection, statistical analysis, economic analysis and research designed to inform economic policy making domestically and at the euro area level.</p> <p>Recovery and resolution of financial institutions</p> <p>The Central Bank aims to develop a robust framework is in place to ensure that failed or failing regulated firms go through an orderly resolution. The Central Bank requires all banks and investment firms within scope to prepare recovery plans, which set down the measures they would adopt in the event of their financial deterioration. The Central Bank then puts feasible and credible resolution plans in place for those firms.</p> <p>Banker to the Government of Ireland</p> <p>All taxes and any other government revenues are lodged to its account in the Central Bank and when the government is making payments it writes cheques on its account.</p> | <p>7</p> <p>2 @ 4</p> |
|-----------|---|-----------------------|

| | | |
|-----------|---|---|
| <p>6.</p> | <p>(a) Explain why the HDI may provide a more accurate profile of human welfare in a country than the GDP figure of that country</p> <p>The HDI is a more accurate indicator of human welfare as it is a composite indicator which reflects the income per person, education and life expectancy of inhabitants of the country which impact on human welfare rather than simply considering the overall production level of the country. The HDI measure considers more variables which impact upon human welfare. GDP alone only reflects the level of economic activity within the country.</p> <p>Answer question (b) or (c)</p> <p>(b) Using the data provided, advise the governments of these countries on one policy they could use to improve their HDI ranking.</p> <p>Improve education in the country If the government of these countries invest into the primary, secondary and tertiary education systems in the country it will help to lift people out of poverty, improve their employment prospects and increase the productive capacity of the economy. Overall improving their position on the HDI.</p> <p>Improve national healthcare system If the government of the country invests into the healthcare system in the country they will improve the standard of living of the residents of the country. They will be better protected from endemic diseases and will see improved practices in medicine in general, leading to an increased life expectancy and an improvement on their ranking on the HDI.</p> <p>Improve distribution of income If more progressive and transparent taxation policies are enacted in these countries it will help to lift people out of poverty. If corruption is reduced within the distribution of income, wealth and resources in the country it may encourage workers to exit the hidden economy in favour of legitimate employment instead. All these measures will help improve the country's ranking on the HDI.</p> <p>Reduce corruption in the country If the government of the country cracks down on corruption within government and within the country in general it will lead to greater trust from the citizens of the country and will encourage them to participate in legitimate employment opportunities and to pay taxes which can be used for the betterment of other citizens in the country thereby helping to improve the country's ranking on the HDI.</p> <p style="text-align: center;">OR</p> | <p style="text-align: center;">7 (4 + 3)</p> <p style="text-align: center;">8 (4 + 4)</p> |
|-----------|---|---|

(c) Advise the Irish government on how it could assist these countries improve their HDI ranking.

Direct financial aid by the government

This is also known as official development assistance, grants and loans. The Government can provide aid to help in emergency situations. They can also assist with the development of infrastructure and the provision of education, health programmes etc.

Assist with skills and technologies

The government could provide skills (allowing Irish workers to share their knowledge without impediment) and technologies to these counties so that living standards could improve and this could boost their productive capacity.

Help restructuring of national debts

If national debts of these countries are cancelled or re-structured, more funds would become available for these counties to use for economic development in their countries. The Irish government, through the EU and UN, could lobby for such measures. Lower repayments allows these countries retain more for improving standards of living.

Help improve the terms of trade

Most of these countries suffer from unfavourable terms of trade. If the Irish government lobbied for improved access to markets in the developed world and /or the terms of trade available were more favourable then these countries could increase exports and/or obtain higher prices for their exports boosting their national incomes.

(4 + 4)

7. (a) Compare the level of Gross Debt per person from 2007 to 2019 and outline one possible reason for this increase in the gross debt per person.

Possible responses may include:

Comparison:

Between 2007 and 2019 the gross debt per person rose by €30,322 per person or 272%.
Between 2007 and 2013 the gross debt per person rose by €35,742 per person or 321%.
Between 2013 and 2019 the gross debt per person fell by €5,420 per person or 11.6%.

Reason:

Between 2007 and 2013 the Irish economy fell into recession which was brought about through a housing bubble and financial crisis. The government needed to bail out some banks and nationalise others leading to large increases in gross debt per person.

5

4

Answer Question (b) or (c).

(b) Explain the economic **disadvantages** for a government in achieving a budget surplus?

Rise in conflicting expectations

When citizens observe the budget surplus they may demand improvements in state services e.g. health services; education provision etc. However, the demands/expectations made on the government may conflict.

Public Sector Workers

When public sector workers see this budget surplus they may see it as an opportunity for wage negotiations. Workers may thus demand pay increases and /or an increase in the level of the workforce.

Tax burden

Taxpayers who feel that they are paying too much tax may feel aggrieved. They may demand reductions in their tax / improved equity in the tax system.

Government financial planning

The surplus may indicate that the planning by the government was not sufficiently accurate at budget preparation time.

Opportunity costs of a surplus

The budget surplus may have been achieved by the reduction of expenditure on services within the country. Thus, essential services such as health, education etc may have deteriorated.

Difficulties in the Social Partnership model

The existence of the budget surplus may cause discontent within society. Citizens may feel that certain sectors are benefiting more from government policies. May prove difficult in approving national agreements.

OR

(c) Servicing the national debt creates **opportunity costs**, explain how this occurs.

Servicing the national debt involves using up scarce resources to fund national debt repayments and these resources, had they not been used for this purpose, could have been used for other uses by the government such as investing the health services etc.

2 @ 3

8. John always spends his income in the following ratio of price to marginal utility:

$$\frac{MU_x}{P_x} = \frac{2500}{200} = \frac{MU_y}{P_y} = \frac{1250}{100} = \frac{MU_z}{P_z} = \frac{75}{?}$$

(a) Calculate the price John would be willing to pay for one unit of good Z. Complete your calculations in the box below.

$$\frac{2500}{200} = \frac{1250}{100} = \frac{75}{6}$$

$$2500 \div 200 = 12.5$$

or

$$1250 \div 100 = 12.5$$

$$75 \div 12.5 = \text{€}6$$

(b) Explain why John would pay this price.

He would pay this price in order to maximise his utility as he spends his income in line with the equi-marginal principle of consumer behavior i.e. the ratio of marginal utility to price is the same for every unit of every good consumed.

9. (a) What is the corresponding market structure for each of these products / firms?

| | Product / firm | Market structure |
|---|---------------------------|---------------------------------|
| A | The Irish banking sector | Oligopoly |
| B | Irish Water (the company) | Monopoly |
| C | A takeaway food outlet | Monopolistic Competition |

(b)

Give **one** reason for each of your chosen market structures above.

- The Irish banking sector is dominated by a few large firms, making these firms oligopolies.
- There is only one firm in charge of water provision in Ireland, making it a monopoly.
- There are many small takeaway food outlets around the country which sell close substitutes and they can control their own prices, meaning this firm is imperfectly competitive/monopolistically competitive.

7

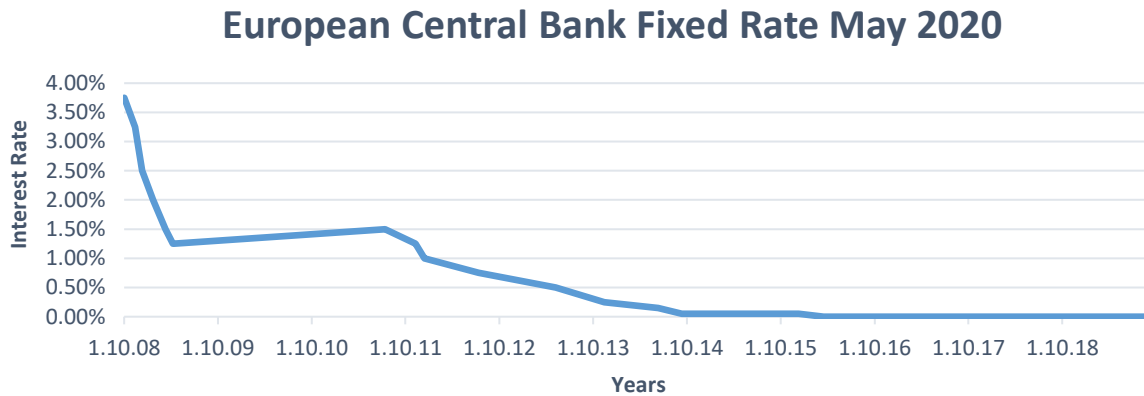
8

(2 @ 4)

3 @ 3

6

10 . The graph below shows the fluctuation in the European Central Bank Fixed Rate as of May 2020.



Adapted from Statista

(a) Explain the historical reason for this trend in the European Central Bank's interest rate.

In the wake of the great recession in 2008 there was a credit crunch across European banks. The ECB persistently cut the base interest rate from under 4 % to 0.00%. The aim was to make borrowing cheaper and hence encourage investment so as to encourage economic growth within the Eurozone.

8

(b) Outline whether you would advise the European Central Bank to: **increase, decrease, or maintain** the current interest rate of 0%. Justify your choice.

- During these economically volatile times in the wake of the Covid-19 Pandemic the ECB is likely to **maintain the low interest rate of 0%**.

This measure was initially brought about in the wake of the great recession to discourage saving and encourage spending and borrowing in an attempt to stimulate the European economy again. Economic conditions are similar now to then and thus it makes sense to maintain this interest rate.

7

OR

- **ECB could decrease interest rates / have negative interest rates.**

This policy would create a large deterrent to save and may encourage consumers to spend instead. This policy may also lead to lenders reducing interest rates for borrowing and thus create an incentive for people to borrow and spend / invest into the economy. This is quite an extreme policy that the ECB will only make use of if there are low levels of economic growth and inflation.

SECTION B (225 Marks)

| | Possible responses | Max Mark | | | | | | | | | | |
|------------|--|------------------------------|-------|----|----------------------|----|-----------------------------|----|---------------------------------|----|-------------------------|-----------|
| | Question 11 | | | | | | | | | | | |
| (a) | <p>(i) Using the data provided calculate the Herfindahl Hirschman Index for the Global Aircraft Market in 2018. Show your workings.</p> $46^2 + 46^2 + 5^2 + 2^2 + 1^2 = 4262$ | 7 | | | | | | | | | | |
| | <p>(ii) Would you consider this market to be competitive, moderately concentrated, or highly concentrated? Explain your answer.</p> <p>Highly concentrated because</p> <ul style="list-style-type: none"> • The HHI is greater than 2500. • 92% of the market share is shared between two firms. • The industry is dominated by two firms. | 8 (3 + 5) | | | | | | | | | | |
| (b) | <p>(i) Write in full the label (not abbreviations) for each of the lines numbered 1 to 4</p> <table border="1" style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Number</th> <th style="width: 85%;">Label</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1.</td> <td>Marginal Cost</td> </tr> <tr> <td style="text-align: center;">2.</td> <td>Average (Total) Cost</td> </tr> <tr> <td style="text-align: center;">3.</td> <td>Demand / Average Revenue</td> </tr> <tr> <td style="text-align: center;">4.</td> <td>Marginal Revenue</td> </tr> </tbody> </table> | Number | Label | 1. | Marginal Cost | 2. | Average (Total) Cost | 3. | Demand / Average Revenue | 4. | Marginal Revenue | 16 |
| Number | Label | | | | | | | | | | | |
| 1. | Marginal Cost | | | | | | | | | | | |
| 2. | Average (Total) Cost | | | | | | | | | | | |
| 3. | Demand / Average Revenue | | | | | | | | | | | |
| 4. | Marginal Revenue | | | | | | | | | | | |
| | <p>(ii) Would you advise the above firm to engage in price competition? Give two reasons for your answer.</p> <p>No</p> <ul style="list-style-type: none"> • Fear of a price wars by their rivals: if a firm decreases their price, other firms will also decrease their prices leading to a price war. • No increase in total revenue: by decreasing price on an inelastic demand curve the increase in quantity demanded will be less than proportionate to the decrease in price and thus the firm will lose revenue. • Firms currently earning supernormal profits: a firm that may currently be earning supernormal profits, will recognise that by interfering with price it will not increase revenue and may increase costs thereby decreasing their profits. • Menu costs: through constantly making adjustments to compete with rival firms' additional costs may be incurred e.g. reprinting menus. | 2 2 @ 4 | | | | | | | | | | |

- (b) (iii) Outline two reasons why small firms such as Embraer and Bombardier may survive in this market

Suggested responses:

2 @ 4

Personalised / exclusive nature of the aircraft required

Consumers may desire personal attention in the provision their aircraft and a small firm may be the only type of business which can provide this e.g. it may be the case that a small airline producer is willing to produce more specific requests at the behest of the consumer, than a large airline would.

Consumer loyalty

A small firm may have built up a reputation over the years in the provision of this type of aircraft to its customers and consumers may respond by being loyal to that firm meaning a small firm can survive within the airline industry.

A niche market

The type of product being supplied, aircraft, might make it more suitable for a small firm. As the production of aircraft is custom made, it may be best suited to a firm that is willing to operate to specific requirements.

Small size of market

The restricted size of the market may not facilitate the operation of large-scale business. There may be some places where it may not be worthwhile for a large corporation to set up a manufacturing base but the small market may be suitable for a small producer.

[34]

| | | |
|------------|--|---|
| <p>(c)</p> | <p>Boeing and Embraer entered potential merger talks in 2019. If a merger were to occur between Boeing and Embraer it is likely they would benefit from Internal Economies of Scale.</p> <p>(i) Define internal economies of scale.</p> <p>Internal economies of scale refer to the decreases / in average total cost accruing to a firm as it increases its scale of production.</p> <p>(ii) Outline possible Internal Economies of Scale which could arise for Boeing and Embraer if this merger were to occur.</p> <p>Labour economies: there may be increased specialisation of workers on their specific tasks. This may lead to increases in productivity of the firm which will help reduce costs.</p> <p>Managerial economies: only the best managers from both firms will be kept on board reducing the costs of administrative / unproductive staff.</p> <p>Purchasing economies: the scale of production of the overall firm will now be larger and thus they may be able to purchase raw materials on a larger scale. Bulk buying may lead to lower per unit costs.</p> <p>Technical economies: as the firm's merge, they may be able to pool resources to afford the most advanced technology which will reduce production costs per unit.</p> <p>Economies in use of raw materials: the firm can use the same basic components on all its aircraft and so there is less chance of resources being wasted, helping to reduce costs.</p> <p>Economies in distribution: post-merger the firm may have more enterprises in more locations which may result in result in reduced transportation costs for per unit of raw materials and finished products.</p> <p>Marketing economies: the firm can spread the cost of marketing across a wider range of output thus reducing the cost on a per unit basis. A single specialist marketing team can be better utilised across a wider range of aircrafts.</p> <p>Financial economies Larger firms may have access to a greater range of finance options than a smaller firm and are more likely to be able to borrow at lower rates of interest hence reducing production costs. Some capital investment is only suitable for high levels of output.</p> | <p>8</p> <p>3 @ 6 (2 + 4)</p> <p>[26]</p> |
|------------|--|---|

Question 12

| | Possible responses | Max Mark |
|-----|---|---|
| (a) | <p>(i) 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>The term globalisation is generally used to describe an increasing internationalisation of markets for goods and services, the means of production, financial systems, competition, corporations, technology, and industries.</p> <p>Globalisation is ability to produce any good or service anywhere in the world, using raw materials, components, capital and technology from anywhere, sell the resulting output anywhere and place the profits anywhere</p> | 4 |
| | <p>(ii) Outline two positive impacts and two negative impacts of globalisation.</p> <p style="text-align: center;">Suggested responses:</p> <p>Positive impacts of globalisation</p> <p>Trade enhances division of labour As businesses and countries specialise in areas of comparative advantage it will allow workers specialise and help increase productivity.</p> <p>Improvements in economic growth Gains in efficiency should bring about an improvement in economic growth and higher per capita incomes. The OECD Growth Project found that a 10 percentage-point increase in trade exposure for a country was associated with a 4% rise in income per capita over time.</p> <p>Reduction in numbers living in extreme poverty Globalisation has helped many of the world's poorest countries to achieve higher rates of economic growth and reduce the number living in extreme poverty. Significant progress has been made in a number of sub-Saharan African countries whose annual growth of real GDP has often exceeded 10%.</p> <p>Innovation is encouraged Competitive markets may reduce monopoly profits and encourage businesses to seek cost-reducing innovations and improvements in what they sell. This leads to an improvement in efficiency / globalisation allows for a greater variety of goods & services.</p> <p>Benefits of economies of scale With specialisation producers should benefit from cost savings and these should benefit consumers with more competitive prices.</p> | <p>2 @ 8 (5 + 3)</p> <p>2 @ 5 (2 + 3)</p> |

Negative impacts of globalisation

Inequality

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 countries such as China, India and Brazil. This leads to political and social tensions and instability as a backlash.

Re-location of jobs / possible exploitation of workers

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 can lead to higher levels of structural unemployment.

Increases in world food 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.

Dominant Global Brands / Small firms may disappear

Globalisation might stifle competition if global businesses with dominant brands and superior technologies take charge of key international markets be it telecommunications, motor vehicles, heavy industrial equipment or digital cameras.

Threat to the environment

A major long-term threat is the impact that rapid growth and development is having on the environment. Threats of irreversible 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.

Macroeconomic 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 bursting of speculative bubbles prompted the credit crunch and the contagion from that across the world in from 2008 onwards. This had negative effects on poorer & vulnerable nations.

Standardisation of commodities / Loss of individual cultures (identity)

Some critics of globalisation point to a loss of economic and cultural diversity as giant firms and global brands dominate domestic markets in many countries.

[30]

| | | |
|-------------------|--|---------------------------------|
| <p>(b)</p> | <p>In Budget 2020 the Minister for Finance reaffirmed Ireland’s commitment to the 12.5% corporation tax rate.</p> <p>(i) Evaluate two reasons why the Minister for Finance made this decision.</p> <p style="text-align: center;">Suggested responses:</p> <p>Incentivise FDI / discourage any exodus of MNCs Ireland’s low corporation tax rate has historically been a large incentive for foreign firms to invest in Ireland, this is an incentive that Ireland would like to maintain into the future. If the corporation tax rate were to increase there is a fear that large corporations currently based in Ireland may decide to uproot and move elsewhere.</p> <p>Maintain employment levels In order to maintain current levels of investment and consequently employment in the Irish economy the Irish government feels the need to maintain our corporation tax rate at 12.5%.</p> <p>Government revenue Corporation tax makes up a large part of Irish tax receipts. It plays an important role in revenue generation which helps to finance state services. The Irish government will not want to discourage this any time soon.</p> <p>Maintain economic growth The 12.5% corporation tax rate encourages foreign direct investment and helps create employment within the Irish economy. These are essential in maintaining a stable rate of economic growth. The Irish government will want to keep the corporation tax rate low so to maintain economic growth.</p> <p>Loss of fiscal sovereignty As an EU member Ireland has already ceded control of its monetary policy to the EU. Ireland is not inclined to cede control of its other main macroeconomic tool to the EU too as it would leave little independence in economic policy to the government.</p> | <p>2 @ 7 (3 + 4)</p> |
|-------------------|--|---------------------------------|

| | | |
|------------|---|---|
| (b) | <p>The Irish government has repeatedly rejected calls from the European Commission to remove Ireland's ability to set its own corporation tax rate.</p> <p>(ii) Outline one reason why the European Commission want to remove this power from the Irish government.</p> <p style="text-align: center;">Suggested responses:</p> <p>Streamlining of all European policies; social, environmental and economic Part of the European Commission's remit is to create as much unity as possible in relation to policies in the European area from a social, environmental and economic perspective as possible. The European Commission sees Ireland's corporation tax policy as being out of line with the rest of Europe.</p> <p>Greater transparency across EU The European Commission has been unhappy with how Ireland's corporate taxes have been managed in the past such as the €13bn in unclaimed taxes from Facebook. The European Commission would prefer to have more transparency of taxation policies across Europe.</p> <p>Seen as anti-competitive The European Commission will want there to be as much consistency across European economic policies as possible and will thus view Ireland's corporate tax rate as an outlier from the rest of the EU. Some members view it an unfair advantage and wish to see it removed.</p> | <p style="text-align: center;">7 (3 + 4)</p> <p style="text-align: center;">[21]</p> |
|------------|---|---|

| | | |
|-------------------|---|---------------------------------------|
| <p>(c)</p> | <p>The United Kingdom left the European Union on January 31, 2020.</p> <p style="padding-left: 40px;">(i) Discuss two implications of this exit for the Irish economy.</p> <p style="text-align: center;">Suggested responses:</p> <p>Possible negative effect on Irish exports Approximately 15 per cent of Irish goods and services exports are destined to the UK. In certain sectors, the UK is an especially important market, such as the agri-food sector where around 40 per cent of exports are destined for the UK. Supplier industries to the export sectors will also be affected. In addition, two-thirds of Irish exporters make use of the UK land bridge to access continental markets and this could pose problems for Irish exporters who wish to avoid UK ferry ports.</p> <p>Effects on agricultural sector / agri-food sectors Brexit will reduce the preferential access of EU producers to the UK market and thereby reduce the cost advantages that Irish agricultural products have in the UK market relative to similar products, e.g. dairy products from New Zealand or beef from Australia. Impacts in the agri-food sector are driven by a combination of tariffs, customs costs and the risk of regulatory divergence. The Irish Fishing industry may also fare badly from Brexit due to restrictions.</p> <p>Labour market effects The effects on the labour market will be determined by the demand for Irish exports in the UK market. Some export sectors are likely to face reduced demand from the UK and thus experience falls in employment levels. However, if foreign companies re-locate from the UK to Ireland for access to the EU market this could give rise to employment in some sectors.</p> <p>Imports from the UK The cost of imports from the UK may increase due to tariffs, customs costs etc. Cost of raw materials may also rise leading to a rise in prices for domestically produced goods. There may also be a disruption to supply chains as Irish firms seek alternatives to UK suppliers leading to rising prices or potential shortages. Irish consumers may also switch their online shopping from UK sites to EU</p> | <p>2 @ 6 (3+ 3)</p> |
|-------------------|---|---------------------------------------|

(ii) Outline two possible **advantages** to Ireland of remaining a member of the EU

Suggested responses:

**2 @ 6
(3+ 3)**

Free Trade Area / larger market / trade expansion:

Being a member of the EU allows Ireland access to an increased market size of over 500 million people. These customers can be exported to tariff free. Ireland also benefits from the collective agreements that the EU negotiates with other countries outside the EU. Trade is also made easier within the EU with the removal of barriers / Irish firms can bid for public sector contracts within the EU.

Access to capital / research funding

Ireland has received large amounts of capital funding from the EU throughout its years of membership which has supported activities such as improvement in infrastructure; re-training grants; Erasmus funding with around 50,000 students from Ireland participating in Erasmus since 1987. As part of the European Research Area we can both participate in and benefit from global research and development.

Freedom movement of capital / labour

We have the freedom to live and work in any other member state without the requirement for a visa. Membership allows access to increased study / job opportunities. Irish citizens choosing to work or study abroad can have their Irish qualifications recognised throughout the EU, under the European Qualifications Framework. Also allows access to EU capital markets.

Foreign Direct Investment / job creation

Ireland operates as an export hub on the doorstep of Europe, this location provides an incentive to American firms to provide FDI into Ireland in order to access this market. Many job opportunities have been created due to our EU membership.

EU legislation and policies

Ireland is protected by the policies and arrangements which the EU has agreed with EU member states and external countries such as the CAP and the Fisheries Policy. Workers and consumers are protected by EU legislation such as the European Health Insurance Card.

Supports the Peace Process in Ireland

EU membership has supported the Peace Process in Northern Ireland through investment in cross-border programmes and the creation of the Northern Ireland Task Force (NITF) and the PEACE Programmes. Since 1995 the programmes have committed approximately €2.26 billion worth of funding Northern Ireland and the Border Region of Ireland.

[24]

Question 13

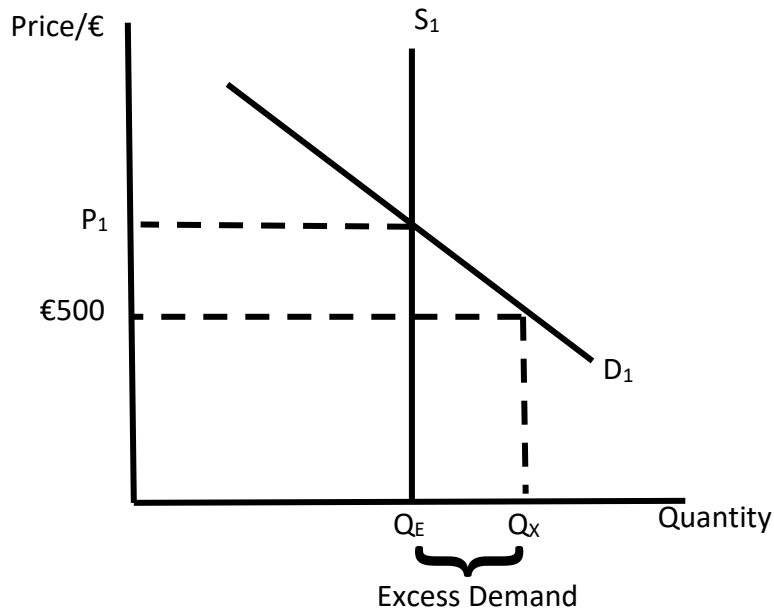
Possible responses

**Max
Mark**

(a) Shortages of the PlayStation 5 Gaming Consoles (PS5) was a nightmare for many consumers in the lead up to Christmas 2020.
Adapted from Forbes

(i) Complete the diagram below to indicate how excess demand is occurring in this market. (***Note:** The retail price for a PlayStation 5 Gaming Console was €500)

8



1 mark for each of the following correctly labelled points = 8 marks

| Price | Quantity | Q _E | Q _X | D ₁ | S ₁ |
|----------|----------|----------------|---|----------------|----------------|
| P = €500 | | | Excess Demand from Q _E to Q _X | | |

(ii) From your diagram above, explain how excess demand occurs.

**12
(3 @ 4)**

At the price of €500 there is more demand (Q_X) than the available (fixed) supply of the product (Q_E).

This indicates that the price charged in this too low, the excess demand puts upward pressure on price driving it to the equilibrium price P₁.

By undercharging for the PS5 it created additional demand for the product which would be rationalised if the price were to be increased.

[20]

| | | |
|-----|---|--|
| | <p>(iii) Explain, giving an example, one advantage of a government regulation.</p> <p>Health and safety regulations Consumers are protected from substandard and unsafe products through regulations imposed by the Irish Government and the EU.</p> <p>Protects consumers from exploitation Government regulation of large firms may help to reduce the likelihood of consumers earning large supernormal profits at the expense of consumers.</p> <p>Prevent anti-competitive behaviour / growth of monopolies Regulation can put an end to cartels between competing firms and can also assess whether or not a merger would be competitive within an industry.</p> <p>Increases competition in the industry Depending on how regulations are implemented in an industry it may lead to a reduction in the ability of firms to restrict supply and charge exploitative prices.</p> <p>Environmental protection Government regulations may lead to improved protection of the environment through reduced use of resources and generation of pollution.</p> <p>Employment Laws Employment laws ensure the protection of consumers through safe working environments and proper pay for their work.</p> | <p>6 (2 @ 3)</p> |
| (c) | <p>(i) Apple AirPods (earphones) price fell from €160 to €125 online. The quantity demanded increased from 10,000 to 15,000 units.</p> <p>Calculate the Price Elasticity of Demand of Apple AirPods.</p> $\frac{+5000}{-35} \times \frac{160 + 125 (285)}{10,000 + 15,000 (25,000)} = -1.63$ <p>(ii) Based on the figure you have calculated in (i) above, state whether the demand for Apple AirPods is elastic or inelastic? Give a reason for your answer.</p> <p>Based upon the above calculation Apple AirPods can be said to be Elastic.</p> <ul style="list-style-type: none"> • The number is greater than 1 [in absolute terms]. • The percentage change in quantity demanded is greater than the percentage change in price. <p>(iii) If the firm selling the above product intends to maximise revenue from the sale of this product should it, increase, decrease, or maintain the same price? Explain your answer.</p> <p>As the price elasticity of demand is elastic the firm should decrease price in order to increase total revenue.</p> <p>A decrease in price will lead to a more than proportionate increase in quantity demanded than the percentage decrease in price thereby increasing total revenue.</p> | <p>[22]</p> <p>15</p> <p>8 (4 + 4)</p> <p>10</p> <p>[33]</p> |

Question 14

| | Possible responses | Max Mark |
|-----|---|---|
| (a) | <p>(i) Analyse the trend of Ireland’s inflation rate in relation to the UK and the Euro Area from 2014-2019.</p> <p style="text-align: center;">Suggested responses:</p> <ul style="list-style-type: none"> • Across the entire time Ireland’s inflation rate is lower than the Euro Area and UK (apart from 2015 in the UK) at just above 0.5%. • From 2014 to 2016 the inflation rate fell in both the Euro Area and Ireland, whereas it started to rise in 2015 in the UK. • From 2015 in the UK and 2016 in the Euro area and Ireland the inflation rate started to rise. • In 2018 the inflation rate in the UK and Euro Areas began to fall. <p>(ii) Outline the potential advantages to Ireland as a country of maintaining the lowest price inflation rate relative to these other areas over this period.</p> <p>More competitive exports As Irish prices will be lower than in the Euro area and the UK this should mean that Irish exports are more competitive resulting in increased exports and increased employment in these industries. More tourists may decide to holiday in Ireland.</p> <p>Competitive costs With lower prices Irish firms should experience reduced costs which should maintain their more competitive prices. With lower costs the business can expand its production and/or innovate in new products / methods of production. Lower costs than in the other regions should act an incentive for foreign firms to locate in Ireland.</p> <p>Domestic spending / savings / wage restraint / reduced demand for imports With low price inflation prices are competitive and this may encourage an increase in spending within the economy with benefits for domestic employment and economic growth. Low price inflation will also help maintain the value of savings. Citizens may be encouraged to holiday in Ireland due to competitive prices.</p> <p>Government finances Increased spending; increased exports and a potential increase in employment should have a positive effect on government finances – allowing the government more options to help improve the standard of living within the country.</p> | <p>12</p> <p>1 @ 6 2 @ 3</p> <p>12 2 @ 6 (3 + 3)</p> <p>[24]</p> |

(b) (i) Outline two possible **disadvantages** to Irish citizens of a low inflation rate in Ireland. 2 @ 7
(3 + 4)

Consumers may postpone spending

This is because they may expect prices to fall even further in the future. Some firms may close down and this may lead to a loss in service for the consumer.

No / low wage increases

With real wages increasing / prices falling employers may be only be willing to offer low pay increases or no wage increases. Hence, they might find filling job vacancies difficult.

Debt burden effect (mortgage debt and state debt)

Real cost of repaying loans rises. The real value of the borrowers' payments increases. Borrowers lose because the real burden of their debt rises.

Asset appreciation rate may fall

A low inflation rates may mean that assets owned by Irish people such as homes and other investments are not increasing as quickly in value and this negatively impacts on the return form such investments.

(ii) Explain **one** method the government could use to address rising inflation

7
(3 + 4)

Increase direct taxation

With less income in their pocket's consumers may spend less in the economy thus reducing demand-pull inflation.

Decrease government current expenditure

Government expenditure is an injection into the circular flow of income. Decreasing government current expenditure decreases aggregate demand and thus demand-pull inflation in the economy.

Reduce cost of government provided utilities

If the government reduces charges on government provided utilities it will reduce the cost of production of firms and thus reduce cost push inflation.

[21]

| | | |
|------------|--|--|
| <p>(c)</p> | <p>(i) Define the principle of comparative advantage.</p> <p>Comparative Advantage is the ability of a country to produce a particular product at a lower opportunity cost than another country.</p> <p>Comparative advantage reflects the relative opportunity cost. Comparative advantage drives countries to specialise in the production of the goods for which they have the lowest opportunity cost, which leads to increased productivity.</p> <p>(ii) Continued capital investment in the National Broadband Plan in Ireland is one of the National Competitiveness Council recommendations for 2020.</p> <p style="text-align: right;">Adapted from Ireland’s Competitiveness Scorecard 2020</p> <p>Discuss the importance of this recommendation for Ireland’s international competitiveness</p> <p>Ability to attract FDI Companies who may wish to locate in Ireland require high speed broadband for connection with world markets. Ireland must offer high standards so as to be competitive with other countries.</p> <p>More flexible working arrangements During Covid-19 working from home has become the norm in many sectors. In order to maintain our economy’s competitiveness high quality broadband services nationwide has never been more important in allowing workers to work from home and allow business activity continue uninterrupted.</p> <p>Allow state provide services more efficiently Many state services are available online so households and businesses are able to access these services quickly. By providing high speed broadband throughout the country efficiency will increase and this should help lower costs.</p> <p>Reduce costs of running business The provision of high-speed broadband will allow businesses to manage activities online saving time, money and personnel: source and order cheaper supplies and raw materials online; meet consumer orders with speed; facilitate payment through electronic means. This investment may allow firms in rural areas to trade online and expand, become more efficient and benefit from reduced costs.</p> | <p>6 (3 + 3)</p> <p>12 2 @ 6 (3 + 3)</p> |
|------------|--|--|

- (iii) Choose **two** other areas the Irish Government should focus on to become more internationally competitive. Justify your choice in **each** case.

12
2 @ 6
(3 + 3)

Fund skills, education and training programmes

The government can fund programmes which help develop skills which are needed by firms. This ensures availability of a skilled workforce which makes workers efficient and helps reduce the costs of firms. Targeted education funding to meet future skills needs of the growth sectors.

Improve the infrastructure for business

Roll-out better and greener transport links which are more sustainable. Help improve our ports and airports so that access is maintained/improved to the EU following Brexit. Develop water supply; sewerage facilities and waste disposal so that they become more efficient and less costly. By improving the infrastructure, it should make firms more efficient and thus reduce costs.

Manage the current housing shortage

The government must increase the construction of houses in the country; provide more social housing and deal with the planning process. These measures should help reduce the cost of housing and reduce pressure on rents. Housing has become a problem for workers who are seeking to re-locate in Ireland and act a deterrent to FDI. If the government can reduce the cost of housing this would help workers and reduce the pressure for wage increases.

Supporting Enterprise / Entrepreneurship

Improved access to business finance e.g. for start-ups. Incentives for business innovation and invention. Reduce red tape such as excessive legislation; health and safety requirements which may increase costs for business.

Reduce utility charges

A reduction in utility costs such as electricity, gas, postage, waste charges etc would help to reduce the costs for Irish firms and thus improve competitiveness. If measures were taken to reduce insurance premiums, then costs would fall.

Encourage competition in the market / deregulation

Introduce measures which will improve competition and so this may help reduce costs. Increase consumer knowledge by ensuring comparison information is available. Introduce more consumer choice and competition in the public sector. Discourage mergers and takeovers which might reduce the number of competing firms

Reduce taxation / maintain Ireland's competitive CPT rate at 12.5%

A decrease in indirect taxes such as VAT, excise duty on fuel would reduce costs for Irish firms and help improve competitiveness. A decrease in the rate of the employers PRSI contribution will help firms reduce their costs.

Address climate action in a competitiveness context

Address issues such as research and development technologies; assess carbon mitigation measures; decarbonise the gas network – so that businesses can reduce costs and improve competitiveness. (A recommendation from Ireland's Competitiveness Score Card 2020).

[30]

(iii) With reference to GNI, why is it important to use **per capita** measures for comparisons between countries?

8
(4 + 4)

Suggested responses:

GNI per capita is a more useful measure for comparing countries as it takes into account the populations of the countries being compared.

Two countries with similar values GNI may have very different standards of living because of variations in the size of their respective populations.

or

If GNI is compared on a nominal level only it may over-estimate the standard of living of the citizens of a country / economic growth in the country.

An increase in nominal GNI may indicate a better standard of living when comparing countries. However if the population of one country had increased it may mean that the standard of living per person in that country has actually decreased.

or

Worked example:

If Country A had GNI of \$400m in year 1 and it increases to \$500m in year 2 it appears that it has had stronger economic growth and a better standard of living than Country B which had GNI of \$100m in year 1 & it increased to \$150m in year 2.

However, if the population of Country A is 4 million people then the income per person is \$100, if this population increases to 5 million people in year 2 then income per person has not changed from \$100.

If the population of Country B is 1,000 people, then income per person is \$100,000. If the population doesn't change in year two, then income per person has increased to \$150,000. In order to accurately compare the productivity and standard of living in two countries across a period of time per capita measures should be used.

[24]

(c) (i) Explain the term **Multiplier**.

8

The multiplier effect means that any injection into the circular flow of income leads to a more than proportionate increase in National Income e.g. an initial injection of €100m will lead to a €200m increase in the size of National Income if the multiplier is 2.

(ii) Assume that MPM is 0.25 and MPC is 0.65 and MPT is 0.10. Calculate the multiplier. Show all your workings

8

$$\frac{1}{(1-MPC) + MPM + MPT}$$

$$\frac{1}{(1-0.65) + 0.25 + 0.10}$$

$$\text{Multiplier} = 1.43$$

$$MPS = 1 - 0.65 = 0.35$$

$$\frac{1}{MPS + MPM + MPT}$$

$$\frac{1}{0.35 + 0.25 + 0.10}$$

$$\text{Multiplier} = 1.43$$

(c)

(iii) Discuss two possible **negative** multiplier effects of large corporations such as Google withdrawing from their rental property contracts in Dublin city during 2020.

14
(2 @ 7)
(3 + 4)

Lost rents

The owners of the property won't receive rent. This reduces their income and spending power - which will have a negative multiplier effect into the economy

Reduced demand for goods and services

Businesses in the area won't benefit from the custom of Google's employees anymore, this will mean less revenue for, and less expenditure from these businesses. Employment in these businesses will fall.

Reduced demand for public transport

Employees won't need to use transport, public and private, to get to the premises and so incomes are lost for transport companies with a possible reduction in employment.

Effect on government finances

With lost rents; reduced spending and a reduction in business activity taxation revenue to the government will fall which may be compensated for by increased government expenditure. Effect on multiplier depends will depend on the extent of increased government expenditure to outweigh the reduction in government revenues.

[30]

| Question 16 | | |
|---------------------------|--|---|
| Possible Responses | | |
| (a) | <p>(i) The diagram below shows the number of passengers handled by the main Irish airports during Quarter 2 from 2017 to 2020. Using the data provided, analyse the trend in the number of passengers handled by the main Irish airports between 2017 and 2020.</p> <ul style="list-style-type: none"> • Between Q2 2017 and Q2 2019 there is a steady increase from over 9 million passengers to just over 10 million passengers. • Between Q2 2019 to Q2 2020 there is a sharp decline the passengers from just over 10 million down to virtually zero. <p>(ii) The demand for labour is said to be derived demand. Explain this statement in the context of the aviation data above.</p> <p>The demand for labour in the aviation sector is said to be a derived demand as the demand for workers in the aviation sector depends on the demand for flights from airlines i.e. pilots; airport security employees, airport catering and shop employees, taxi drivers etc.</p> <p>Derived demand means that labour is demanded not for its own sake but rather for its contribution to the production of goods and services which are in demand.</p> <p>(iii) Outline two negative implications of this reduction in air passenger numbers on employment in the Irish economy.</p> <p>Decreased direct employment Airlines have laid off pilots, cabin crew, handling staff etc. Airports have reduced their staff numbers in an effort to cut costs.</p> <p>Suppliers to the aviation industry All employers in ancillary industries which support the aviation industry such as hotel staffs; transport companies; food and beverage suppliers had reduced staff numbers due to a significant loss in demand.</p> <p>Reduction in aggregate demand With reduced incomes and a reliance on government assistance spending falls which will result in a reduction in overall demand and loss of jobs in the general economy.</p> | <p>7</p> <p>9</p> <p>10 2 @ 5 (2 + 3)</p> <p>[26]</p> |

- (b) (i) Calculate the percentage increase in the minimum wage between 2016 and 2021.

$$10.20 - 9.15 = \frac{1.05}{9.15} \times 100 = 11.48\%$$

OR

$$\frac{10.20}{9.15} \times 100 = 111.48 - 100 = 11.48\%$$

- (ii) Explain **one** social reason and **one** economic reason why the Irish government has continuously increased the minimum wage.

Social reasons:

Introduce a more equitable distribution of income

People who were on lower levels of pay will now receive a higher minimum level of pay and this helps to re-distribute wealth within a country.

Protection of the most vulnerable under law

Workers who may be vulnerable are now better protected by law from exploitation by unfair employers.

Reduce problem of poverty

An increased minimum wage will ensure that wages from paid work will result in a living wage and this will help reduce poverty within the country.

Economic reasons:

Increase worker's standard of living

By providing for an increased minimum wage workers disposable income increases and their standard of living increases.

Increase the incentive to work

When workers see that pay levels are rising then it may attract more people into the workforce / help retain current workers / help increase productivity.

Boost economic growth

Higher incomes will mean increased spending within the economy and will help boost economic growth / employment.

9

10
(2 @ 5)
(2 + 3)

[19]

| | | |
|------------|---|---------------------------------|
| <p>(c)</p> | <p>(i) Discuss two reasons for the increase in the number of homeless people in Ireland.</p> <p>lack of affordable public housing Less building of homes by local authorities, particularly in the last decade, has meant that few are available for supply leaving some people homeless.</p> <p>Reduced availability of rental properties Some landlords may not see this business as profitable and/or see the burden of regulation as too much hassle and so have decided to get out of this market and sell these properties meaning less are available for renting.</p> <p>Rising rents Rents have risen and these are in excess of government rent supplements so they properties have become not affordable. Some people who become unemployed or fallen into poverty cannot pay the high rents for housing in Ireland.</p> <p>Reduced profit margins / reduced construction of private houses Some builders / developers say that the profit margin on new build / semi-detached houses and apartments is too and so they are not interested in investment in house building.</p> <p>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.</p> | <p>12 2 @ 6 (3 + 3)</p> |
| | <p>(ii) Outline two economic measures, other than social housing, that could be taken by the Irish government to help reduce the number of homeless families in Ireland</p> <p>Modular housing: these low-cost, fast-build houses / apartments could allow rapid increases in the number of houses available which could help to meet some of the market demand for houses.</p> <p>Build up, not out: if cities around Ireland are rezoned to allow the construction of high-rise buildings, it will allow for much denser population in certain areas and will drive down the cost of housing in the area.</p> <p>Rezone land: if more land is rezoned from agricultural and commercial zoning to domestic zoning it will afford people more opportunities to build houses</p> <p>Reduce tax / charges on construction of homes / rental income: this may encourage more investors to build houses and/or provide properties for rental. Local Authority charges can act as a disincentive for investment.</p> <p>Increase the levy on land hoarders / empty properties: In January 2020 the rate of levy in Dublin was increased from 3 per cent to 7 per cent. This may make more land available for building. The introduction of a tax on empty properties may increase supply of same.</p> <p>Increased provision of emergency accommodation (as happened in 2018 due to falling temperatures): this will help in the short run only though.</p> <p>Rent freeze in Rent Pressure Zones: these are located in parts of the country where rents are highest and rising, and where households have the greatest difficulty finding affordable accommodation.</p> | <p>12 2 @ 6 (3 + 3)</p> |

(iii) In budget 2020 the Minister for Public Expenditure announced funding for the construction of 9,500 new social housing units.

Adapted from RTE

Explain why the Dept. for Public Expenditure might have used a **cost-benefit analysis** before deciding on this expenditure for social housing units.

To ensure that the benefits of this expenditure (economic and social) exceed or equal the costs of this expenditure so that the best possible benefits accrue to the taxpayers.

6
(2 @ 3)

[30]

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 |

