

Coimisiún na Scrúduithe Stáit
State Examinations Commission

Leaving Certificate 2021

Marking Scheme

Economics

Ordinary 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. A copy of the descriptor marking used is 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 3 marks – use the table below:

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

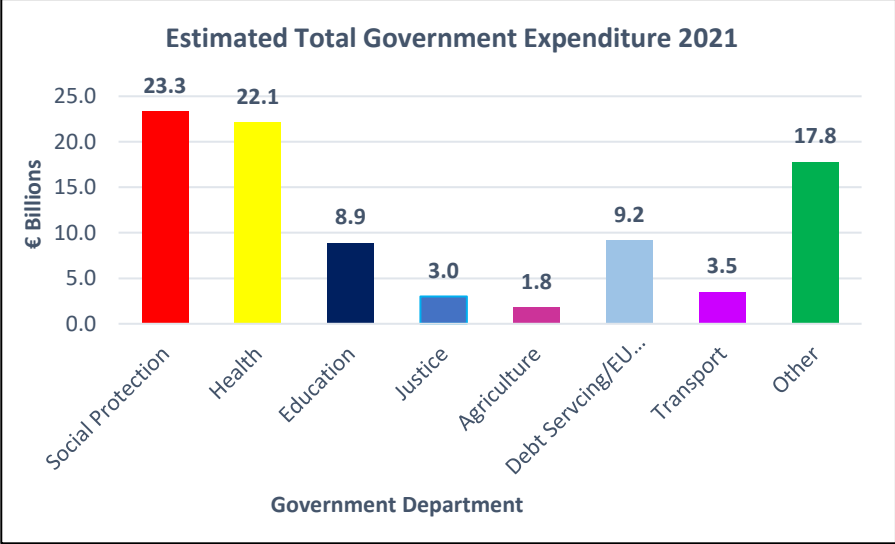
Questions with allocation of 4 marks – use the table below:

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

| Q | Possible Responses | Max Mark | | | | | | | | | | | | | | | | | | |
|-----------------------|---|-----------------------|--------------------------|-------------------|-----------|--------|--|-----------|-----|---------|--|-------------|-----|---|-----|-----------|-----|-------|------|--|
| 1 | <p>The diagram below shows the estimated total government expenditure per department in € billions for 2021.</p> <div style="text-align: center;">  <table border="1" style="margin: 10px auto; border-collapse: collapse;"> <caption>Estimated Total Government Expenditure 2021</caption> <thead> <tr> <th>Government Department</th> <th>Expenditure (€ Billions)</th> </tr> </thead> <tbody> <tr> <td>Social Protection</td> <td>23.3</td> </tr> <tr> <td>Health</td> <td>22.1</td> </tr> <tr> <td>Education</td> <td>8.9</td> </tr> <tr> <td>Justice</td> <td>3.0</td> </tr> <tr> <td>Agriculture</td> <td>1.8</td> </tr> <tr> <td>Debt Servicing/EU...</td> <td>9.2</td> </tr> <tr> <td>Transport</td> <td>3.5</td> </tr> <tr> <td>Other</td> <td>17.8</td> </tr> </tbody> </table> </div> <p>(a) (i) The estimated government expenditure for all departments is €89.6 billion. Calculate the estimated expenditure on Education as a percentage of total government expenditure for 2021. Show your workings.</p> <p style="text-align: center;">$8.9 / 89.6 \times 100 = 9.93\%$</p> <p>(ii) Give two examples of government expenditure on Social Protection.</p> <p>Unemployment Benefit / Income Supports / State Pension / Employment Supports / Illness, Disability and Carers / Child Benefit / Working Family Payment.</p> | Government Department | Expenditure (€ Billions) | Social Protection | 23.3 | Health | 22.1 | Education | 8.9 | Justice | 3.0 | Agriculture | 1.8 | Debt Servicing/EU... | 9.2 | Transport | 3.5 | Other | 17.8 | <p>Max Mark</p> <p>3 @ 4</p> <p>1@2</p> <p>1@1</p> |
| Government Department | Expenditure (€ Billions) | | | | | | | | | | | | | | | | | | | |
| Social Protection | 23.3 | | | | | | | | | | | | | | | | | | | |
| Health | 22.1 | | | | | | | | | | | | | | | | | | | |
| Education | 8.9 | | | | | | | | | | | | | | | | | | | |
| Justice | 3.0 | | | | | | | | | | | | | | | | | | | |
| Agriculture | 1.8 | | | | | | | | | | | | | | | | | | | |
| Debt Servicing/EU... | 9.2 | | | | | | | | | | | | | | | | | | | |
| Transport | 3.5 | | | | | | | | | | | | | | | | | | | |
| Other | 17.8 | | | | | | | | | | | | | | | | | | | |
| 2 | <p>Study the statements below and indicate by placing a tick (✓) in the correct box which is a positive statement and which is a normative statement.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 5%;"></th> <th style="width: 55%;">Statement</th> <th style="width: 20%;">Positive</th> <th style="width: 20%;">Normative</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1.</td> <td>In 2022 exports in Ireland will grow by 10% due to Brexit.</td> <td style="text-align: center;">✓</td> <td></td> </tr> <tr> <td style="text-align: center;">2.</td> <td>Increased government expenditure on drug abuse will reduce the number of deaths.</td> <td></td> <td style="text-align: center;">✓</td> </tr> </tbody> </table> | | Statement | Positive | Normative | 1. | In 2022 exports in Ireland will grow by 10% due to Brexit. | ✓ | | 2. | Increased government expenditure on drug abuse will reduce the number of deaths. | | ✓ | <p>1 @ 9</p> <p>1 @ 6</p> | | | | | | |
| | Statement | Positive | Normative | | | | | | | | | | | | | | | | | |
| 1. | In 2022 exports in Ireland will grow by 10% due to Brexit. | ✓ | | | | | | | | | | | | | | | | | | |
| 2. | Increased government expenditure on drug abuse will reduce the number of deaths. | | ✓ | | | | | | | | | | | | | | | | | |

- 3 (i) Using the formula supplied calculate the consumers **price elasticity of demand** when the price of Kerosene (home fuel oil) changes due to an increase in carbon tax. Indicate if the demand for Kerosene is price elastic or price inelastic.

| | Units Purchased | Cost (€) |
|--------------------------------|-----------------|----------|
| Before the carbon tax increase | 1000 litres | 800 |
| After the carbon tax increase | 750 litres | 850 |
| Changes | -250 litres | +50 |

$$\frac{-250}{+50} \times \frac{800 + 850}{1000 + 750}$$

Answer: - **4.71**

- (ii) Indicate if the demand for Kerosene is **price elastic** or **price inelastic**.

It is elastic (the PED is greater than 1 in absolute terms).

6 @ 2

1 @ 2

1 @ 1

- 4 Complete the blank spaces below and answer the question that follows. Show your workings.

| | | | | |
|---------------------------------------|----|----|-----------|----------|
| Bags of Crisps Consumed | 1 | 2 | 3 | 4 |
| Total Utility in Units/Util | 10 | 25 | 38 | 47 |
| Marginal Utility in Units/Util | 10 | 15 | 13 | 9 |

$$38 - 25 = 13$$

$$47 - 38 = 9$$

Based on the table above: At what point does the point of diminishing marginal utility set in?

After 2nd is consumed or before 3rd is consumed.

6 @ 2

1 @ 3

- 5 Sony released **The PlayStation 5 (PS5)** in 2020. Name a **substitute good** for this item and explain your answer.

Name: Microsoft Xbox, Nintendo Switch

Goods that satisfy the same needs as other goods.

Goods that can be consumed /used in place of another/ little difference between the goods.

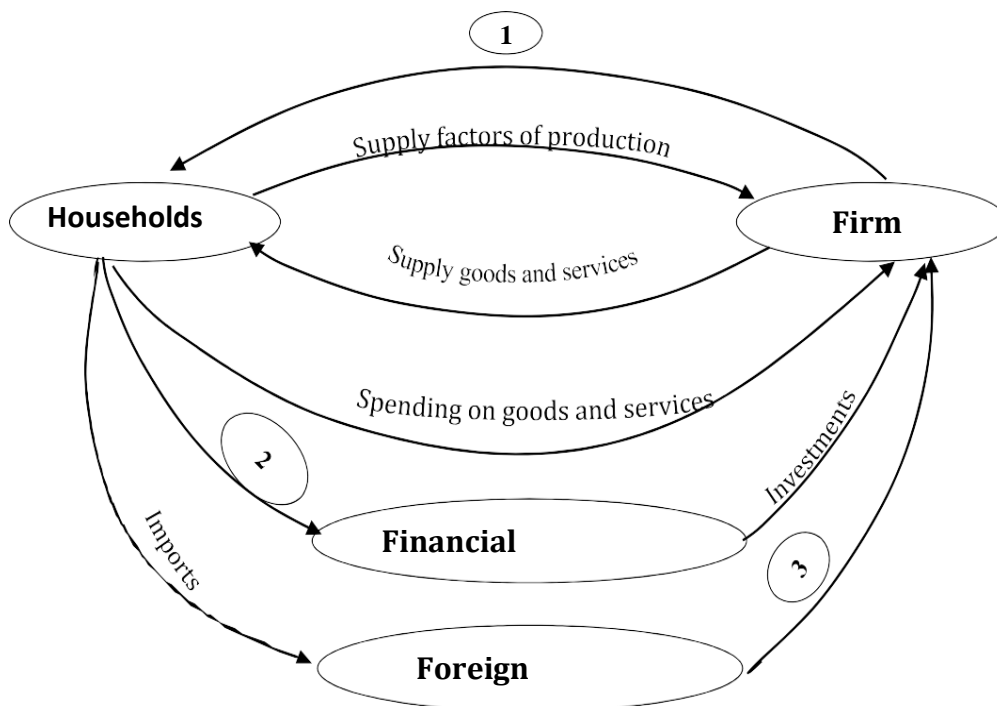
Goods that can be used as alternatives to one another.

1 @ 9

1 @ 6

6 Answer (a) or (b)

(a) The diagram below represents the Circular Flow of Income in an open economy without the government. State what numbers 1-3 represent.



| | |
|----|---|
| 1. | Incomes for supplying the factors of production |
| 2. | Savings |
| 3. | Exports |

1 @ 9
2 @ 3

OR

(b) Explain what is meant by the term **invisible export**. Give an example.

1 @ 9

Explanation: services sold to other countries.

Example: Foreign students (Spanish) in Ireland for the summer/
Irish music band playing a concert in Europe e.g. Madrid

1 @ 6

7 Using the following figures, **calculate** the expected budgetary position for Ireland in 2022. Indicate if it is a **surplus or a deficit**.

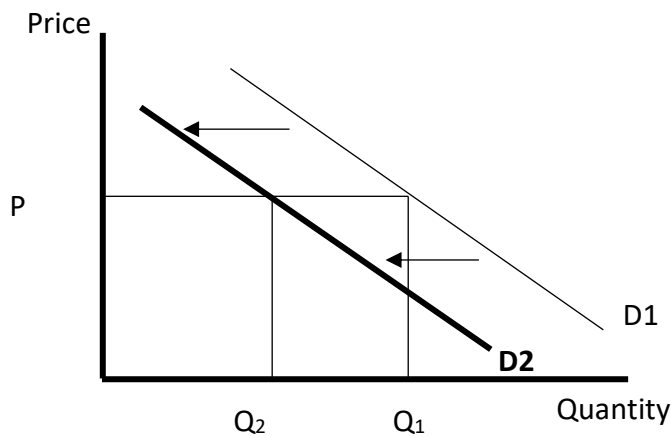
| | |
|------------------------------------|---|
| Total income: €87.5 billion | Total expenditure: €86.1 billion |
|------------------------------------|---|

Total Income (€87.5 bn) - Total Expenditure (€86.1 bn) = €1.4bn. **Surplus**

5 @ 3

8 It is predicted that tourism in Ireland could drop by up to 80% in Summer 2021.
Adapted from The Irish Times

Illustrate the impact the above statement could have on the **demand** curve below for coaches/car hire in Ireland using the diagram below. Explain your answer.



Explanation:

With reduced tourists visiting Ireland there will be reduced demand for use of coaches and /or less tourists using car hire services.

Demand shift to left
9

6
(3 + 3)

9 Answer either (a) or (b)

Name the 3 pillars of sustainability.

1. Social
2. Economic
3. Environmental

OR

(b) Explain, using **two** relevant examples how an individual can make more environmentally sustainable choices.

1. Recycle more. Using the local recycling facility.
2. Cut down on air pollution – use public transport.
3. Walk more use the car less.
4. Watch what kind of fuel you use.

Any acceptable response illustrated with an example.

1 @ 9
2 @ 3

1 @ 9
1 @ 6

10 Answer either (a) or (b)

CSO data shows that **public sector workers** earn, on average, more than **private sector workers**.

Adapted from the CSO

(a) Explain the terms in bold outlined above.

1 @ 9

Public Sector Workers:

People who are employed and paid their salary by the Government.

1 @ 6

Private Sector Workers:

People who are employed by private individuals or companies.

OR

(b) Explain **one reason** why different wages are paid for different jobs.

1 @ 15
(9 + 6)

Different skills: The skills attaching to different jobs vary and pay is commensurate with the level of skill involved e.g. a doctor receives a higher rate of pay than a nurse.

Training: Workers who undergo longer periods of training will receive higher levels of pay e.g. a nurse who trains and becomes more specialised will receive higher pay.

Educational qualifications: Generally, wage levels reflect the educational qualifications achieved by the worker.

Nature & Conditions of the job: These may vary between jobs and pay levels will reflect this e.g. dangerous work, unsocial hours, and the temporary nature of the job affect pay levels.

Negotiating strength of the workers' trade union: If a worker is a member of a strong trade union this union may obtain wage levels in line with workers' marginal revenue productivity.

Traditions attaching to certain jobs: It has been possible for those involved in the self-governing professions i.e. those in the legal / accountancy professions to maintain high pay levels because of the tradition which is attached to such professions.

Possession of innate talents: Some people possess certain talents and thus may be able to earn very high incomes e.g. sports stars, those in the entertainment industry.

Gender Bias: Despite legislation a bias continues to exist in the payment of women in the Irish workforce. Women workers in Ireland earn roughly 80% of that of their male counterparts.

Question 11

| | Possible responses | Max Mark | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|------------------------------------|---|---------------------------------------|--|--|---|--|---|--|----------|----------------|--------------|-------------|-------------|------|------|---------|--|--|---|--|----------|----------------|--------------|-------------|-------------|------------------------------------|--|---------------------------------------|--|------------|--------------------|--------------|------------|--|
| (a) | <p>The data below is extracted from the Human Development Index (HDI) in 2020 and 2019.</p> <p>2019</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th style="width: 10%;">2019</th> <th style="width: 10%;">Rank</th> <th style="width: 10%;">Country</th> <th style="width: 20%;">Human Development Index. (HDI) (value)</th> <th style="width: 20%;">Life expectancy at birth (years) SDG 3</th> <th style="width: 20%;">Mean years of Schooling (years) SDG 4.6</th> </tr> </thead> <tbody> <tr> <td></td> <td>3</td> <td>Ireland</td> <td>0.942</td> <td>82.1</td> <td>12.5</td> </tr> </tbody> </table> <p>2020</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th style="width: 10%;">2020</th> <th style="width: 10%;">Rank</th> <th style="width: 10%;">Country</th> <th style="width: 20%;">Human Development Index. (HDI) (value)</th> <th style="width: 20%;">Life expectancy at birth (years) SDG 3</th> <th style="width: 20%;">Mean years of Schooling (years) SDG 4.6</th> </tr> </thead> <tbody> <tr> <td></td> <td>2</td> <td>Ireland</td> <td>0.955</td> <td>82.3</td> <td>12.7</td> </tr> </tbody> </table> <p style="text-align: right;">Adapted from www.hdr.undp.org</p> <p>(a) (i) Using the data provided in the tables above calculate the difference between Ireland’s ranking on the HDI index from 2019 to 2020.</p> <p style="padding-left: 40px;">Indicate if Ireland’s position has improved</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th style="width: 20%;">Difference in HDI Rank (2019-2020)</th> <th style="width: 20%;">Difference in life expectancy at birth</th> <th style="width: 20%;">Difference in Mean Years of Schooling</th> <th style="width: 40%;">Has Ireland’s position improved between 2019 and 2020?</th> </tr> </thead> <tbody> <tr> <td>+ 1</td> <td>+ 0.2 Years</td> <td>+ 0.2</td> <td>Yes</td> </tr> </tbody> </table> <p>(ii) Given your answers in (i) above explain what might have caused this change in Ireland’s position on the HDI.</p> <p>Life expectancy has increased through continued government expenditure / investment in healthcare.</p> <p>Mean years of schooling has increased through continued government expenditure / investment in education.</p> | 2019 | Rank | Country | Human Development Index. (HDI) (value) | Life expectancy at birth (years) SDG 3 | Mean years of Schooling (years) SDG 4.6 | | 3 | Ireland | 0.942 | 82.1 | 12.5 | 2020 | Rank | Country | Human Development Index. (HDI) (value) | Life expectancy at birth (years) SDG 3 | Mean years of Schooling (years) SDG 4.6 | | 2 | Ireland | 0.955 | 82.3 | 12.7 | Difference in HDI Rank (2019-2020) | Difference in life expectancy at birth | Difference in Mean Years of Schooling | Has Ireland’s position improved between 2019 and 2020? | + 1 | + 0.2 Years | + 0.2 | Yes | <p>4 @ 3</p> <p>1 @ 8 (4 + 4)</p> <p>20</p> |
| 2019 | Rank | Country | Human Development Index. (HDI) (value) | Life expectancy at birth (years) SDG 3 | Mean years of Schooling (years) SDG 4.6 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 3 | Ireland | 0.942 | 82.1 | 12.5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2020 | Rank | Country | Human Development Index. (HDI) (value) | Life expectancy at birth (years) SDG 3 | Mean years of Schooling (years) SDG 4.6 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 2 | Ireland | 0.955 | 82.3 | 12.7 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Difference in HDI Rank (2019-2020) | Difference in life expectancy at birth | Difference in Mean Years of Schooling | Has Ireland’s position improved between 2019 and 2020? | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| + 1 | + 0.2 Years | + 0.2 | Yes | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

(b) (i) Outline **one** advantage or **one** disadvantage of **Globalisation**.
Indicate which one you are answering by placing a tick in the box below:
Advantage Disadvantage:

Possible advantages:

Employment: MNCs provide jobs and skills particularly in exporting where large workforces are required.

Advancements of ICT: MNCs bring new technology with them as they set up in countries

Economic growth in developing countries: Much scope for developing countries to benefit from globalisation - creates employment and a higher standard of living for people living in these areas.

Spin-off effects: Global companies infuse wealth and foreign currency into local economies - this is used to purchase local resources and raw materials generating further revenue for local businesses and governments.

Boosts competition: Globalisation boosts ongoing competition between countries all over the world - lower prices for consumers.

Improvements in fair trade: Globalisation has greatly reduced trade barriers between countries through adjustment of tariffs and import duties.

New experiences: Globalisation exposes us to new ideas, experiences, lifestyles and cultures - closer relationships between countries.

Improved government relations: Helps bring different governments together so that they can work together towards achieving common goals.

Possible disadvantages:

Widens the gap between rich and poor - The biggest drawback is that it is widening the gap between rich and poor - empowers those with specialist skills to charge higher prices

Environmental impact - The connection between economic and environmental problems can be clearly seen in the widespread social and economic impacts on deforestation and air pollution.

Outsourcing - Due to outsourcing, globalisation may deprive an entire country of his jobs and resources


Lower cost countries - Global companies hold a lot of negotiating power over governments and can be highly persuasive in getting them to adjust their policies on wages and taxes.

(ii) Name **two** multinational companies (MNC's) that operate in Ireland.

Apple / Google / Facebook / Coca-Cola / PayPal / Microsoft / Twitter / Intel / Pfizer / Boston Scientific / Johnson & Johnson.

5

2 @ 3

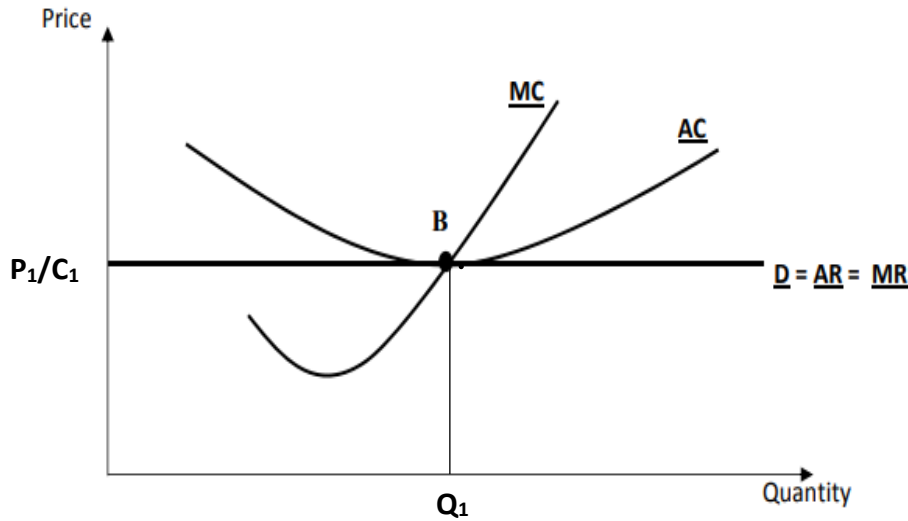
| | | |
|------------|---|---|
| | <p>(iii) Outline two reasons why MNC's locate in Ireland.</p> <p>Availability of a skilled/English speaking workforce: firms have available a large, highly educated and multi-skilled workforce. An English-speaking workforce is a major attraction for foreign firms.</p> <p>Low rates of taxation: the rate of corporation profits tax in Ireland is one of the lowest within the EU.</p> <p>Access to EU market / Member of the euro currency: firms which locate in Ireland have access to free movement of their goods within the EU. Ireland is a member of the euro and this makes payment for international transactions within the eurozone much easier and hence more attractive.</p> <p>Availability of state incentives: firms can avail of attractive grants and other incentives provided by the state e.g. grants towards research and development etc.</p> <p>Good industrial relations: social partnerships have resulted in relative industrial peace offering firms uninterrupted production.</p> <p>Stable rate of economic growth: the rate of economic growth in Ireland was one of the more attractive within the EU and this has led to confidence amongst investors, who see Ireland as an attractive market for their goods.</p> <p>Stable economic climate: by international standards Ireland's economy is performing exceptionally well. This has increased business confidence which encourages firms to locate here.</p> | <p>2 @ 7 (3 + 4)</p> <p>25</p> |
| <p>(c)</p> | <p>(i) Foreign Direct Investment (FDI) has been a key contributor to Irelands economic growth. Adapted from www.enterprise.gov.ie</p> <p>Explain the term economic growth.</p> <p>It is the rise in GNP/output (value of goods & services) / national income per head within a country over a period of time / increased productive capacity of an economy.</p> <p>(ii) Explain your understanding of the Fair-Trade Movement. Give two examples of fair-trade products that you can buy.</p>  <p>Fair Trade is a trading partnership that seeks greater equity / fairness in international trade. It supports farmers to become more self-sufficient and less reliant on aid. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers.</p> <p>The Fair-Trade movement shares a vision of a world in which justice, equity and sustainable development are at the heart of trade structures and practices so that everyone, through their work, can maintain a decent and dignified livelihood and develop their full human potential.</p> <p>Examples: Bananas/Coffee/Cocoa/Cotton/Flowers/Sugar/Tea/Gold</p> | <p>10</p> <p>10</p> <p>2 @ 5 30</p> |

Question 12

Possible responses

**Max
Mark**

(a) The diagram below represents the long run equilibrium of a firm in **Perfect Competition**.



2 @ 4
1 @ 2
(10)

$P_1/Q_1/C_1$

(i) Write out in full what each of the four labels represent.

4 @ 5

| Label | |
|-------|------------------|
| MC | Marginal Cost |
| AC | Average Cost |
| AR | Average Revenue |
| MR | Marginal Revenue |

(ii) Equilibrium occurs at the **point B** on the diagram above. **Show on the diagram above:**

- The price the firm will charge for its output (use label P_1)
- The output the firm will produce in equilibrium (use label Q_1)
- The average cost of producing this output (use point C_1)

30

| | | |
|-------------------|---|--|
| <p>(b)</p> | <p>The image below shows a photo from the outdoor flower market in Stoneybatter Dublin. This firm operates in perfect competition where there are many homogeneous products. Discuss three main assumptions of this type of market structure.</p> <p>There are many buyers in the industry: no individual buyer can influence by his/her own actions the market price of the goods.</p> <p>There are many sellers in the industry: no individual seller can influence, by his/her own actions, the market price of the goods.</p> <p>Firm tries to maximise profits: the aim of each company is to produce that quantity where $MC = MR$. Each company will try to minimise costs.</p> <p>Perfect knowledge exists: each firm is aware of the profits which other firms earn in the industry. Each consumer is aware of the prices being charged by firms.</p> <p>Free entry and exit exist in the industry: there are no barriers to exit or entry within the industry.</p> <p>All goods produced are homogenous goods: the goods produced are identical / the same. There is no need for advertising or the use of brand names.</p> <p>No collusion in the market: buyers do not group together with other buyers to influence the price. Sellers do not group together with other sellers to influence the price at which the product is sold.</p> <p>Elastic supply of factors of production: companies can acquire the scarce factors of production at existing prices. Scarcity of factors of production will not force prices upwards.</p> | <p>1 @ 9 (6 + 3)</p> <p>2 @ 6 (3 + 3)</p> <p>21</p> |
| <p>(c)</p> | <p>(i) Outline one benefit of this type of market structure for each of the following:</p> <p>The consumer:</p> <ul style="list-style-type: none"> • Low prices: the firm sells its products at the lowest possible prices. • Normal profit: the firm earns only normal profits so consumers are not being exploited. <p>The economy in general:</p> <ul style="list-style-type: none"> • No advertising: all the goods are homogenous so there is no point in advertising / which means no waste of scarce resources). • Efficiency is encouraged: the firm produces at the lowest point of the average cost curve (no waste of scarce resources). Each unit is made at the lowest possible cost. Maximum efficiency is achieved thereby no wastage of raw materials / no pollution or dumping materials. <p>(ii) Firms in perfect competition may earn super normal profits in the short run. Outline what might happen to the number of firms in the industry. Give a reason for your answer.</p> <p>Other firms will be aware of the SNPs being earned (perfect knowledge) and will enter the market increasing the number of firms in the industry. Firms already in the market cannot stop new firms from entering (No barriers to entry or exit).</p> | <p>1 @ 8 (4 + 4)</p> <p>1 @ 8 (4 + 4)</p> <p>1 @ 8 (4 + 4)</p> <p>24</p> |

Question 13

| | Possible responses | Max Mark |
|-----|---|---|
| (a) | <p>(i) The Irish government is accused of resisting EU changes to the minimum wage. Adapted from RTE</p> <p>Outline what is meant by the term minimum wage.</p> <p>The lowest wage employers must by law pay their employees per hour of work.</p> <p>(ii) A government may use fiscal policy in its budget to help achieve its economic aims. Explain what is meant by fiscal policy.</p> <p>Fiscal Policy: Any actions taken by the government which influences the timing, size and structure of current revenue and expenditure.</p> <p>(iii) Monetary policy and delivering price stability is a concern for everyone. Adapted from Central Bank of Ireland. Explain one of the terms in bold in the statement above.</p> <p>Monetary Policy: actions taken by the ECB which influences the money supply, interest rates, the availability of credit in Ireland and the rest of the Euro Area.</p> <p>Price stability: this is maintaining prices at a constant/unchanging level/avoiding inflation within the economy.</p> | <p>8</p> <p>8</p> <p>8 (4 +4)</p> <p>24</p> |
| (b) | <p>Avantcard which is owned by Spanish bank 'Bankinter' plans to start offering Irish customers fixed rate mortgages for 2%. Adapted from www.rte.ie.</p> <p>(i) Outline the impact the introduction of a new mortgage lender in Ireland will have on each of the following</p> <p>Consumers applying for a mortgage:</p> <p>More choice: a new firm entering the market increases consumer choice when looking to apply for a mortgage.</p> <p>More disposable income: if interest rates fall consumers will have more disposable income to spend on other goods/services in the economy.</p> <p>Interest rates:</p> <p>Decreased interest rates: more firms in the market increases competition which should have the impact of lowering the interest rates being charged by financial institutions.</p> | <p>2 @ 7 (4 + 3)</p> |

(ii) The Central Bank of Ireland imposed a fine of €4.1 million on Davys Stockbrokers.
Adapted from RTE

7

Outline **one** reason why the Central Bank of Ireland imposes fines like this on financial institutions.

Central Bank may fine regulated entities and/or individuals which fall short of expected standards of behaviour. The Central Bank of Ireland regulates more than 10,000 firms providing financial services in Ireland and overseas. This regulation is to ensure financial stability, consumer protection and market integrity.

21

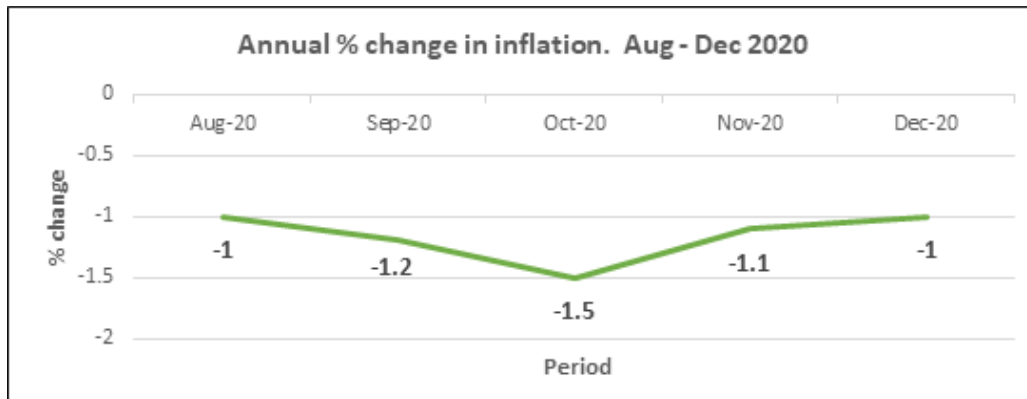
- (c) (i) State the term used to describe when the price of goods and services are **falling** in a country.

5

Deflation.

- (ii) The diagram below shows the changing inflation rates from the Consumer Price Index (CPI) Ireland from August to December 2020. Using the data answer the questions in the table below:

3 @ 6



| | |
|---|---|
| What was the percentage change in inflation in October 2020? | -1.5% |
| What was the change in the annual percentage change in inflation between August and September 2020? | -0.2% |
| During what months was there an increase in the annual percentage change in inflation? | October to November November to December |

- (iii) The general prices of goods and services rose in Ireland during the period 2000-2007. Explain **one** possible cause of inflation in Ireland during this time.

7

Demand pull inflation occurs when the total/aggregate demand for goods and services is greater than the total/aggregate supply of goods and services. There is excess demand which pulls up the price level.

Cost push inflation occurs when the source of upward pressure on prices is the rising costs of the factors of production i.e. costs rises without a corresponding improvement in productivity. This increase in costs is then passed onto consumers in the form of higher prices.

Imported inflation Imported raw materials from abroad have increased in price leading to an increase in the prices of finished products in the home market.

Government induced inflation occurs when the government increase the level of VAT and consequently cause inflation.

30

Question 14

| | Possible responses | Max Mark |
|------------|---|--|
| (a) | <p>The ESB and Bord na Móna are pleased to announce that agreement has been reached on the €160m Oweninny Project (wind farm technology) in North County Mayo. Adapted from bordnamona.ie</p> <p>(i) Is the above an example of current or capital government expenditure? Explain your answer.</p> <p>Capital expenditure.</p> <p>This is a once off/long term item of expenditure. Citizens will benefit from the windfarm for many years.</p> <p>(ii) The spending by the government on the Oweninny project is €160 million and this involves an opportunity cost. Explain the term opportunity cost.</p> <p>The cost of foregone alternatives / the cost of passing up the next best choice when making a decision. By investing in the windfarm, the government is foregoing investing in another area e.g. education/health.</p> | <p>7</p> <p>7</p> <p>7</p> <p>21</p> |
| (b) | <p>(i) Define the term mixed economy.</p> <p>An economy that incorporates elements of both central planning (government involvement) and private enterprise in its economic system.</p> <p>Both the government and markets play a role in deciding how to allocate resources.</p> <p>While most goods and services are produced by private businesses, there is still significant government involvement in services such as security, health and education, as well as other services.</p> <p>(ii) Outline one measure the Irish government could use to achieve each of the following objectives:</p> <p>Care for the Environment:</p> <p>Public education information campaigns: to encourage all citizens to reduce waste; reuse products and recycle / to increase awareness of the benefits of a clean/healthy environment.</p> <p>Increase taxes: on those practices which impact negatively on the environment i.e. plastic bottle tax; private car tax; congestion tax on cars into cities.</p> <p>Provide / subsidise public transport: which would encourage its greater use and so help reduce emissions / reduce private car transport.</p> <p>Grants for solar energy use / home insulation / switch to greener technologies: which will help homes and businesses become more efficient and result in less emissions to damage the environment.</p> <p>Investment in more 'greenways': citizens may appreciate more where we live and help care for the environment in a more responsible way.</p> | <p>8</p> <p>1 @ 8 (2 @ 4)</p> |

Maintaining State Services:

Continue to invest in our services: so that they can provide the services which are demanded such as health / education / transport services etc.

Ensure sufficient employment levels within the state sector: this will mean that service levels are maintained / improved and that no service is not provided due to labour shortages i.e. nursing and consultants in public hospitals.

Fund local authorities: so that they can provide essential services at local level such as housing; public amenities; recreational facilities etc.

Build a sustainable model for the financing of public services: the government may have to educate citizens of the benefits of paying contributing more in taxation so that state services are maintained / improved.

1 @ 8
(4 + 4)

24

(c) The table below shows the comparison in income taxes paid on a salary of €18,000 in various countries.
Adapted from Irish Tax Institute.

Tax paid on a salary of €18,000

| | |
|-------------|--------|
| Germany | €4,770 |
| France | €4,015 |
| UK | €2,119 |
| Switzerland | €1,120 |
| Ireland | €510 |

(i) Using the data above **name** the countries where an employee would pay the:

| | |
|-----------------|----------------|
| The lowest tax | Ireland |
| The highest tax | Germany |

2 @ 5

(ii) Is Value Added Tax a direct tax or an indirect tax?
Explain your answer.


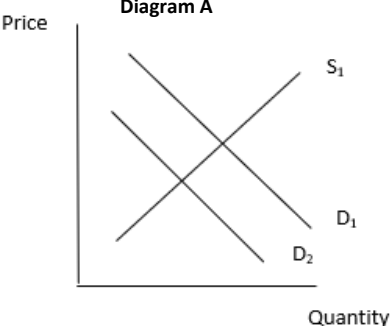
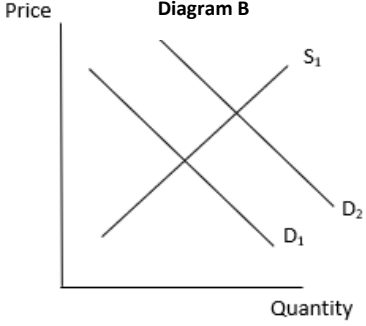
Indirect Tax.

It is a tax on spending/transactions. It is not a tax on income.

5
5

| | | |
|--|--|--|
| | <p>(iii) Outline two reasons why the Irish Government may intervene in an economy.</p> <p>Provide employment: the government provides direct employment as it requires a lot of people to organise, manage and implement its activities.</p> <p>Social welfare /redistribute wealth: the government provides income support for people who are unemployed or who cannot work so they can provide for their basic needs.</p> <p>Education: to provide an education system to citizens and also help create a skilled labour force so the government funds a relevant and comprehensive education system.</p> <p>Regulates the development of monopolies: the government can pass legislation to prevent the growth of monopolies and to protect consumers.</p> <p>Non-profit companies: the government may be the best agency to provide those services which are loss making but are essential to delivering services which help citizens e.g. assisting public transport firms; provision of water and sewerage systems.</p> <p>Encourage foreign direct investment: the Irish government places a great emphasis on FDI in helping employment and exports and offers tax incentives and grants to MNCs to set up in Ireland e.g. Apple.</p> <p>Achieve economic / social aims: the government intervenes to achieve economic / social aims other than those above such as to achieve sustainable economic growth.</p> | <p>2 @ 5 (2 + 3)</p> <p>30</p> |
|--|--|--|

Question 15

| | Possible responses | Max Mark | | |
|------------------|--|--|---|-----------|
| (a) | <p>The first notable increase in hand sanitiser sales occurred during the 2009 – 2010 Swine Flu outbreak.</p> <p style="text-align: right;">Adapted from Pixabay.</p> <p>(i) State the law of supply. Give an example to support your answer.</p> <p>The Law of Supply states that as prices rise the quantity supplied will rise and as prices falls the quantity supplied will fall / the law of supply has an upward-sloping supply curve from left to right / there is a positive relationship between the price of a good and the quantity supplied of that good.</p> <p style="text-align: center;">Any appropriate example.</p> <p>(ii) Does the law of supply apply to hand sanitiser in 2021? Explain your answer.</p> <p>Yes.</p> <p>The Law of Supply states that as prices rise the quantity supplied will rise and as prices falls the quantity supplied will fall. This was the case in 2021 as the price consumers were willing to pay increased supply increased (Many new producers entered the market and supply increased).</p> | <p>8</p> <p>7</p> <p>15</p> | | |
| (b) | <p>Nike is famous for its 'Just do it' advertising campaign.</p> <p>(i) Indicate by means of a tick (✓) which diagram accurately reflects the impact this highly successful advertising campaign had on the equilibrium of Nike products.</p> <div style="text-align: right; margin-bottom: 10px;">  </div> <div style="display: flex; justify-content: space-around; align-items: flex-end;"> <div style="text-align: center;"> <p>Diagram A</p>  </div> <div style="text-align: center;"> <p>Diagram B</p>  </div> </div> <div style="margin-top: 10px; text-align: center;"> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="padding: 5px;">Diagram B</td> <td style="padding: 5px; text-align: center;">✓</td> </tr> </table> </div> | Diagram B | ✓ | 10 |
| Diagram B | ✓ | | | |

| | | |
|-------------------|--|--|
| | <p>(ii) The cost of cotton which is a raw material used in the production of Nike Clothing increases. Would this impact on the demand curve or the supply curve? Explain your answer.</p> <p>Supply curve.</p> <p>An increase in the price of cotton, a key input in the production of Nike Clothing will shift the supply curve to the left as it is an <u>increase in the cost of production</u>.</p> <p>(iii) Many consumers are loyal to the Nike brand. Explain what is meant by the term consumer loyalty.</p> <p>A consumer may become strongly attached to a particular product through habit or likeness for the brand. An increase in price for that good will not cause him/her to consume less of the product or to switch to cheaper substitutes.</p> | <p>8</p> <p>7</p> <p>10</p> <p>35</p> |
| <p>(c)</p> | <p>(i) All economic goods are scarce and this effects how we make spending decisions. Explain the concept of scarcity.</p> <p>Scarcity means that resources are limited or scarce. These resources have alternative uses and while our wants are unlimited/infinite. Therefore, choices must be made.</p> <p>(ii) Explain how scarcity can effect my decision making as a consumer.</p> <p>The scarcer a good / service is a consumer must be prepared to pay a higher price for the good / service they desire. If the good follows the law of demand as the price increases the quantity demand will decrease.</p> <p>Because of scarcity a consumer must make a choice as to the best use of their income.</p> <p>(iii) Since the UK left the EU, EU consumers buying goods online from the UK, now pay tariffs. Explain what is meant by the term tariff.</p> <p>A tax on imported goods from abroad.</p> | <p>10 (7 + 3)</p> <p>5</p> <p>10 (7 + 3)</p> <p>25</p> |

| | | |
|-------------------|---|---|
| | <p>(ii) Explain, giving an example, what is meant by the term Market Failure.</p> <p>Market failure happens when economic resources are not allocated efficiently, caused by the price mechanism in the market working imperfectly e.g a shortage of housing in the Irish economy.</p> <p>Complete market failure is a situation where a market does not exist e.g. national defence.</p> <p>Partial failure occurs when the market produces a price or quantity supplied that is unsatisfactory e.g. the government intervenes and provides public healthcare facilities.</p> | <p>7 (4 + 3)</p> <p>27</p> |
| <p>(c)</p> | <p>On 1st January 2020, the UK officially left the EU. This has become known as Brexit.</p> <p>(i) Discuss one economic effect Brexit will have on each of the following:</p> <p>Consumers in Ireland:</p> <p>Increased prices: VAT and customs charges may apply on the delivery of goods to the Republic from the UK and so goods imported from the UK will cost more.</p> <p>Decreased standard of living: the increases in the price of goods/services means that consumers will have less disposable income. This leads to a lower standard of living.</p> <p>Encourage import substitution: the increase in the price of goods/services from the UK may encourage consumers in Ireland to 'shop local' and substitute Irish produced goods rather than goods from the UK.</p> <p>Consumer rights (Not in EU): purchases from EU-based websites come with various consumer rights, including the right to return goods for up to 14 days and various dispute resolution mechanisms, but these may no longer apply to online retailers in the UK.</p> <p>Possible shortages of goods: one of the effects of Brexit was problems in supply chains resulting in the shortage of some goods on supermarket shelves.</p> <p>Businesses in Ireland:</p> <p>Reduced sales / profits: Irish firms faced with possible tariffs may face reduced sales and profits.</p> <p>Possible closure / new markets: If Irish firms can't find alternative buyers it may force the closure of some businesses in Ireland. Some mushroom producers in Ireland have ceased trading.</p> <p>Possible relocation to UK: some Irish exporters who rely on trade to the UK may decide to relocate their business to the UK to avoid tariffs. This could increase unemployment and Irish exports.</p> <p>Problems with supply chains: some Irish firms have experienced difficulties with the supply of raw materials / goods due to difficulties at UK ports.</p> | <p>2 @ 8 (4 + 4)</p> |

(ii) Irish exports to the UK have grown by 16% despite the uncertainty surrounding Brexit.

Adapted from The Journal

Outline **one** possible effect this growth in Irish exports may have on the Irish economy.

**1 @ 8
(4 + 4)**

Employment creation: exports mean increased demand for goods produced in Ireland, leading to increased employment.

Increased GNP / economic growth: the monies received from exports (injection into the circular flow) will lead to increased incomes within the country.

Increased sales / profits: domestic firms can increase their sales/profits by exporting their excess output onto a foreign market / economies of scale. The receipt of foreign currencies can boost our country's reserves / provides the finance to help pay for imports.

Attract investment FDI: strong exports will increase confidence in the Irish economy and may help attract further investment into Ireland.

24

Government finances: increased economic activity will generate increased tax revenues for the government e.g. VAT / PAYE / CPT.

Ordinary 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 | Very Good | Good | Fair | Weak |
|--------------------------------------|--|--|--|---|
| Introduction | <p>The line of inquiry is reasonably clear and there is some evidence of coherence.</p> <p>The aims are slightly vague in context but they do meet a number of the requirements.</p> <p>A reasonably good attempt is made at linking the line of inquiry to the Learning Outcomes.</p> | <p>A basic attempt at linking the line of inquiry to the theme.</p> <p>The report lacks depth and structure.</p> <p>The aims are very vague and displays limited understanding of the theme and LOI.</p> <p>Vague attempt at linking the line of inquiry to the Learning Outcomes.</p> | <p>Very basic level of response.</p> <p>Very poor linking of the line inquiry to the theme or the Learning Outcomes.</p> <p>Aims if given are very poor with no structure.</p> | <p>Line of inquiry is not relevant to the theme or topic.</p> <p>No link to the Learning Outcomes.</p> <p>No aims provided.</p> |
| 10 marks | 8-10 | 6-7 | 4-5 | 0-3 |
| Evidence of Data: 5 marks | 5 | Deduct 1m if no quantitative data. | Deduct 1m if 2 sources not included. | |

| The Research Process 40 marks | | | | |
|--|--|---|---|--|
| | Very Good 8-10 | Good 6-7 | Fair 4-5 | Weak 0-3 |
| Application & Analysis | A good application and analysis of key concepts and theories to the line of inquiry. | Simplistic very basic application of key concepts and theories to the line of inquiry. | A simplistic, maybe confused attempt to apply a concept/theory to the line of inquiry. | No application of concept/theory to the line of inquiry. Concepts and theories if evident are irrelevant to the line of inquiry. |
| Interpretation & Evaluation | Basic analysis and interpretation and evaluation of sources of information and data used. Concepts and theories used make tentative links to part of the research process. In some cases, evaluation may be omitted. | Very basic analysis & interpretation of sources of information and data. Evaluation may be omitted. Concepts are somewhat relevant and sometimes applied to the line of inquiry | Data and sources of information is poorly researched which leads to very little if no interpretation. | Very poor selection of research sources. No evidence of evaluation. |
| Arguments & Judgements | Some good arguments and judgements are offered which are somewhat linked to economics concepts and theories. | Arguments/judgements offered are very limited and may not be relevant. | Very limited if any arguments or judgments are offered. | No arguments and judgements are offered. |
| Data | The sources of information and data used are relevant and in date but are very limited in quality and standard. | Sources of information and data if included are somewhat relevant and some maybe in date. | There is some very limited, very vague evidence of sources of information used and data. Very little evidence. | No sources of information used or data are evident. |
| Research Process overall mark | 31-40 | 21-30 | 11-20 | 0-10 |

| | Very Good | Good | Fair | Weak |
|---|--|---|---|--|
| Conclusion | <p>Some conclusions are made based on the basic analysis and evaluation of the evidence with a good link to concepts & theories.</p> <p>Intended aims have been mostly addressed & most are met.</p> <p>Recommendations lack structure & depth.</p> <p>New somewhat relevant question/line of inquiry suggested.</p> | <p>Some conclusions are made based on a very basic analysis and evaluation (if any) with some limited evidence that these are somewhat linked to concepts/theories.</p> <p>Some of the intended aims are 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. These may be irrelevant or incorrect.</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.</p> <p>A lot of regurgitation and repetition.</p> |
| 20 marks | 16-20 | 12-15 | 8-11 | 0-7 |
| Reflection | <p>A personal reflection on the SRP is evident.</p> <p>Students consider & reflect on some elements of their learning. Basic consideration given to 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>A basic personal reflection on some elements of the SRP is attempted.</p> <p>A very basic consideration 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 consideration (if any) on how their thinking/attitudes has changed or/and evolved, their opinions and/or behaviour influenced/not influenced as 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 | 8-10 | 6-7 | 4-5 | 0-3 |
| Communication Presentation & Overall Coherence | <p>The SRP is reasonably coherent and logical.</p> <p>The language, concepts & data are somewhat integrated to give a basic flow & structure.</p> <p>Communication of data & information is clear but simplistic.</p> <p>There is evidence of originality and innovation.</p> | <p>The SRP generally lacks coherence and focus.</p> <p>The language, concepts & data lack focus & structure & the report may be hard to follow. Lacks consistency.</p> <p>Very little evidence of originality and innovation.</p> | <p>A poor attempt at delivering a coherent and logical SRP.</p> <p>The language, concepts & data are very poor and confused with many errors throughout.</p> <p>Little to no evidence of originality and innovation.</p> | <p>This SRP totally lacks structure and coherence. Irrelevant material and significant errors.</p> <p>The report contains incorrect information/plagiarism.</p> |
| 15 marks | 12-15 | 9-11 | 6-8 | 0-5 |

