



Coimisiún na Scrúduithe Stáit
State Examinations Commission

Leaving Certificate 2022
Deferred Examinations

Marking Scheme

Economics

Higher Level

Note to teachers and students on the marking schemes for the deferred examinations

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. However, it should be noted that the marking schemes for the deferred examinations may not necessarily be as detailed as the corresponding marking schemes for the main sitting of an examination, which serve to ensure consistency across a large team of examiners.

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 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 between the main sitting and the deferred sitting and from year to year. In the case of the deferred examinations, this means that the level of detail may vary by question, as the marking scheme will only have been finalised for the questions attempted by the candidates who sat these examinations.

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 a senior examiner when in doubt.

Future Marking Schemes

Assumptions about future marking schemes on the basis of past schemes (whether for the main examinations or the deferred examinations) 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 concerned. Accordingly, aspects of the structure, detail and application of the marking scheme for a particular examination will not necessarily be the same for the deferred sitting as for the main sitting or from one year to the next.

Marking Scheme and Support Notes

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

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

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

4	3	2	1	0
Excellent	Good	Fair	Poor	Weak
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SECTION A (75 marks)

Q	Possible responses	Max Mark																		
1	<p>The chart below shows the amounts of foreign direct investment (FDI) into Ireland between 2008 and 2019.</p> <div style="text-align: center; border: 1px solid black; padding: 10px; margin: 10px 0;"> <h3 style="margin: 0;">FOREIGN DIRECT INVESTMENT INTO IRELAND</h3> <table border="1" style="margin: 10px auto; border-collapse: collapse;"> <thead> <tr> <th>Year</th> <th>FDI (€ Trillions)</th> </tr> </thead> <tbody> <tr><td>2008</td><td>0.3</td></tr> <tr><td>2010</td><td>0.031</td></tr> <tr><td>2012</td><td>0.38</td></tr> <tr><td>2014</td><td>0.815</td></tr> <tr><td>2016</td><td>0.805</td></tr> <tr><td>2018</td><td>0.885</td></tr> <tr><td>2019</td><td>1.05</td></tr> <tr><td>2020</td><td>1.1</td></tr> </tbody> </table> </div> <p>(a) Using the above data, outline two positive economic consequences associated with this increase in FDI inflows into Ireland.</p> <p>Increased Employment - creation of jobs is the most obvious advantage of FDI. It is estimated that 20% of all private sector employment in the State is directly or indirectly attributable to FDI. Increased FDI boosts the manufacturing as well as the services sector. This in turn creates jobs and helps reduce unemployment.</p> <p>Taxation revenue - FDI contributes significant taxation revenue to the Exchequer especially corporation tax (which is over 20% of all taxation revenue for the government). FDI also generates other commercial activity across the economy and helps to increase tax revenues through income taxes and VAT (through spending).</p> <p>Increase in Exports – many companies who locate in Ireland do so for access to the EU. So much of their output have global markets. This improves Irelands balance of trade/payments.</p> <p>Increased Economic Growth - increased investment is an injection into the circular flow of income and will encourage further economic growth. The national income formula of $C+I+G+X-M$ indicates that an increase in investment into the Irish economy is likely to have a multiplier effect overall.</p> <p>Human Resource Development - skills gained and enhanced through training and experience boost the education and human capital quotient of the country.</p> <p>Investment in research and innovation – the location of these firms may aid investment into R&D by the firms themselves and by those firms who supply them. This will boost R&D in Ireland and may further add to Ireland’s attractiveness to FDI.</p>	Year	FDI (€ Trillions)	2008	0.3	2010	0.031	2012	0.38	2014	0.815	2016	0.805	2018	0.885	2019	1.05	2020	1.1	<p>1 x 6 (3+3)</p> <p>3 x 3 (1+2)</p>
Year	FDI (€ Trillions)																			
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(b) Outline reasons why a firm may decide to invest in countries **outside their home country**.

Increase efficiency - companies invest in different locations so that each product can be manufactured wherever it is most cost-effective to do so / achieve economies of scale e.g. volkswagen’s headquarters are in Germany, but it produces and assembles cars in different parts of the world to cut costs. For example, it has access to the entire North American market via NAFTA from its assembly plants in Mexican states. May give the firm increased access to scarce resources e.g. oil.

Cheaper labour costs – some companies locate in those countries which have lower wage costs &/or less restrictive regulations so that their costs are reduced.

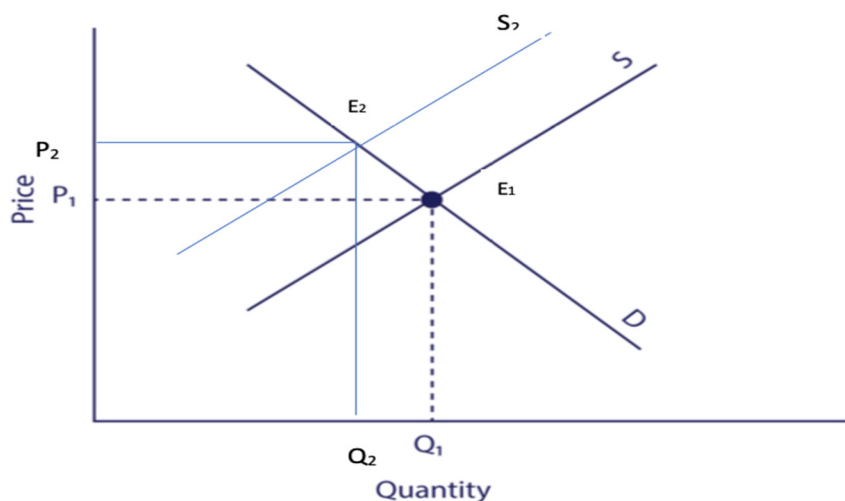
Seek larger markets/profits – companies may locate in those countries which have large domestic markets &/or access to markets which are emerging. This will allow increased sales and profits.

Lower taxation rates – companies who can, will locate in those countries with the lowest corporation tax rates so that profits are not taxed as heavily. In the past this was cited as a reason why companies located here.

Decrease exposure - companies invest overseas to decrease exposure to one market. This is desirable as it results in international diversification and entails benefits for the companies.

2 The shortage of timber is set to worsen as supply of logs tightens in Ireland.
Adapted from The Irish Times

(a) Explain, with the aid of a fully labelled diagram the impact this undersupply of logs will have on the market equilibrium, shown below.



Explanation:

The undersupply of logs means that the supply curve shifts to the left from S to S₂. There is a decrease in supply caused by an unplanned factor (Covid -19). The price increases form P₁ to P₂.

7
S:1
S₂:1
D: 1
P₁:1
P₂:1
Q₁:1
Q₂:1

3

	(b)	<p>Explain the meaning of the economic concept scarcity.</p> <p>The supply of resources / factors of production are limited and the demand is unlimited.</p> <p>Quantity of goods and service people like to have, exceeds the amount which the country's economy is capable of producing.</p> <p>Our wants are infinite and our income is limited and therefore choices must be made.</p>	5									
3		<p>The table below shows the annual average level of income in a country and the corresponding demand for mobile phones for two years 2020 and 2021.</p> <table border="1" data-bbox="240 674 1361 891" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">Year</th> <th style="text-align: center;">Income (€)</th> <th style="text-align: center;">Mobile Phones (Units)</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">2020</td> <td style="text-align: center;">60,000</td> <td style="text-align: center;">150</td> </tr> <tr> <td style="text-align: center;">2021</td> <td style="text-align: center;">65,000</td> <td style="text-align: center;">275</td> </tr> </tbody> </table> <p>(a) Using an appropriate formula, calculate the income elasticity of demand (YED) for mobile phones.</p> $\frac{125}{5,000} \times \frac{60,000 + 65,000 (125,000)}{150 + 275 (425)} = +7.35$ <p>(b) Using your knowledge of YED, explain the economic meaning of this figure you calculated in (a) above.</p> <p>+ sign:</p> <p>This is a normal good – It has a positive income effect. As income increased, quantity demanded increased.</p> <p>Number: +7.35</p> <p>The good is income elastic – it is greater than 1 in absolute terms. The percentage increase in quantity demanded is greater than the percentage increase in income. As income rises, consumers spend proportionally more on the good. The good is a luxury good.</p>	Year	Income (€)	Mobile Phones (Units)	2020	60,000	150	2021	65,000	275	<p>4x2+3</p> <p>2 x 2</p>
Year	Income (€)	Mobile Phones (Units)										
2020	60,000	150										
2021	65,000	275										

4

A new law banning ticket touting/ ticket scalping came into effect in July 2021. It prohibits the reselling of tickets above face value to designated events (those with an attendance above 1,000).

(a) Outline **two** reasons why the government introduced this legislation.

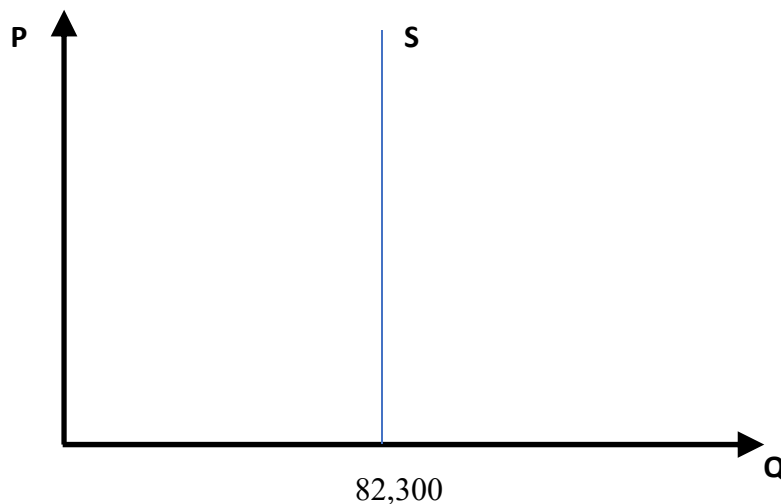
Prevent consumer exploitation – the legislation protects against profiteers seeking to unfairly gain from the resale of tickets and this prevents consumers from being exploited against unfair ticket prices.

Promote fairer access to tickets - genuine fans will now have fairer access to tickets for cultural, entertainment, recreational and sporting events.

Discourage the shadow economy – by introducing legislation (fines) it discourages ticket touts from engaging in the shadow economy. This will also benefit businesses in the legitimate economy.

2 x 4
(2+2)

(b) The maximum capacity of Croke Park stadium is 82,300 spectators. In your opinion, will the new law alter the supply curve of tickets available for the All-Ireland finals to be held in Croke Park this year? Explain your answer with the aid of a fully labelled diagram.



Explanation:
No, the law will not change this.

The supply of tickets available for the All-Ireland finals is fixed at 82,300. Regardless of price & the new law, the seating capacity/supply curve will not change.

3

2
2

5	<p>Ireland has one of the fastest growing data centre markets in Europe. Currently, most data centres in Ireland are located in Dublin with others in Cork, Limerick and Galway. Adapted from Arizton: Ireland Data Centre Market 2021-2026</p> <p>(a) Outline two sources of comparative advantage that Ireland offers, which helps to attract data centres in particular.</p> <p>Climate – Ireland has a cool temperate climate. This is an ideal climate to attract data centres as these large storage facilities would require larger investment in cooling systems in warmer climates. This acts as a source of comparative advantage.</p> <p>Educated/Skilled workforce – Data centres require a highly skilled workforce to operate them and Ireland, with its high level of skilled workforce, provides this for companies wishing to set up here.</p> <p>Low taxes on profits – Companies operating in Ireland currently pay corporation tax at a rate of 12.5%. This low rate of tax is a source of comparative advantage and helps to attract many data centres to Ireland.</p> <p>Access to EU markets – By locating in Ireland which is in the EU, companies have access to EU markets which has a market close to 500 million people.</p> <p>Answer (b) or (c)</p> <p>(b) The €5.7 bn rural broadband scheme is far behind its initial roll out target. The National Broadband plan remains a focus of the Irish government. Outline two benefits of the rural broadband scheme to rural communities. Adapted from The Irish Times</p> <p>Improved standard of living: the NBP will ensure that all people and businesses have access to high-speed broadband, no matter where they live or work. Once completed, all parts of Ireland will have access to a modern and reliable broadband network which should result in a more efficient service, enhanced entertainment options leading to an improved standard of living.</p> <p>Option of remote/tele working – the rural broadband scheme should give rural residents the option of remote/tele working which could lead to productivity gains.</p> <p>Equitable service for all - the National Broadband Plan (NBP) is the government's plan to deliver high speed broadband services to all businesses, farms and households in Ireland. It will ensure that everyone in Ireland will have equal access to a high speed broadband service.</p> <p>Protection of the environment – the scheme should help to mitigate emissions with a rise in remote/tele working which should help with the sustainable development goals.</p> <p>Education – With improved access, learning outcomes should be enhanced through engaging interactive activities.</p> <p>Viable rural communities – the availability of broadband should allow the continued existence of vibrant rural communities / increased economic activity / reduced pressure in urban areas / possible reduced migration to urban areas.</p>	<p>1 x 4 (2+2)</p> <p>1 x 3 (1+2)</p> <p>2 x 4 (2+2)</p>
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OR

(c) Explain two reasons why government policies should support balanced regional development.

2 x 4
(2+2)

To promote employment creation - regional development will help maintain and create employment in rural areas.

To help maintain local services - services which are essential will be maintained e.g. education, banking, post offices, hospitals etc.

To reduce numbers leaving rural areas – if jobs are maintained then it may result in lower numbers emigrating and a decline in the urbanisation of Ireland.

To promote / support more vibrant communities – the areas will be more attractive areas to live in and this will help retain more of the population.

To promote a sustainable economy – the government must move to correct the growing disparity in the standard of living and the distribution of population between rural and urban Ireland. This means ensuring that investment and economic activity is spread broadly across the regions, and not concentrated entirely on Dublin and surrounding areas.

So that all citizens are treated fairly – government policies should aim that everyone, no matter where they live, have access to the same services, employment opportunities so that the standard of living for citizens can be equitable throughout the country.

6 (a) Explain the term GNP at **current market prices**.

The **total output / value of goods and services** produced by **Irish-owned factors of production / in Ireland and elsewhere** as measured by **current market prices**.

Any
3 x 3

(b) The data below has been adapted from Ireland's national accounts for 2020.

Description	Value
Adjustments <i>Including</i> <ul style="list-style-type: none">Factor income of redomiciled companiesDepreciation on R&D imports and trade in IPDepreciation on aircraft leasing	€75.6bn
EU subsidies	€1.5bn
EU taxes	€0.4bn
Net factor income from abroad	- €90.2bn

Given that **Gross Domestic Product (GDP) at Current Market Prices (CMP)** is **€372bn**, use the information above to calculate **ANY TWO** of the following terms **A, B, OR C**. State the relationships and show all your workings.

	<p>(A) GNP at current market prices = GDP +/- net factor income €372 bn - €90.2 bn = €281.8 bn</p> <p>OR</p> <p>(B) GNI at CMP = GNP at current market prices + EU subsidies and – EU taxes €281.8 bn + €1.5 bn - €0.4 bn = €283.7bn</p> <p>OR</p> <p>(C) Modified GNI at CMP (GNI*) = GNI at CMP – Adjustments €283.7 bn - €75.6 bn = €208.1 bn</p> <p>Highlighted parts are awarded 1 mark each</p>	<p>2 x 3</p>
<p>7</p>	<p>(a) The Irish government is committed to protecting the environment. Outline two measures the government introduced in Ireland to address this aim.</p> <p>Increased carbon tax – Budget 2022 commits €202 million in carbon tax revenue to fund the SEAI residential and community retrofit schemes and a further €10 million from the exchequer for the Solar PV scheme. This investment will support over 22,000 home energy upgrades. It will deliver warmer, healthier and more comfortable homes with lower energy bills. It will also reduce emissions from the residential sector and improve air quality. Other measures include plastic bag tax/latte levy.</p> <p>Grants for electric cars – a maximum grant of €5,000 is currently available for qualifying new battery electric vehicles when purchased privately and €3,800 for commercially bought EVs. These grants make EVs more financially viable and encourages the purchase of these vehicles over the petrol or diesel vehicles.</p> <p>Grants for retrofitting houses – In Budget 2022, The Minister for Housing, Local Government and Heritage will invest €85 million as part of the Local Authority Retrofit Programme in 2022. This will deliver many retrofits of Local Authority homes next year making them more energy efficient and reduce emissions.</p> <p>Investment in renewable energy - €31 million is being provided for improving energy efficiency and increasing the use of renewable energy in businesses and across the public sector.</p> <p>(b) During COP 2021, Ireland pledged to double its contribution to assist less developing nations in their fight against climate change. Outline two reasons, other than climate change, why Ireland is committed to assisting less developed nations.</p> <p>Attain sustainable development goals - the SDGs provide the overarching framework for Ireland’s international development policy. Irelands focus is on poverty reduction and delivering for the poorest and most vulnerable.</p> <p>To promote economic development - help improve the welfare of citizens.</p> <p>Humanitarian reasons - to provide help in times of urgent need and prevent deaths.</p> <p>Reduce poverty, hunger etc - to help citizens survive in times of famine.</p> <p>Improve access and quality of education for all - so that poverty can be reduced.</p> <p>Provide access to clean water and sanitation -to help contain the spread of unnecessary disease.</p> <p>Meet UN target of 0.7% of GNI to ODA: a stated aim of the Irish government.</p>	<p>1 x 4 (2+2)</p> <p>1 x 3 (1+2)</p> <p>2 x 4 (2+2)</p>

	<p>(c) Outline two challenges for less developed nations of relying on international aid.</p> <p>Reduced incentive to increase economic growth – by relying on international aid, there may be a reduced incentive for the governments of these nations to pursue policies which increase economic growth.</p> <p>May develop a culture of dependency in some countries and this may re-enforce this dependency limiting economic growth and development.</p> <p>The aid may not be in the desired form – if it focuses on food/emergency aid then economic projects that focus on developing the secondary and tertiary sectors may not take place.</p> <p>Ensuring the aid gets to those most in need – if the aid ends up in the hands of a ruling elite and/or spent on military materials it will not help those in most need and could lead to civil unrest.</p> <p>Misuse of the international aid – if the aid is not used for infrastructural development it will not lead to economic self-sufficiency and help the productive capacity of these nations or help diversify the nations productive capacity.</p> <p>Difficulties may arise when if the aid must be repaid – it may add to the nations high national debt and add to difficulties when repaying. Conditions may be attached to the aid which may limit the choices for future governments.</p>	<p>2 x 4 (2+2)</p>
<p>8</p>	<p>(a) As world population has increased, so too has CO₂ emissions. World population is estimated to reach close to 8 billion by 2040. According to some experts this could be unsustainable. Do you agree with this statement? Explain your answer.</p> <p>Yes as unless human behaviour changes it may not be possible for the world's resources to sustain / cope with a population of 8 bn.</p> <p>(b) 5% of new private cars purchased in 2020 in Ireland were electric-powered vehicles. This is a good example of a market failure. In your opinion, is the statement above true or false? Explain your choice.</p> <p>Indicate your answer by ticking (✓) the box. True: <input checked="" type="checkbox"/> False: <input type="checkbox"/></p> <p>Market failure occurs when economic resources are not allocated efficiently, caused by the price mechanism in the market working imperfectly.</p> <p>This can be seen in the electric-powered vehicle market.</p> <p>In this market there is partial market failure as the market produces a price or the quantity supplied is unsatisfactory. The high price charged for EV's means that the market has failed.</p>	<p>7</p> <p>2</p> <p>6 (3+3)</p>

- 9 (a) Complete the total revenue column and the marginal revenue column in the table below. Show all your workings.

Quantity	AR	TR	MR
15	€21	€315	-
18	€19	€342	€27
22	€17	€374	€32
28	€15	€420	€46

Total Revenue Workings:

$$15 \times 21 = €315$$

$$18 \times 19 = €342$$

$$22 \times 17 = €374$$

$$28 \times 15 = €420$$

Marginal Revenue Workings:

$$€342 - €315 = €27 \text{ (divide by 3 = €9)}$$

$$€374 - €342 = €32 \text{ (divide by 4 = €8)}$$

$$€420 - €374 = €46 \text{ (divide by 6 = €7.7)}$$

Answer (b) or (c)

- (b) Specialisation involved in hairdressing is beneficial to both the customer and the hairdresser.

Outline one benefit of the above specialisation to the **consumer**.

Better quality / service – specialisation can lead to better quality services if employees specialise on one task.

Lower prices – specialisation may lead to greater efficiency and thereby may lower unit costs, which if passed onto the consumer results in lower prices.

Greater efficiency – each task may be completed quicker resulting in a more efficient service.

OR

- (c) Outline one possible economic disadvantage of specialisation to the **hairdressing salon**.

Increased training costs – to train the personnel to become specialists in areas such as colouring; cutting, styling etc.

Higher prices to consumers – the salon may pass the higher training costs onto the consumer in the form of higher prices.

Staff shortages / recruitment – if staff are ill it may be difficult to offer the service. Demand for specialists may exceed supply leading to staff shortages.

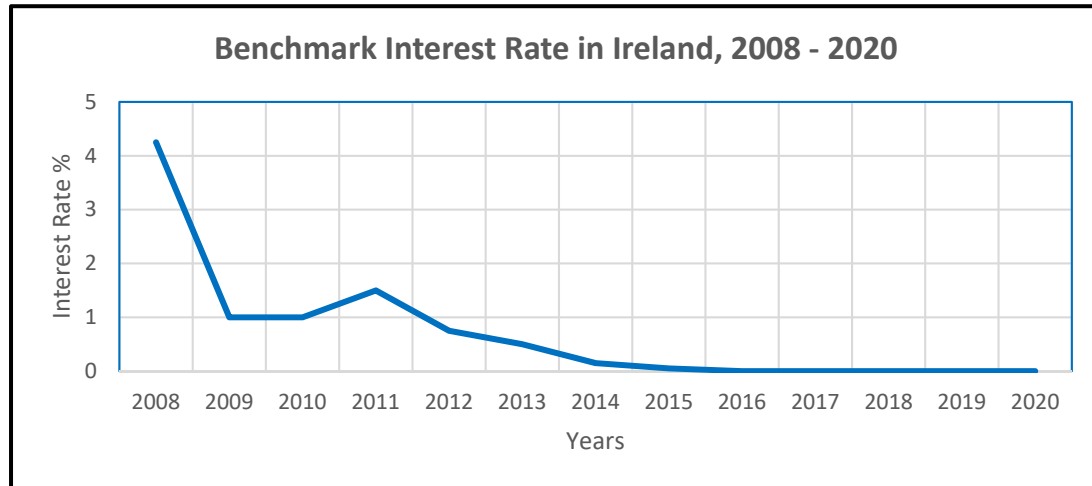
7 x 1

8
(4+4)

8
(4+4)

10

The chart below displays the benchmark interest rate in Ireland from 2008 to 2020.



(a) Outline **two** key trends in interest rates using data for the above chart.

2 x 4
(2+2)

2008 - 2019:

ECB reduced the benchmark interest rate from just above 4% and to 1%.

2009 – 2011:

ECB increased the interest rate from 1% to 1.5%.

2011 – 2015:

The interest rate was reduced from 1.5% to 0%.

2015 on:

Since 2015 the interest rate has remained at 0%.

(b) Explain how current interest rates may affect **borrowers** in Ireland.

7
(4+3)

Incentive to borrow – the interest rate is the cost of borrowing. If the base rate of interest is 0%, this means that interest rates that borrowers are paying will be low and thus an incentive to borrow.

More disposable income / cheaper cost of repayments – if borrowers are paying back less when the base interest rate is low, borrowers should have more disposable income to pay for other goods giving them more disposable income.

More choice – If consumers have more disposable income, they should have a bigger choice of goods and services to choose from when allocating their limited income.

Businesses reduced costs – as the cost of repayments fall it will help businesses to reduce costs and/or prevent closure of the business.

Reduced cost of repaying the national debt – if the government are borrowing then the cost of repayment will fall / may encourage increased capital investment.

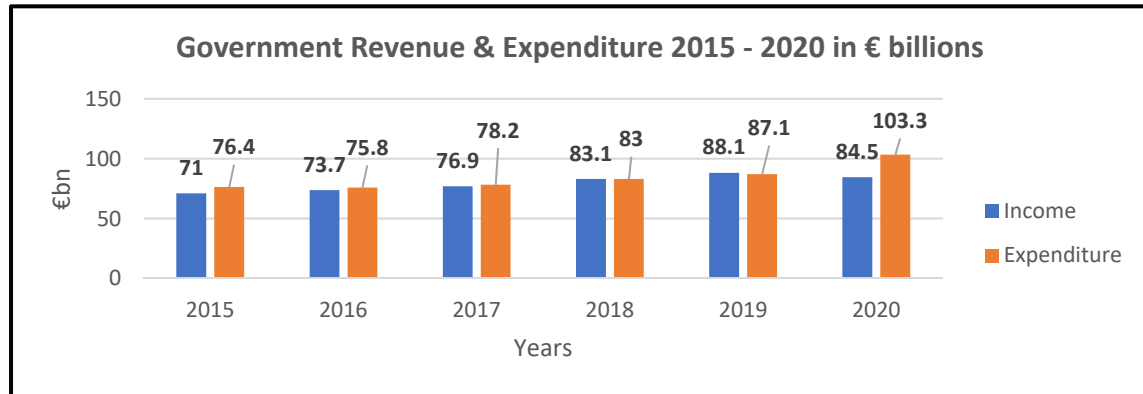
SECTION B (225 marks)

Question 11

Possible Responses

**Max
Mark**

The chart below shows Ireland's fiscal data between 2015 and 2020.



- (a) (i) Using the data above name the years in which Ireland had a budget surplus.

25

Year 1: **2018**

Year 2: **2019**

**4
3**

- (ii) Using the information provided in the diagram above calculate Ireland's fiscal position in 2020. Show all your workings. State clearly the budget outcome.

$$\text{€}84.5 \text{ bn} - \text{€}103.3 \text{ bn} = - \text{€}18.8 \text{ bn}$$

Deficit

Deduct 1 mark each if €, billion, – sign omitted.

**12
4 x 3**

- (iii) In your opinion, in 2020 which policy is the Irish government currently pursuing?
Tick your choice: Expansionary
Briefly explain your choice using a relevant example to illustrate your understanding.

1

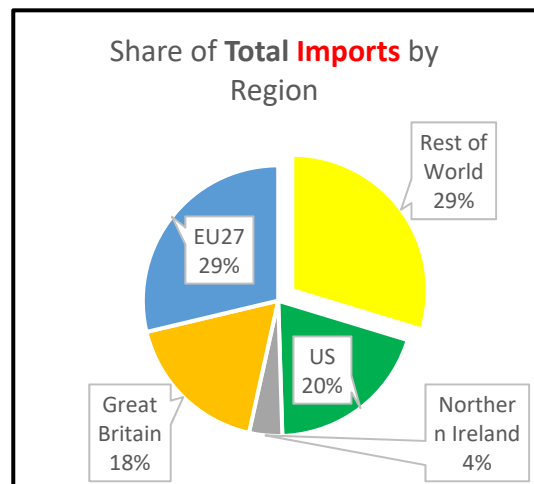
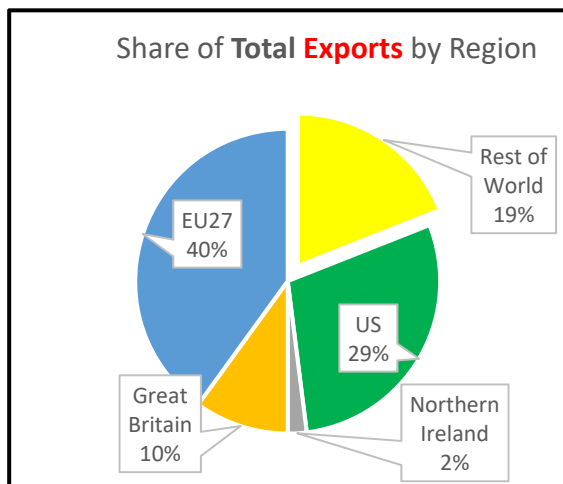
The government is spending more money than it is receiving in revenues.
This may involve decreasing taxes, increasing government expenditures or both in order to fight recessionary pressures.
With the pandemic (Covid-19) the government increased expenditure on health (PPE, nurse on call ventilators and beds), education (PPE, teachers, SNA's and hours) and unemployment benefit.

5

(b)

20

The pie charts below display the share of total exports and total imports by the Republic of Ireland in September 2021.



(i) Using the above data, outline the effect of the relevant information on **Ireland's Balance of Payments** with the US and Great Britain (GB).

US – Trade surplus.

Ireland's exports (29%) exceeds imports from the US (20%).

More money coming into Ireland than leaving to the USA.

GB – Trade deficit.

Ireland's imports (18%) exceeds exports to the UK (10%).

More money going into Great Britain than coming into Ireland.

4
2 x 2

4
2 x 2

(ii) Outline **one** possible economic benefit and **one** possible economic challenge of imports to the Irish economy, other than the impact on the Balance of Payments.

Economic benefit:

Increased choice of goods and services - Imports allows us to benefit from a greater variety of goods and services than would be otherwise available. We can't/don't produce certain goods and thus must import these

Lower prices for consumers - Imports results in greater competition in the market which should lead to more competitive prices for consumers

Access to essential raw materials - Businesses have access to essential raw materials that are not available on the domestic market e.g. coal, oil

Domestic production would be too expensive - Ireland is a small economy - in many cases economies of scale would not be achieved e.g. cars.

Economic challenge

More dependent on other countries – This would be especially true if Ireland imports commodities, such as food, oil, and industrial materials. It's dangerous if we rely on a foreign power to keep our population fed and our factories running

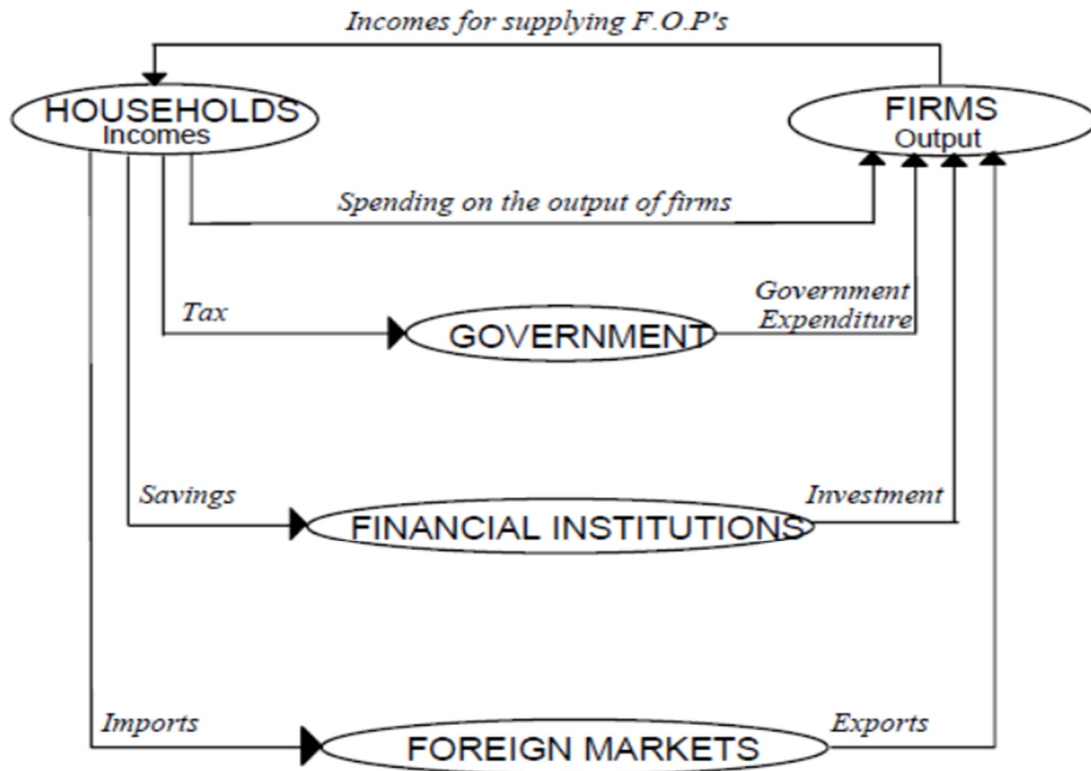
Domestic companies might struggle to compete – Domestic companies in Ireland might not be able to compete with foreign companies that import similar goods and services to their businesses threatening local jobs

6
(3+3)

6
(3+3)

(c) (i) Draw a fully labelled diagram, showing the Circular Flow of Income for an open economy.

30



13

(ii) Explain the terms injections and leakages using examples from your diagram above.

Injections: Injections are variables in an economy that add to the circular flow of income. These cause an increase in aggregate demand. Aggregate demand will increase by the injection times the multiplier.

2

Examples: Investment/Gov Expenditure/Exports

2 x 2

Leakages: Leakages are the non-consumption uses of income and these reduce the money available throughout the rest of the economy and thus reduce the circular flow of income.

2

Examples: Savings/Taxes/Imports

2 x 2

(iii) The Irish Government paid all social welfare recipients a Christmas bonus in December 2021, double their normal weekly payment. Outline how this measure might have affected the Circular Flow of Income.

This is an increase in an injection into the circular flow of income. This will lead to an increase in aggregate demand. Aggregate demand will increase by the injection times the multiplier.

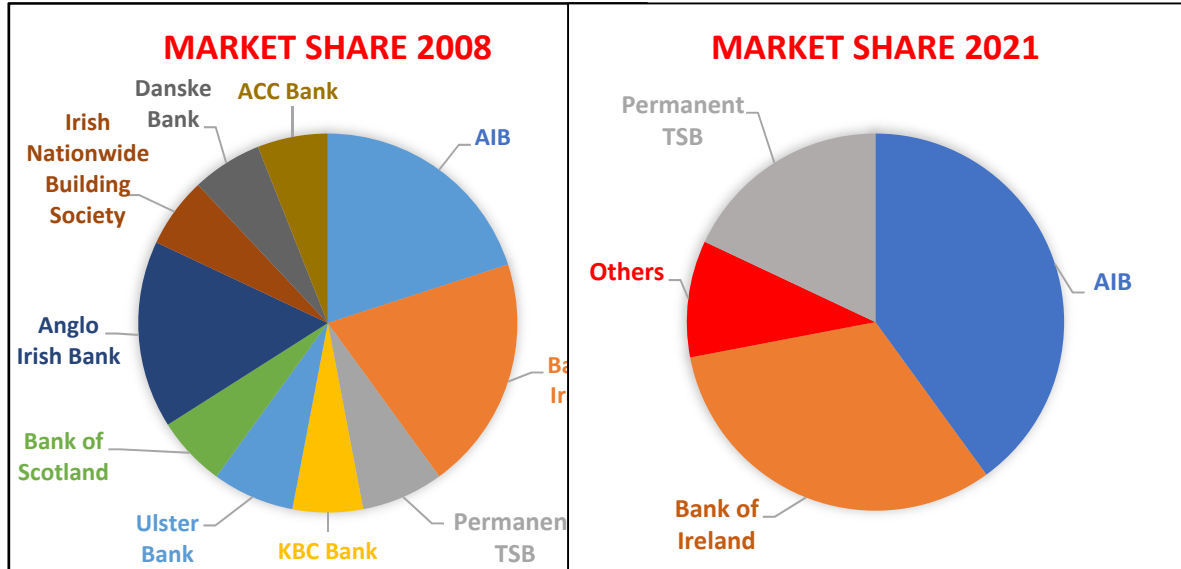
5

Question 12

Possible Responses

**Max
Mark**

The pie charts below indicate the mortgage market share of the Irish banking sector in 2008 and 2021.



- (a) (i) Using the data in the pie charts above, comment on the change in the mortgage market share concentration between 2008 and 2021.

19

2008

There is a **low concentration ratio** for the banking sector in Ireland with a **large number of firms**.

**6
(3+3)**

2021

There is a **high concentration ratio / oligopoly**.

The market is **dominated by 3 institutions: AIB/BOI/PTSB**.

There has been a **big fall in the number of companies offering mortgages** in Ireland from 2008. Consumers have much less choice. AIB, and Bank of Ireland still have the biggest market share, but their percentage market share has increased dramatically since 2008.

**6
(3+3)**

- (ii) Outline **two** possible reasons why a **low** market concentration may present difficulties for consumers.

Confusing pricing – firms may have packages which make comparisons difficult and confusing for consumers.

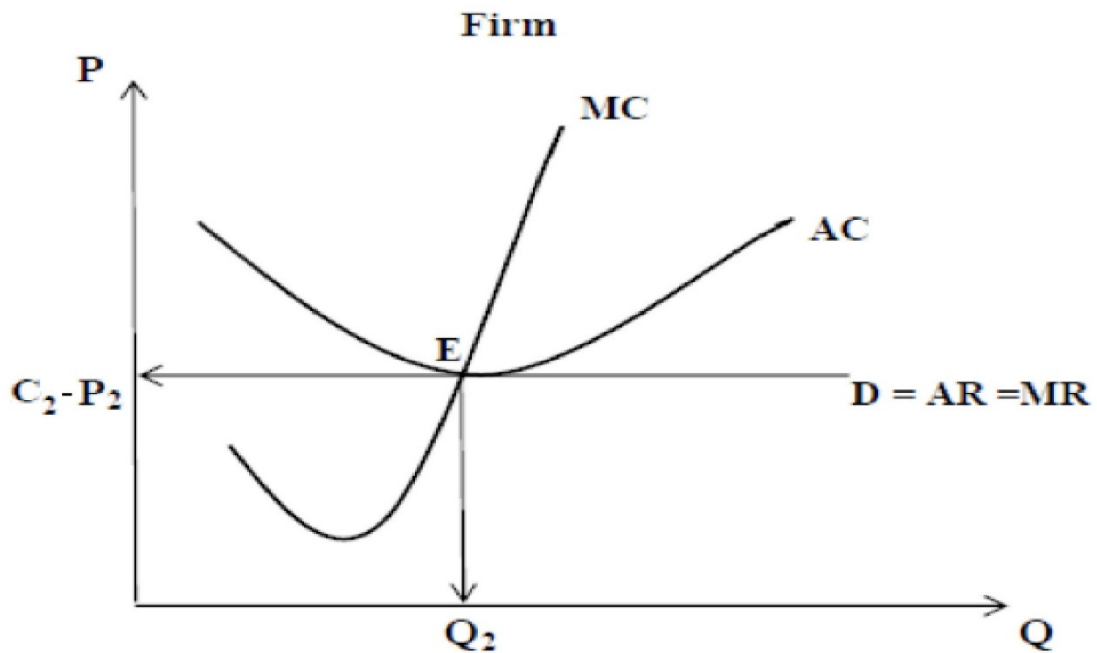
Competition may be limited – despite many firms being in the industry the competition may be limited and not offer much to choose from between the firms.

Lower standard of living – in an effort to increase sales some firms may ‘reduce’ the quality of their products and/or reduce the content of their products.

**1 x 4
1 x 3**

(b) (i) In the space provided below, explain with the aid of a fully labelled diagram, the long run equilibrium of a firm in perfect competition.

35



9

1 mark per label = 9 marks								
Price	Quantity	P_2	Q_2	C_2	E	D/AR	MC	AC

Explanation:

- Equilibrium is at point E (where $MC=MR$).
- Firms produce quantity Q_2 .
- They sell the output at price P_2 .
- Costs are at the level C_2 .
- Firms earn normal profits as AR is equal to AC.
- The firm is efficient as costs are at the minimum point of the AC curve.

8

(ii) Explain one possible economic advantage **and** one possible economic disadvantage of perfect competition as a market structure.

1 x 6
(3+3)

Advantages:

Low prices - The firm sells its products at the lowest possible prices. (there is no exploitation of consumers)

1 x 4
(2+2)

Efficiency is encouraged - the firm produces at the lowest point of the average cost curve so there is no waste of scarce resources.

Consumers are not exploited – as each firm only earns normal profit.

No advertising – as all the goods are homogenous so there is no point in wasting scarce resources on advertising and this saves the consumers having to pay higher prices.

Disadvantages:

Little potential to expand or develop /no scope for economies of scale - as there are many small sellers, firms do not get large enough to benefit from economies of scale.

Little choice for consumers - as the products are homogenous, there is little choice for consumers.

Little scope for research and development - lack of SNPs makes investment in R&D unlikely.

(iii) Firms in perfect competition should not engage in advertising.
Do you agree or disagree with this statement?

Agree ✓

Outline two reasons for your answer.

2 x 4
(2+2)

Homogenous goods - since the goods are identical and no differences exist, an individual producer cannot differentiate their product so there is no point in advertising.

Increased cost / waste of scarce resources - if a firm was to advertise it would increase its own costs and decrease its profits/gain no additional revenue.

Benefits the entire industry - advertising by a single firm would not just benefit this firm but benefit the entire industry and increase costs for the individual firm.

(c) In 2013 the EU blocked the takeover of Aer Lingus by Ryanair in an anti-monopoly decision. Adapted from rte.ie

21

(i) Explain why it is important for **consumers** that bodies like the EU regulates markets.

7
(4+3)

Prevents exploitation – reduced competition in a market will lead to a more concentrated market and firms may exploit consumers to earn higher profits.

Higher prices – if unregulated firms may increase prices.

Prevents growth of monopolies / reduced choice – If there was no regulation of markets, firms could merge freely, and this would severely limit the choice of consumers. This would have been seen in Ireland a few years ago when Ryanair tried to purchase Aer Lingus but were stopped by the EU.

Reduced research and development – firms may be less inclined to invest in R&D if the lack of regulation results in fewer firms in the industry.

	<p>(ii) Explain one benefit for employees, of a firm possessing significant monopoly power.</p> <p>Secure employment - as there is no competition from other firm's employees have greater security of employment.</p> <p>Conditions of employment - as the firm is not forced to reduce costs employees may benefit from preferential conditions of employment.</p> <p>Better rates of pay and pensions – the firm may be able to afford to give its employees better rates of pay and or better pensions.</p>	<p>7 (4+3)</p>
	<p>(iii) Explain one benefit for consumers, of a firm possessing significant monopoly power.</p> <p>Guarantee supply of product/service - The supply of the product/service may be guaranteed and provided where profit is minimal (e.g. a state monopoly) so consumers benefit e.g. provision of bus services in areas of low population.</p> <p>Economies of scale - production on a large scale may help the firm benefit from economies of scale and these cost savings may be passed on to the consumer in the form of lower prices.</p> <p>Potential for innovation/R&D - The (supernormal) profits that monopolies may make could be used for investment in R&D and secure their dominance in the market. Inventors/creators need patent protection otherwise they may not invent.</p>	<p>7 (4+3)</p>

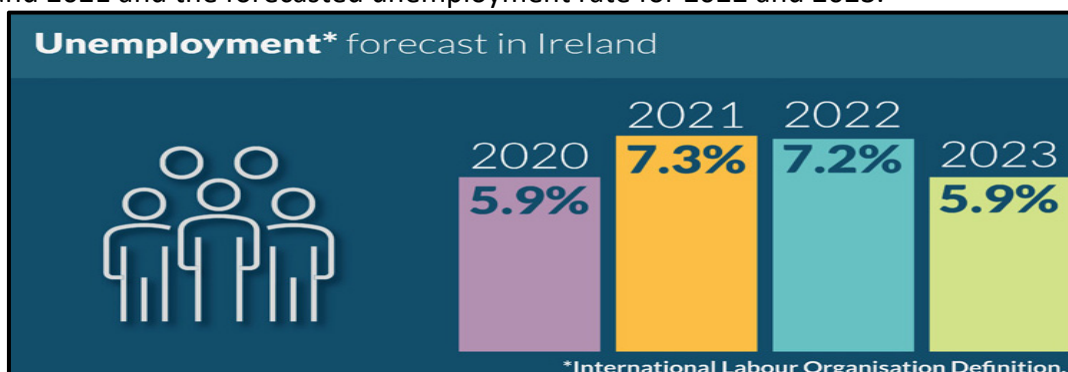
Question 13

Possible Responses

**Max
Mark**

(a) The diagram below shows the percentage (%) unemployment rate in Ireland for 2020 and 2021 and the forecasted unemployment rate for 2022 and 2023.

23



(i) Using the above information outline one possible reason for the changes in unemployment between 2020 and 2021 **and** one possible reason for the predicted trend in unemployment between 2022 and 2023.

2020-2021

The rate of unemployment rose from 5.9% to 7.3%.

This was caused by the global pandemic Covid-19 which caused many retail stores/hospitality employers to close increasing unemployment.

2022-2023

The rate of unemployment is predicted to fall from 7.2% to 5.9%.

This demand is backed by high levels of savings built up during covid is expected to cause a surge in demand by consumers.

This is predicted as demand in the economy is expected to grow now that the economy is recovering from Covid-19.

(ii) Discuss why some businesses in Ireland are experiencing labour shortages, even though some people remain unemployed.

Skills shortage – there is a shortage of skilled labour in many sectors across the Irish economy. This shortage has been felt particularly in construction.

Wages considered unattractive – in some sectors the wages may not be good enough to attract workers such as the hospitality sector.

Exodus of foreign workers - some sectors are now suffering staff shortages because of an exodus of foreign workers leaving the State or not coming at all because of work visa issues / returned home during Covid 19 / high inflation in Ireland.

The pandemic unemployment payment (PUP) – the PUP was larger than the social welfare and may have acted as a disincentive to work.

Reductions in workers due to Covid – during the pandemic some workers were made redundant and left their particular sector causing labour shortages e.g. Dublin Airport.

5

5

**5
(3+2)**

	(iii)	<p>In May 2021, a report in the Social Justice Ireland Employment Monitor indicated that unemployment could exceed 390,000 – higher than the last recession. Outline two possible effects of unemployment on Irelands economy.</p> <p>Increased current expenditure for the government – with less people working, the government will have to pay out more in social welfare payments.</p> <p>Decreased current revenue for the government – with less people working, the government will take in less PAYE revenue. As people have less disposable income, demand will also likely fall in the economy, spending will fall resulting in less indirect tax (VAT) revenue also.</p> <p>Decline in economic growth / economic activity – with reduced spending, aggregate demand will fall resulting in declining economic growth and less economic activity in towns and cities.</p> <p>Increase in poverty levels – those who become unemployed will have lower incomes and so will be able to afford less essential goods and services.</p> <p>Businesses may suffer – with reduced demand some businesses will face reduced sales, profits and face possible closure if unemployment persists.</p> <p>Possibly less attractive to FDI – if the economy is seen to falter and facing a reduction in demand some companies may see Ireland an unattractive location for investment.</p>	<p>2 x 4 (2+2)</p>
(b)		<p>The Low Pay Commission will examine how Ireland can move towards a living wage of €12.90, following authorisation by the Government. This is different than the national minimum wage.</p> <p style="text-align: right;">Adapted from The Journal</p>	
28			
	(i)	<p>Explain the term living wage.</p> <p>It is a wage which makes possible a minimum acceptable standard of living and is grounded in social consensus (not the cost of living)</p> <p>It is based on the concept that work should provide an adequate income to enable individuals to afford a socially acceptable standard of living.</p> <p>The living wage should provide for your needs not wants (below it means you are forced to do without essentials / can't make end meet).</p>	<p>7</p>

	<p>(ii) Outline one possible economic effect on employees, businesses, and the government if Ireland did introduce the living wage €12.90.</p> <p><u>Employees:</u></p> <p>Increased standard of living – if the government introduced the living wage, employees would have a greater level of disposable income and this would improve their standard of living.</p> <p>Greater choice - employees would be able to buy more goods and services and this would give them more choice.</p> <p>Incentive to work – the introduction of a living wage over the minimum wage would act as an incentive to work. The difference between the living wage and social welfare payments would be increased (<i>also acceptable for business below</i>)</p> <p><u>Businesses:</u></p> <p>Increased costs – if the government introduced the living wage, businesses would be forced to pay this wage. This would represent an increase in businesses costs.</p> <p>Reduced profits – the increase in businesses costs would almost certainly mean that profits would be reduced.</p> <p>Possible reduction in staff numbers – if the business is forced to reduce costs it may do this by reducing the size of its workforce.</p> <p><u>Government:</u></p> <p>More direct tax revenue – if more people are working (incentive to work) and more people are earning higher wages the government should be taking in more direct tax (PAYE and USC).</p> <p>More indirect tax revenue – if more people are working and earning higher wages, the government should be take in more indirect tax (VAT) as more people had more disposable income.</p> <p>Increased government current expenditure – wages for some state employees will rise and the government must pay for this.</p> <p>Better redistribution of income – if people on lower pay receive increased pay then this helps the government achieve its policy of redistributing income more equitably.</p>	<p>7 (4+3)</p> <p>7 (4+3)</p> <p>7 (4+3)</p>
<p>(c)</p> <p>24</p>	<p>In budget 2022 the government increased the old age pension by €5. Given that the current rate of inflation has risen rapidly would old age pensioners be happy with this increase? Justify your answer.</p> <p>(i) Answer: No</p> <p>Pensioners income has lost its ability to purchases goods and services. The current level of inflation in Ireland is 8.5%. The increase of €5 is far less than the increase in inflation rates in the economy presently and so they would not be happy with this increase.</p> <p>Their standard of living will fall /may have to choose between necessities (food v heat) / may fall into poverty / ill health.</p>	<p>6 (3+3)</p>

	<p>(ii) Suggest two measures the Irish Government could take to alleviate the effects of high inflation on citizens.</p> <p>Energy credit – the government have announced that every household paying for energy will receive credit of €200. This should have the effect of helping citizens.</p> <p>Increase/extend fuel allowance - By increasing/extending the fuel allowance, it should have the effect of making it more affordable for lower income households to purchase/use gas/electricity/oil.</p> <p>Increase social welfare/pensions - By increasing social welfare/pensions, it should have the effect of reducing the burden of high inflation rates on fixed income holders.</p> <p>Reduce VAT on gas and electricity/reduce excise duties on oil – by reducing VAT/excise duties it should have the effect of reducing prices and making it more affordable for households to purchase/use gas/electricity/oil.</p> <p>Reduce income tax rates – this will allow workers keep more of their income and so cope better with higher prices.</p> <p>Abolish examination fees – this will save money for those families who have family members sitting examinations.</p> <p>Increase grants for 3rd level students – will allow students pay for their increased cost of living while studying.</p> <p>Child minding costs – subsidise these charges as they have become increasing expensive and will allow parents to continue to work.</p> <p>Increase the minimum wage: this may allow workers buy essential commodities.</p>	<p>2 x 6 (3+3)</p>
	<p>(iii) If inflation continues at a high rate in Europe, outline one measure the ECB could implement to address high inflation rates.</p> <p>Increase interest rates – if the ECB increase interest rates it would act as an incentive to save. This should have the effect of reducing demand pull inflation in the economy. It would also act as a disincentive to borrow as the cost of borrowing has increased. This should also have the effect of reducing demand pull inflation.</p> <p>Reducing access to credit – if the ECB make accessing credit harder it should have the effect of reducing demand pull inflation in the economy.</p> <p>Money supply - if money supply grows slower than real output, there will be less money chasing more goods and services available and so inflation will fall. A contractionary monetary policy stifles demand and reduces prices.</p>	<p>1 x 6 (3 + 3)</p>

Question 14

		Possible Responses	Max Mark
(a)		In 2020, Revenue collected €82 billion in gross tax receipts while incurring administration costs of €467 million.	
30		Adapted from Revenue Annual Report 2020	
	(i)	<p>From the data above, calculate Revenue's administration costs as a percentage of its gross receipts. Show all your workings.</p> <p>€467m €82bn x 100 = 0.567%</p>	8
	(ii)	<p>The data above clearly demonstrates that Revenue follows the principle of 'economy' while carrying out its responsibilities. Outline three other principles of a modern tax system.</p> <p>Taxes should be equitable - the tax levied should take a higher proportion of income in tax as income rises, or the ability of each person to pay should be taken into account.</p> <p>Taxes should be certain - the amount of tax a person must pay should be certain and clear. The amount of tax revenue to be collected should be also be certain.</p> <p>Taxes should be convenient - the manner and timing of the taxes should be convenient to pay on the part of the taxpayer.</p> <p>Taxes should not be perceived, nor act, as a disincentive - tax rates should not discourage workers from working, taxes should not discourage entrepreneurial investment.</p> <p>Taxes should assist in the redistribution of income - a good tax system should help the government to redistribute income progressively from the rich to the poor.</p> <p>Taxes should be consistent with and aid the national economic objectives - the taxes levied should enable to government to achieve other economic and social objectives e.g. raising excise rates on cigarettes to discourage smoking.</p> <p>Taxes should have a stabilising influence on the economy - an effective system of taxation can prevent the level of economic activity from rising as fast as it would otherwise in economic growth. Similarly the system should shield the level of economic activity from falling as fast as it otherwise would in a recession</p> <p>Tax evasion should not be possible - effective taxes should not be possible to evade, otherwise the tax is not fair.</p>	3 x 5 (2+3)

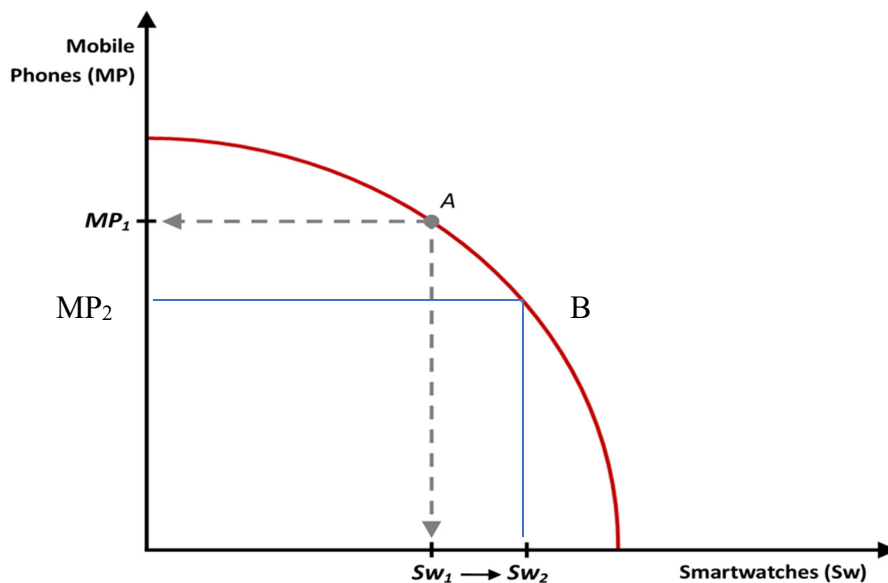
(iii) The Irish government increased the bands in Local Property Tax (LPT) in Ireland for 2022. LPT is a tax charged on the market value of residential property. Is LPT a progressive tax or a regressive tax? Justify your answer.

LPT is a regressive tax because it does not take into account one's ability to pay the tax. Your house could have a high market value but your income could be low and LPT does not take your ability to pay the tax into account.

7

(b) The diagram below shows the Production Possibility Frontier for a firm called ABC Ltd who produce both mobile phones and smartwatches. The firm's initial production combination is shown at point A.

16



4

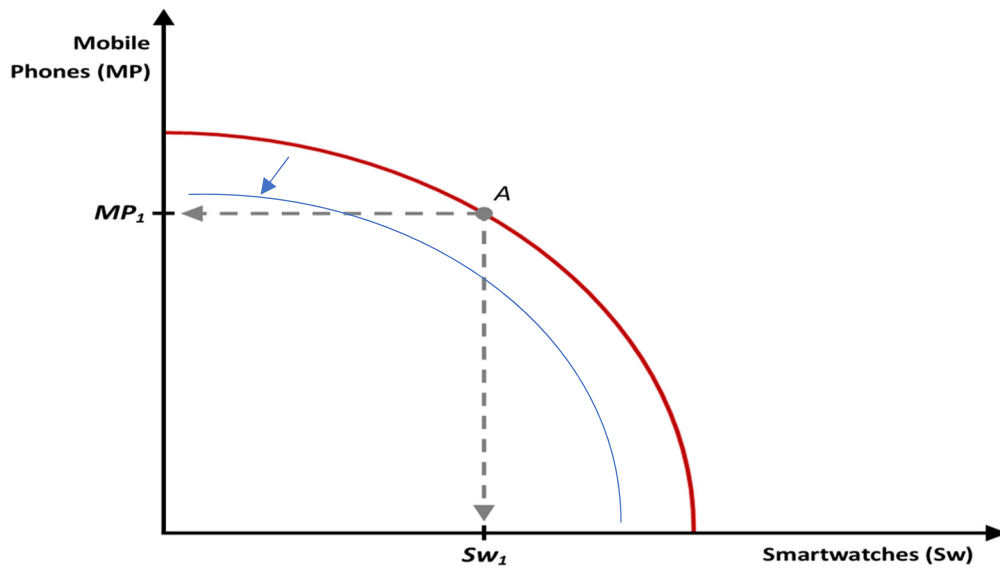
(i) Explain, and clearly illustrate using the diagram above, the opportunity cost for ABC Ltd, if it were it to increase its production of smartwatches to SW_2 .

If the firm increases production of smartwatches to SW_2 using the current level of resources, then fewer mobile phones would have to be manufactured shown at MP_2 (Point B). This is the trade off the firm makes.

4

(ii) Companies across industries globally have warned of an ongoing struggle to source computer chips for the IT industry. Adapted from Reuters

Explain, and clearly demonstrate on the diagram below, how this development most likely alters the production curve for ABC Ltd.



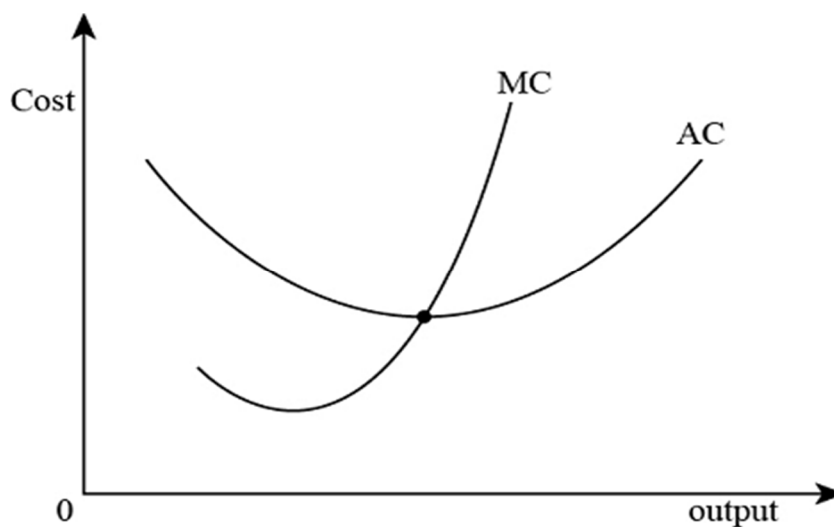
4

The PPF will shift to the left (inwards) as the production capacity falls / the shortage of chips will affect supply negatively. Less output can be produced.

2 x 2

(c) (i) On one diagram, draw and fully label, the Short Run Average Cost Curve (SRAC) and the Marginal Cost Curve for ABC Ltd.

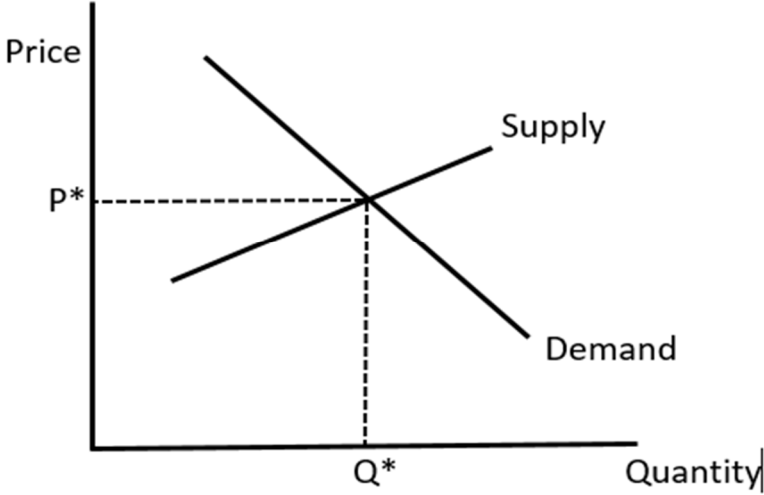
29



4 x 3

	<p>(ii) Explain the reasons for the shape of the SRAC.</p> <p><u>Downward sloping part:</u></p> <p>Specialisation/division of labour: this can occur if production increases and the firm decides to employ specialists or if existing workers concentrate on a smaller number of tasks. This can lead to greater efficiency and thereby lowers unit cost.</p> <p>Greater spread of fixed costs: as a company expands, its fixed costs will not increase directly as more is produced. Fixed costs are static over a range of output and behave in a step-like fashion. Therefore, fixed costs are spread over an increasing number of units and as production increases, the fixed cost per unit falls.</p> <p><u>Upward sloping part:</u></p> <p>The law of diminishing marginal returns / AVC per unit increases - as more and more of a variable factor is added to a fixed factor, at some stage the increase in output caused by the last unit of the variable factor will begin to decline. To produce more in the short run, a company requires increasing quantities of the variable factor (labour) per unit produced to increase output. In other words, it takes more workers to produce a given quantity of output than it did when production first began.</p>	<p>4 (2+2)</p> <p>4 (2 x 2)</p>
	<p>(iii) Explain the relationship between Marginal Costs (MC) and Average Costs (AC).</p> <ul style="list-style-type: none"> • When MC is less than AC, AC is falling. • When MC is greater than AC, AC is rising. • When MC is equal to AC, AC is at its minimum point. 	<p>3 x 3</p>

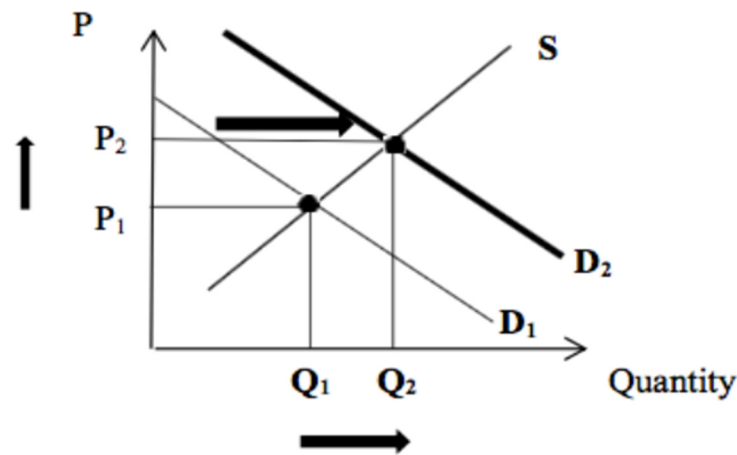
Question 15

		Possible Responses	Max Mark
(a)	(i)	<p>Describe by means of a clearly labelled diagram, the market demand and supply curves for electric vehicles (i.e. electric cars and vans) in Ireland.</p>	8
24			P:2 Q:2 D:2 S:2
		<p>The demand curve for electric vehicles is downward sloping from left to right. As price rises, quantity demanded falls and as price falls, quantity demanded rises</p>	2 x 2
		<p>The supply curve for electric vehicles is upward sloping from left to right. As price rises, quantity supplied will rise and as price falls quantity supplied will fall.</p>	2 x 2
	(ii)	<p>Outline two reasons for the current increase in the cost of producing electric vehicles.</p> <p>Shortage of computer chips – this is causing price of this to increase forcing prices of EVs to rise.</p> <p>Supply chain issues – as with all industries these issues are causing a delay in components reaching manufacturers and this leads to prices increases.</p> <p>Price of raw materials – inflation worldwide is causing prices to rise and these increases in raw materials must be passed onto the final consumer.</p> <p>Energy/electricity prices – are rising due to reduced supply; the invasion of Ukraine and the reduced supply from Russia / higher prices.</p> <p>Transport costs – with the increase in the price of oil/gas, the cost of transport has increased and this leads to increases in prices of all products in the supply chain.</p>	2 x 4 (2+2)

(b) (i) Demonstrate, with the aid of a fully labelled **diagram**, in each case, the effects which each of the following is most likely to have on the market equilibrium position for electric vehicles in Ireland. Explain your answer in each case.

28

The Government's decision to invest heavily in the construction of a network of high-power chargers (HPCs) across the country's main roads.

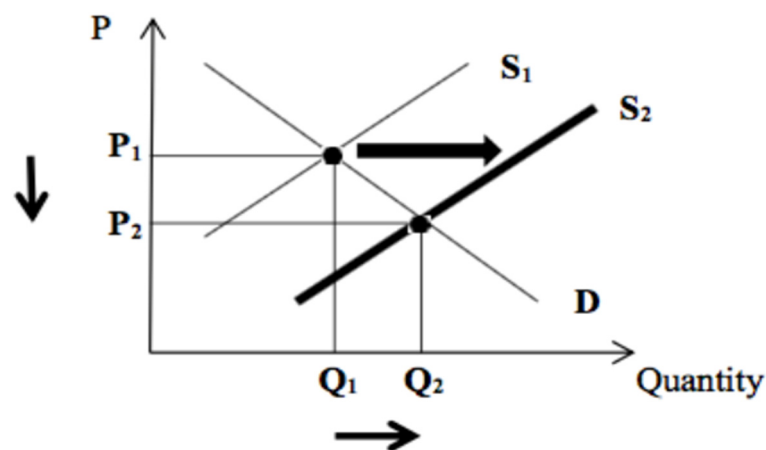


6

- D/C shifts to the right (D_2).
- Users seen more opportunities to charge the EV / demand for EVs will increase.
- New higher equilibrium price - P_2 .
- New higher equilibrium quantity - Q_2 .

8

(ii) Improvements and advances in the technology used in the production of electric vehicles.



6

- S/C shifts to the right (S_2).
- The technological advance will lead to an increase in the supply of electric cars due to increased efficiency/lower unit production costs
- New lower equilibrium price - P_2 .
- New higher equilibrium quantity - Q_2 .

8

(c)	(i)	Explain the economic term subsidy.	5
23		A subsidy is a direct or indirect payment to individuals or firms, usually in the form of a cash payment from the government. Subsidies can be used by the government to reduce a business's costs thus increasing supply of goods/services.	
		<p>e.g. the temporary wage subsidy scheme (TWSS) used by the government during Covid-19 was a way of reducing business's wage costs.</p> <p>(ii) Discuss one economic argument in favour and one economic argument against a government granting a subsidy to a business.</p> <p>In favour:</p> <p>Lower prices for consumers - products of subsidised inputs may sell at lower prices. If the subsidies were to be withdrawn, the prices of products would rise as their production cost would go up.</p> <p>Employment - pro-subsidy economists argue that subsidies to particular industries are vital to helping support businesses and the jobs they create. Economists who promote a mixed economy often argue that subsidies are justifiable to provide the socially optimal level of goods and services which will lead to economic efficiency.</p> <p>Allows industry to continue – those firms who receive subsidies may be able to reduce their costs and this will allow production to continue.</p> <p>Against:</p> <p>Opportunity cost - the money given to an individual or a business in a subsidy could have been used to improve health care, education or a country's infrastructure.</p> <p>Higher taxes - governments cannot give money to certain industries, businesses or people without first taxing citizens to obtain the money. This means that all government subsidies come with the hidden cost of taxation.</p> <p>Possible product shortages - When the government subsidises a particular product, it causes the price to go down and consumption to go up. While this will help consumers initially because of the reduction in price, it also has the effect of leading to shortages because producers may have trouble keeping up with the rise in demand.</p> <p>Difficult to measure success - one of the greatest advantages of a government subsidy is that it can limit what economists call negative externalities. Subsidies can reduce the negative externality of pollution, for instance, by supporting public transportation. However, one drawback of these subsidies is that it is difficult to measure their positive externalities to quantify the extent of their success.</p>	<p>5 (2+3)</p> <p>5 (2+3)</p>

(iii) Subsidies are one method governments use to intervene in a market.

Outline two reasons why a government may intervene in a market. Use an appropriate example, other than subsidies, to support your answer.

2 x 4
(2+2)

To prevent a market failure – the government intervened in the market for alcohol in Ireland by introducing minimum unit pricing. This was as a result of a partial market failure – the price mechanism was failing, and the price of alcohol was considered too low.

To create a just social environment and assist in redistribution of wealth – the government intervenes and assists in the redistribution of wealth through taxation – PAYE, USC (Money is taken off those who are working and redistributed to those who are not in the form of social welfare payments).

To care for the environment – the government intervenes to look after the environment. They have followed a polluter pays principle with regards to the environment through the increasing of the carbon tax.

To promote balanced regional development – the government have intervened in the market for broadband to achieve balanced regional development. By implementing the National Broadband Plan, all homes/businesses in rural Ireland will have access to high speed broadband.

Question 16

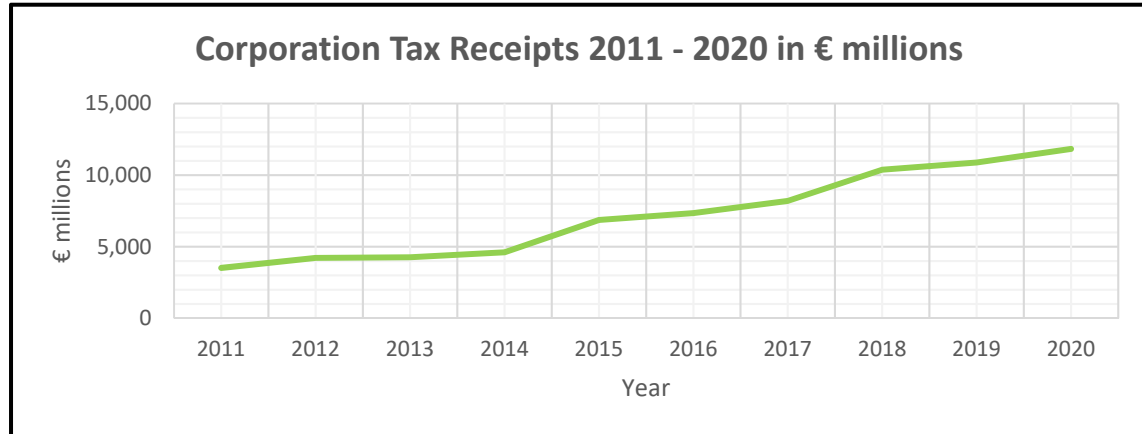
Possible Responses

**Max
Mark**

(a)

The graph below shows Corporation Tax Receipts for the Irish Government from 2011 to 2020.

20



(i) Outline **two** key trends in corporation tax receipts, using figures from the above graph.

Between 2011 and 2014

Receipts **increased slowly** from **under €4m to over €4m**.

The world economy continued its slow recovery from the recession brought about through a housing bubble in Ireland and financial crisis (worldwide).

Between 2014 and 2018

Receipts **increased dramatically** from **over €4m to over €10m**.

Between 2018 and 2020

This positive **growth continued right through to 2020** where tax receipts **reached €12,000** million as a result of the world economy experiencing high levels of demand.

(ii) Ireland's Corporation Tax Rate is set to rise to 15%, as part of a global deal.

Adapted from The Irish Times

Outline one possible positive economic effect and one possible negative economic effect **for the Irish economy** of this change in the rate of corporation tax.

Positive:

Effects on government revenue - firms who do remain in Ireland will help to counterbalance some of the loss of revenue if firms leave through their increased corporation tax rate. The increase could lead to a temporary increase in the amount of tax collected.

Equitable taxation system - if additional revenue accrues to the government then lower personal taxation may be possible and this will favour individuals and households.

**2 x 4
(2 + 2)**

**1 x 8
(4+4)**

**1 x 4
(2+2)**

Better relationships with trade partners – Ireland has been under pressure to adapt our tax rates. By increasing our tax rate it should help Ireland's reputation that its taxation system is fair.

Less repatriated earnings from large firms – many of the highest earning firms operating in Ireland are foreign firms. By increasing the tax rate more of the income they earn in Ireland will stay in Ireland and help to benefit the Irish people.

Negative:

Difficulty in attracting new FDI - if the corporation tax rate increases MNCs may consider other European countries which have a relatively cheaper cost structure.

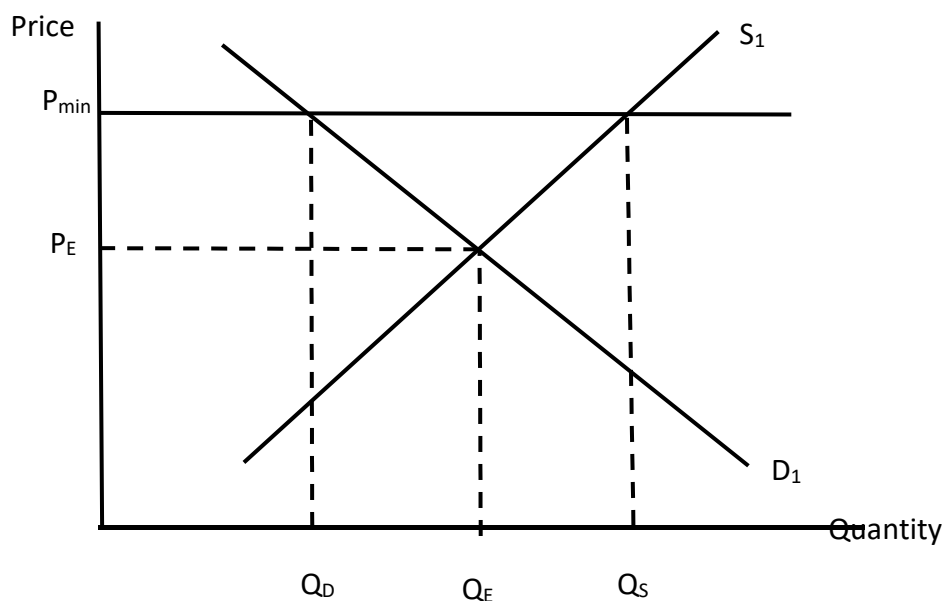
Some firms may leave Ireland – some established firms may leave to a more cost-effective location. This could have an adverse effect on employment.

Loss of employment - If there is a withdrawal of FDI from Ireland it will have a negative impact on the demand for labour leading to increased unemployment. It will also have a higher social welfare bill due to the increases in unemployment.

Effects on government revenue - due to the withdrawal of firms from Ireland the government may receive less tax revenue in the form of corporation tax, income tax and V.A.T. The government will have to spend additional revenue on promoting Ireland as a hub for FDI.

(b) A new law came into effect in Ireland in January (2022), setting a minimum price per gram of alcohol at 10c. Adapted from The Irish Independent

33 (i) Explain, with the use of a fully labelled diagram, how the introduction of minimum pricing (above the market equilibrium price) for alcohol drinks will impact on the market for alcoholic drinks in Ireland.



		<p><u>Explanation:</u></p> <p>Effect on price Through imposing a minimum price on alcohol, the price will be legally forced upwards from P_E to P_{min}.</p> <p>Effect on demand With the increase in price there will be a fall in demand for alcohol from Q_E to Q_D.</p> <p>Effect on market This will result in a surplus of alcohol as indicated above.</p> <p>(ii) Per capita alcohol consumption in Ireland was 10.78 litres of pure alcohol per person aged 15+ in 2019. Adapted from Alcohol Ireland</p> <p>Suggest two strategies, other than minimum pricing and taxation, the Irish government could implement to reduce the per capita consumption of alcohol.</p> <p>Education – the government could start an education campaign in primary/secondary schools outlining the dangers of alcohol and the risks associated with consuming alcohol.</p> <p>Advertising campaign – the government could start an advertising campaign on TV, radio, newspapers and social media outlining the dangers of alcohol and the risks associated with consuming alcohol.</p> <p>Further reduce selling times / places for alcohol sales – the government could introduce stricter laws on the selling times of alcohol / and restrict the places where alcohol can be sold.</p> <p>Sponsorship – the government could introduce restrictions in relation to the advertising and sponsorship of alcohol products for major events/tournaments which encourage the consumption of alcohol.</p> <p>Labels on packaging – the government could introduce labels similar to those seen with cigarettes and this is in the Public Health Act 2018. This could include health warnings and the alcohol content / energy content of alcohol / possible cancer effects on alcohol product containers.</p> <p>(iii) The per capita consumption rate of alcohol in Ireland may involve social costs. Outline two of these possible social costs.</p> <p>Health care – a big social cost are the expenses for treating problems caused by excessive drinking. They are also causing a huge strain on our health care service.</p> <p>Social problems in society – people ascribe excessive alcohol consumption as one of the main reasons for anti-social behavior in Ireland making towns and parts of cities feel unsafe.</p> <p>Workplace productivity – productivity in the workplace is reduced as a result of high per capita consumption of alcohol.</p> <p>Car accidents and deaths – the RSA and the Gardaí attribute alcohol as contributing factor to road accidents and deaths in Ireland.</p>	<p style="text-align: center;">6 (2 x 3)</p> <p style="text-align: center;">2 x 5 (2+3)</p> <p style="text-align: center;">2 x 4 (2+2)</p>
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(c) (i) The demand for land is referred to as a **derived demand**.

4

22 Explain the term derived demand with reference to the factor of production land.

Derived demand means that a factor of production is demanded not for its own use but for its contribution to the production process/final product it makes.

The demand for land will increase if there is an increase in the demand for housing/crops.

(ii) Explain two unique characteristics of land as a factor of production.

2 x 5
(3+2)

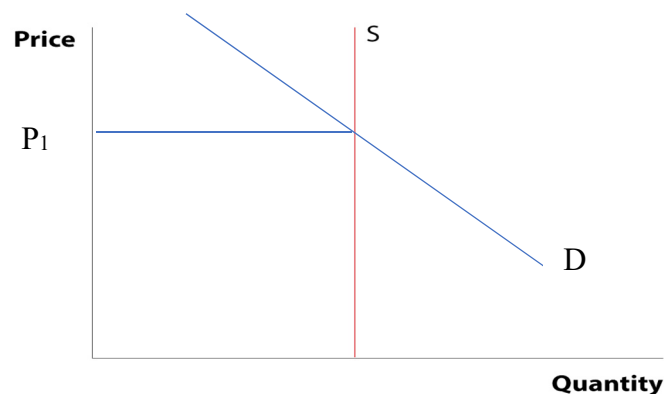
Land is fixed in supply - an increase in price being offered for land will not bring about an increased supply. The supply curve for land is a vertical straight line. Quantities of land can be reclaimed and soil erosion may take place but these have little effect on total supply.

Land has no cost of production to society as a whole - as land is a gift provided by nature it has no cost of production to society as a whole. Any payment to land is above its supply price of zero and this is termed economic rent.

Land is a non-specific factor - land can be used for various purposes. It can be switched from agricultural use to industrial / residential use.

Lack of mobility – land cannot be moved from one place to another. Its geographical mobility is nil, but ownership or value can be transferred.

(iii) Explain, with the use of a fully labelled diagram, the demand and supply curve for land.



4

Land is fixed in supply which means that an increase in price being offered for land will not bring about an increased supply. The supply curve for land is a vertical straight line.

2

The demand for land is a derived demand and is downward sloping from left to right. As price rises, quantity demanded of land falls and as price falls quantity demanded rises.

2

