



**Coimisiún na Scrúduithe Stáit**  
**State Examinations Commission**

**Leaving Certificate 2019**

**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.

**LEAVING CERTIFICATE 2019  
MARKING SCHEME**

**ECONOMICS**

**ORDINARY LEVEL**

## 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 not exclusive and further relevant points presented by candidates are rewarded on their merits.
- They are not model answers but 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 and mark allocations 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.

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## Summary of Mark Allocations

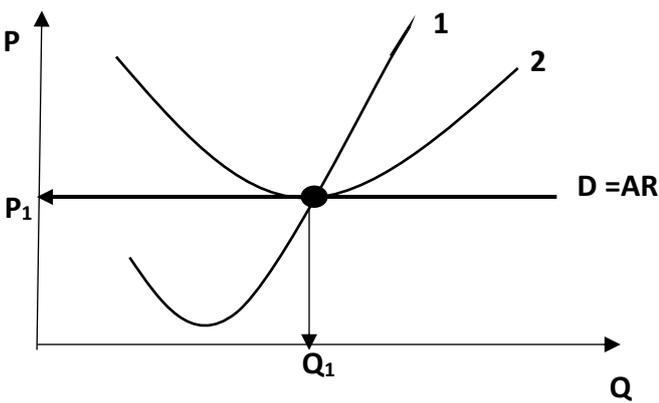
### SECTION A (100 marks)

Question	Marks
1	8 @ 2m
2	(i) 2 @ 6 (ii) 2 @ 2
3	1 @ 8; 1 @ 4 and 2 @ 2
4	1 @ 8 2 @ 4
5	9 (3 @3) 7
6	1 @ 8 3 @ 3
7	(i) 8 ( 4+2 + 2 ) (ii) 9
8	(i) 7 (ii) 5 + 5
9	5 + 4 + 4 + 4

### Section B

1(a)  1(b) 1(c)	(i) 5 @ 4 (ii) 5 + 5  1 @ 9 and 2 @ 6  2 @ 9 1 @ 6	5 (a) 5 (b) 5 (c)	3 @ 7 (4 + 3) 3 @ 8 ( 4 + 4 ) (i) 2 @ 6 ( 3 + 3 ) (ii) 3 @ 6 ( 3 + 3 )
2 (a)  2 (b) 2 (c)	(i) 11 (5 @ 2 ) + 1 (ii) 11 (5 @ 2 ) + 1 (iii) 6 (3+3) + 1 + 1  2 @ 10 ( 4 + 4 + 2 )  (i) 6 (4+2) (ii) 7 (5+2) (iii) 2 @ 6 (4 + 2)	6 (a)  6 (b)  6 (c)	(i) 5 + 2 (ii) 2 @ 7 ( 3 + 4 )  (i) 8 (ii) 6 (3+3) (iii) 2 @ 8 (4+4)  4 @ 6 ( 3 + 3 )
3 (a) 3 (b)  3 (c)	1 @ 11 and 2 @ 5 (i) 6 (ii) 2 @ 6 ( 3 + 3 ) (iii) 2 @ 6 ( 3 + 3 )  (i) 2 @ 6 ( 4 + 2 ) (ii) 2 @ 6 ( 4 + 2 )	7 (a)  7 (b)  7 (c)	(i) 9 ( 3 @ 3 ) (ii) 5 (iii) 2 @ 5 ( 3 + 2 )  (i) 2 @ 6 (ii) 2 @ 6 ( 3 + 3 ) (iii) 1 @ 6 (3 + 3 )  (i) 2 @ 5 (ii) 8 (iii) 3
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Section A

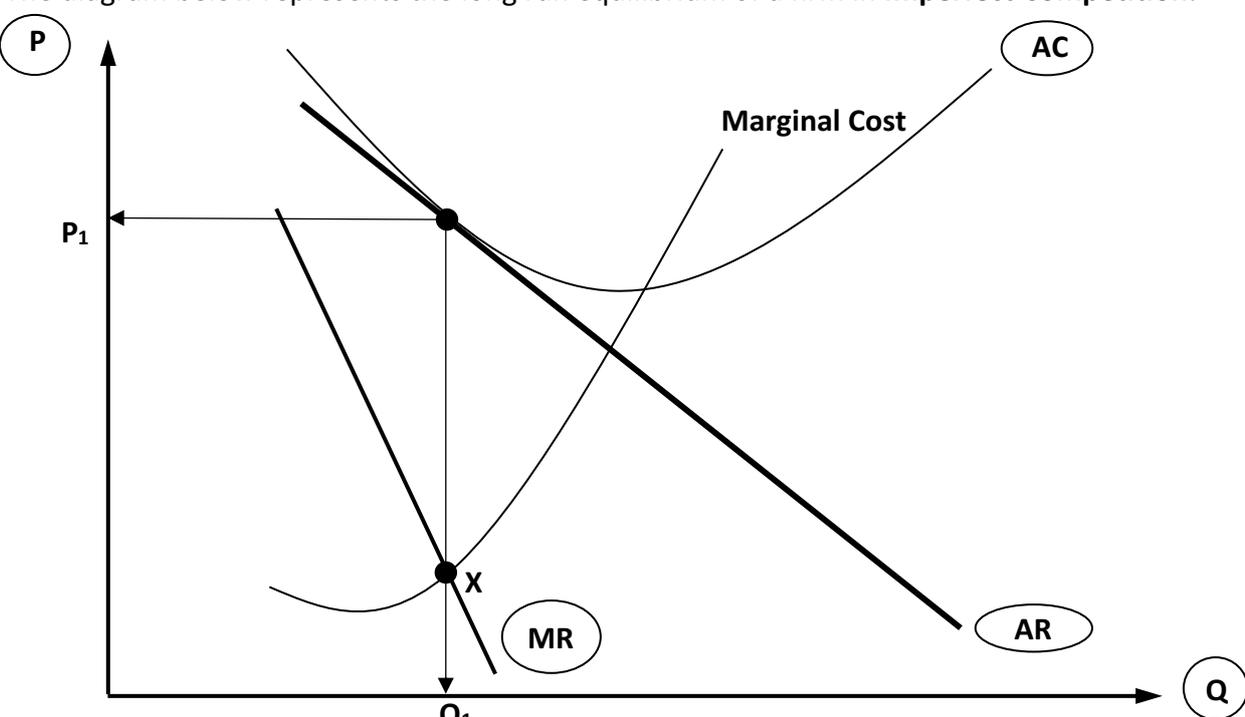
Q	Possible responses	Max Mark												
1	<p>What do the following letters stand for? Write <b>each</b> answer in the appropriate space.</p> <table border="1" data-bbox="151 347 1292 548"> <tr> <td data-bbox="151 347 316 414"><b>EU</b></td> <td data-bbox="316 347 1292 414">European Union</td> </tr> <tr> <td data-bbox="151 414 316 481"><b>ECB</b></td> <td data-bbox="316 414 1292 481">European Central Bank</td> </tr> <tr> <td data-bbox="151 481 316 548"><b>WTO</b></td> <td data-bbox="316 481 1292 548">World Trade Organisation</td> </tr> </table>	<b>EU</b>	European Union	<b>ECB</b>	European Central Bank	<b>WTO</b>	World Trade Organisation	8 @ 2						
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<b>WTO</b>	World Trade Organisation													
2	<p>The diagram below represents the long run equilibrium of a firm in Perfect Competition.</p> <p>(i) Write in words <b>the full label</b> (not abbreviations) for each of the lines numbered 1 &amp; 2. Use the answer box provided.</p> <table border="1" data-bbox="338 913 1061 1070"> <thead> <tr> <th colspan="3" data-bbox="502 913 657 947">Answer Box</th> </tr> <tr> <th data-bbox="338 947 491 992">Number</th> <th data-bbox="491 947 815 992">Full label</th> <th data-bbox="815 947 1061 992">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="338 992 491 1030">1</td> <td data-bbox="491 992 815 1030"><b>Marginal cost</b></td> <td data-bbox="815 992 1061 1030">6</td> </tr> <tr> <td data-bbox="338 1030 491 1070">2</td> <td data-bbox="491 1030 815 1070"><b>Average cost</b></td> <td data-bbox="815 1030 1061 1070">6</td> </tr> </tbody> </table> <p>(ii) <b>On the above diagram show:</b></p> <ul data-bbox="300 1191 1157 1272" style="list-style-type: none"> <li>• The price the firm will charge for its output (use label <math>P_1</math>)</li> <li>• The output the firm will produce in equilibrium (use label <math>Q_1</math>).</li> </ul> 	Answer Box			Number	Full label	Marks	1	<b>Marginal cost</b>	6	2	<b>Average cost</b>	6	2 @ 6  2 @ 2
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2	<b>Average cost</b>	6												

Q	Possible responses	Max Mark															
3	<p>State <b>examples</b> of the four factors of production under each of the following headings:</p> <table border="1" data-bbox="167 324 1321 611"> <thead> <tr> <th data-bbox="167 324 359 369">Factor</th> <th data-bbox="359 324 1321 369">Example of factor of production</th> </tr> </thead> <tbody> <tr> <td data-bbox="167 369 359 448">Land</td> <td data-bbox="359 369 1321 448">The ground on which the factory is built / raw materials used to make product / oil field, mine, forest.</td> </tr> <tr> <td data-bbox="167 448 359 488">Labour</td> <td data-bbox="359 448 1321 488">The workers who produce the products / labourers, plumber.</td> </tr> <tr> <td data-bbox="167 488 359 566">Capital</td> <td data-bbox="359 488 1321 566">Machinery / factory building used in production of the products / technology.</td> </tr> <tr> <td data-bbox="167 566 359 611">Enterprise</td> <td data-bbox="359 566 1321 611">The owners / shareholders who make the decisions and take the risks.</td> </tr> </tbody> </table>	Factor	Example of factor of production	Land	The ground on which the factory is built / raw materials used to make product / oil field, mine, forest.	Labour	The workers who produce the products / labourers, plumber.	Capital	Machinery / factory building used in production of the products / technology.	Enterprise	The owners / shareholders who make the decisions and take the risks.	<p>1 @ 8 1 @ 4 2 @ 2</p>					
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4	<p>Name the economist associated with <b>any three</b> of the following economic ideas / concepts listed below:</p> <table border="1" data-bbox="167 900 1321 1198"> <thead> <tr> <th data-bbox="167 900 220 958"></th> <th data-bbox="220 900 758 958">ECONOMIC IDEA / CONCEPT</th> <th data-bbox="758 900 1321 958">NAME OF ECONOMIST</th> </tr> </thead> <tbody> <tr> <td data-bbox="167 958 220 1014"><b>A</b></td> <td data-bbox="220 958 758 1014">Canons of Taxation</td> <td data-bbox="758 958 1321 1014">Adam Smith</td> </tr> <tr> <td data-bbox="167 1014 220 1075"><b>B</b></td> <td data-bbox="220 1014 758 1075">Theory of Population and Food Supply</td> <td data-bbox="758 1014 1321 1075">Thomas Malthus</td> </tr> <tr> <td data-bbox="167 1075 220 1135"><b>C</b></td> <td data-bbox="220 1075 758 1135">Worker exploitation in a capitalist system</td> <td data-bbox="758 1075 1321 1135">Karl Marx</td> </tr> <tr> <td data-bbox="167 1135 220 1198"><b>D</b></td> <td data-bbox="220 1135 758 1198">The multiplier</td> <td data-bbox="758 1135 1321 1198">John Maynard Keynes</td> </tr> </tbody> </table>		ECONOMIC IDEA / CONCEPT	NAME OF ECONOMIST	<b>A</b>	Canons of Taxation	Adam Smith	<b>B</b>	Theory of Population and Food Supply	Thomas Malthus	<b>C</b>	Worker exploitation in a capitalist system	Karl Marx	<b>D</b>	The multiplier	John Maynard Keynes	<p>1 @ 8 and 2 @ 4</p> <p>9 (3 x 3)</p> <p>7</p>
	ECONOMIC IDEA / CONCEPT	NAME OF ECONOMIST															
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5	<p>In 2017 the GNP of a country is €44 billion. In 2018 the GNP was €46.2 billion.</p> <p>(i) What do the letters GNP stand for: Gross National Product.</p> <p>(ii) Calculate the percentage increase in GNP between 2017 and 2018.</p> <div data-bbox="188 1550 1295 1877" style="border: 1px solid black; padding: 10px;"> <p><b>Show your workings</b></p> <math display="block">\begin{aligned} &amp; \text{€46.2 billion} - \text{€44 billion} = \text{€2.2 billion} \\ &amp; \frac{\text{€2.2 billion}}{\text{€44 billion}} \times \frac{100}{1} \end{aligned}</math> <p style="text-align: center;"><b>Answer: 5%</b></p> </div>																

Q	Possible responses	Max Mark										
6	<p>The items listed below are examples of injections or leakages as they relate to the Circular Flow of National Income. From the list indicate which are injections and which are leakages.</p> <table border="1" data-bbox="213 376 1385 456"> <tr> <td data-bbox="213 376 501 456">Taxation</td> <td data-bbox="501 376 842 456">Investment Expenditure</td> <td data-bbox="842 376 1145 456">Exports</td> <td data-bbox="1145 376 1385 456">Imports</td> </tr> </table> <p>Write your answers in the spaces provided.</p> <p><b>Answer:</b></p> <table border="1" data-bbox="213 613 1347 779"> <tr> <td data-bbox="213 613 746 658"><b>INJECTIONS</b></td> <td data-bbox="746 613 1347 658"><b>LEAKAGES</b></td> </tr> <tr> <td data-bbox="213 658 746 734">INVESTMENT EXPENDITURE</td> <td data-bbox="746 658 1347 734">TAXATION</td> </tr> <tr> <td data-bbox="213 734 746 779">EXPORTS</td> <td data-bbox="746 734 1347 779">IMPORTS</td> </tr> </table>	Taxation	Investment Expenditure	Exports	Imports	<b>INJECTIONS</b>	<b>LEAKAGES</b>	INVESTMENT EXPENDITURE	TAXATION	EXPORTS	IMPORTS	<p>1 @ 8 3 @ 3</p>
Taxation	Investment Expenditure	Exports	Imports									
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7	<p>The 4.75% rate of USC was reduced to 4.5% in Budget 2019.</p> <p>(i) What do the letters USC stand for?</p> <p style="text-align: center;"><b>Universal Social Charge</b></p> <p>(ii) Outline <b>one</b> economic benefit for workers of this reduction in the rate of USC.</p> <p>Increased disposable income so workers may have a higher standard of living. Increased productivity as some workers may feel their effort is now rewarded. Some workers may be able to save more. Some workers may use the extra income to reduce their level of debt.</p>	<p>8 (4+2+2)</p> <p>9</p>										
8	<p>(a) Explain what it meant in economics by the term <b>scarcity of resources</b>.</p> <p>Not enough factors of production and limitless wants. Quantity of goods &amp; services people like to have exceeds the amount which the economy's resources are capable of producing.</p> <p>(b) Outline <b>two</b> examples of ways Irish citizens waste resources:</p> <p>(i) Buying items they may not need or want. (ii) Not re-cycling those items which are recyclable. (iii) Using private transport when public transport is available. (iv) Leaving electrical items switched on or on standby.</p>	<p>7</p> <p>2 @ 5</p>										

Q	Possible responses	Max Mark
9	<p>A pizza delivery firm must cover both its fixed costs and variable costs in the long run.</p> <p>(a) Explain what is meant by <b>fixed costs</b> and state <b>one</b> example of a fixed cost for a pizza delivery firm.</p> <p><b>Fixed Costs:</b> costs which do not change as the level of output changes.</p> <p><b>Example:</b> Rent of pizza firm / insurance on premises/bank loan.</p> <p>(b) Explain what is meant by <b>variable costs</b> and <b>one</b> example of a variable cost for a pizza delivery firm.</p> <p><b>Variable Costs:</b> costs which change as the level of output changes.</p> <p><b>Example:</b> Flour/ingredients to make the pizza; wage costs.</p>	<p>1 @ 5 &amp; 3 @ 4</p>

**Q1 Imperfect Competition and competition in household waste collection services**

	Possible responses	Max Mark												
<p>(a) The diagram below represents the long run equilibrium of a firm in <b>Imperfect Competition</b>.</p>	 <p>(i) Write out in full what <b>each</b> of the <b>five</b> labels circled above represents.</p> <table border="1" data-bbox="391 1288 1220 1512"> <thead> <tr> <th>Label</th> <th>Correct answer</th> </tr> </thead> <tbody> <tr> <td>P</td> <td>Price</td> </tr> <tr> <td>Q</td> <td>Quantity</td> </tr> <tr> <td>AC</td> <td>Average Cost</td> </tr> <tr> <td>AR</td> <td>Average Revenue</td> </tr> <tr> <td>MR</td> <td>Marginal Revenue</td> </tr> </tbody> </table> <p><b>Copy the diagram into your answer book.</b></p> <p>(ii) Equilibrium occurs at <b>point X</b> on the diagram. Show on your diagram:</p> <ul style="list-style-type: none"> <li>The <b>price</b> the firm will charge for its output (use label <math>P_1</math>).</li> <li>The <b>output</b> the firm will produce in equilibrium (use label <math>Q_1</math>). <b>(30 marks)</b></li> </ul>	Label	Correct answer	P	Price	Q	Quantity	AC	Average Cost	AR	Average Revenue	MR	Marginal Revenue	<p>5 @ 4</p> <p>5 5</p>
Label	Correct answer													
P	Price													
Q	Quantity													
AC	Average Cost													
AR	Average Revenue													
MR	Marginal Revenue													

Q	Possible responses	Max Mark
(b)	<p><b>Free entry and exit</b> is one of the characteristics of an imperfectly competitive market.</p> <p>(i) Explain the term <b>free entry and exit</b>.</p> <p>(ii) State <b>two</b> other characteristics of Imperfect Competition.</p> <p>(iii) Write brief notes on <b>each</b> of these characteristics. <span style="float: right;"><b>(21 marks)</b></span></p> <p style="padding-left: 40px;">(i) Explain the term <b>free entry and exit</b>.</p> <p><b>Free entry and exit</b> exists in the industry.  There are no barriers to exit/entry into the industry.  Firms can come into the industry and leave the industry as they please.</p> <p style="padding-left: 40px;">(ii) State <b>two</b> other characteristics of Imperfect Competition.  (iii) Write brief notes on <b>each</b> of these characteristics.</p> <p>Many buyers  No individual buyer can influence by his/her own actions the market price of the goods.</p> <p>Many sellers  Each seller acts independently / an individual seller can influence the quantity sold by the price it charges for its output.</p> <p>Differentiated products  There are differences between the goods produced / It is possible for firms to use branding, advertising to distinguish their good from that of their competitors.</p> <p>Almost Perfect knowledge  In the market every firm has almost full knowledge as to profits earned by other firms in the industry.</p> <p>Each firm tries to maximise profits  The aim of each firm is produce that quantity where <math>MC = MR</math>.  Each firm will also try to minimise costs.</p>	<p style="text-align: center;"><b>1 @ 9</b></p> <p style="text-align: center;"><b>2 @ 6</b></p>

Q	Possible responses	Max Mark
(c)	<p>An increasing number of firms, such as Greenstar, Clean Ireland, AES and Mr. Binman, are providing household waste collection services throughout Ireland.</p> <p>Outline <b>two</b> possible economic advantages and <b>one</b> possible economic disadvantage of the increased entry of firms into the market for household waste collection services.</p> <p style="text-align: right;"><b>(24 marks)</b></p> <p style="text-align: center;"><b>Possible advantages of increased entry into the market</b></p> <p><b>More competitive prices</b> Competitors may reduce their prices in order to attract new customers.</p> <p><b>Greater range/choice of services</b> Competitors may introduce new services e.g. a brown bin to attract customers.</p> <p><b>Improved quality of services / more innovative</b> Competitors may improve the quality of the service provided e.g. offer more suitable times (more frequent collections) for the consumer such as early morning collection, offer a pay per weight system.</p> <p><b>Increased efficiency by firms</b> Firms may be forced to become more efficient in the provision of their service and be more sustainable to compete with the new competitors.</p> <p style="text-align: center;"><b>Possible disadvantages of increased entry into the market</b></p> <p><b>Duplication of services</b> Some customers may be serviced by many firms and there may be a waste of scarce resources.</p> <p><b>Some customers may not be provided with a service</b> If a customer lives in a particularly remote area it may be unprofitable to provide a service or it may be provided at a high price.</p> <p><b>Price comparisons can be difficult</b> Consumers may find it difficult to compare the prices being charged by the service providers as the description of the service provided may vary.</p> <p><b>Reduced market share</b> Existing firms may face a decline in sales, profits and this could result in a reduction in employment.</p>	<p style="text-align: center;"><b>2 @ 9</b></p> <p style="text-align: center;"><b>1 @ 6</b></p>

**Q2 Markets, Demand and Supply, Electric vehicles**

**Possible responses**

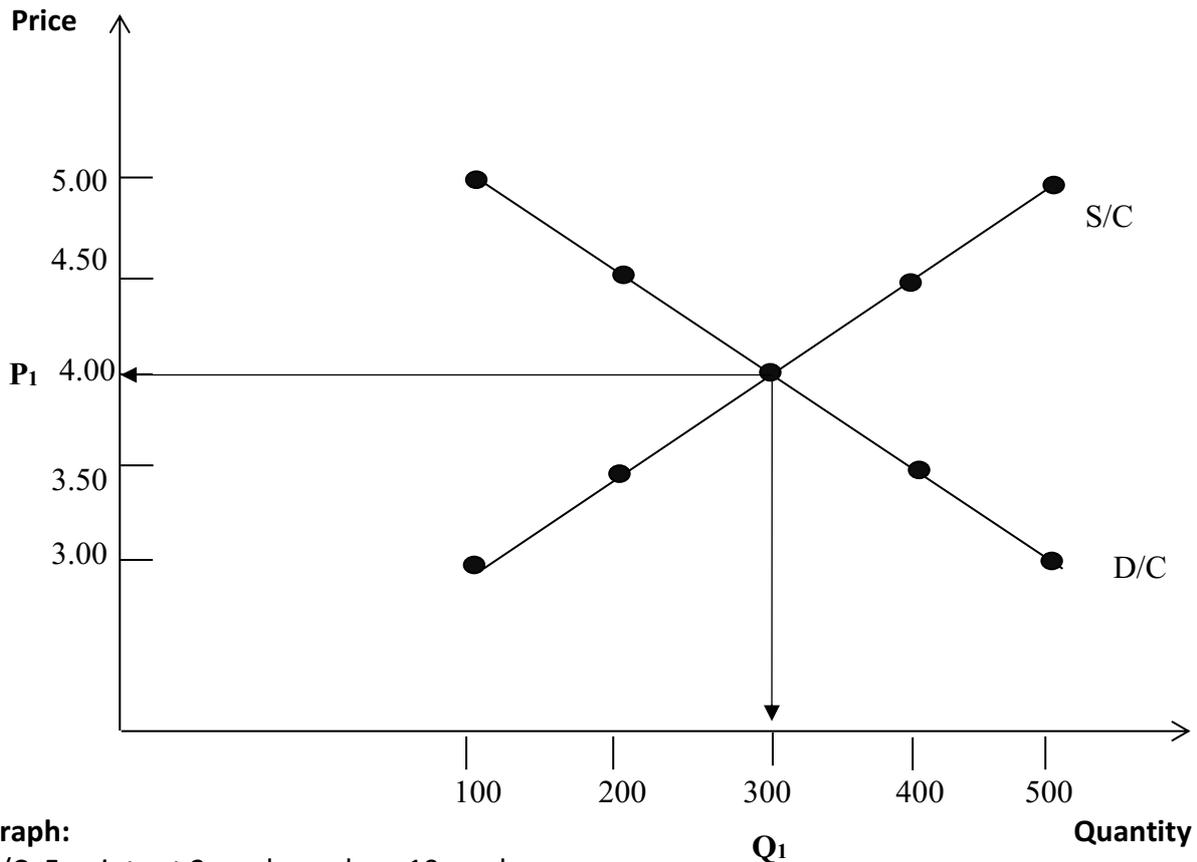
**Max Mark**

(a) The information below represents the quantity demanded and the quantity supplied at different prices for sandwiches in a school canteen.

Price €	Quantity Demanded (units)	Quantity Supplied (units)
5.00	100	500
4.50	200	400
4.00	300	300
3.50	400	200
3.00	500	100

Using the above information and **one** diagram:

- (a) (i) Draw and label the demand curve for sandwiches.  
 (ii) Draw and label the supply curve for sandwiches.  
 (iii) Show on your diagram:
- The equilibrium price for the sandwiches (use  $P_1$ )
  - The equilibrium quantity for the sandwiches (use  $Q_1$ ).
- (You may use graph paper if you wish.) **(30 marks)**



**Graph:**

- D/C: 5 points at 2 marks each = 10 marks
- S/C: 5 points at 2 marks each = 10 marks
- Labels: P, Q, D/C and S/C = 4 marks
- $P_1$  and  $Q_1$ : 2 x 3 marks each = 6 marks

Q	Possible responses				Max Mark	
(b)	<p>The demand curve for sandwiches <b>or</b> the supply curve for sandwiches may shift to the right or the left due to the following:</p> <ul style="list-style-type: none"> <li>• An increase in the cost of ingredients for the sandwiches</li> <li>• An additional 200 students visiting due to an athletics competition in the school.</li> </ul> <p>In relation to <b>each</b> of the above situations, answer the following <b>three</b> questions:</p> <p>(i) State whether the demand curve <b>or</b> supply curve will shift</p> <p>(ii) State whether the curve you mention will shift to the right <b>or</b> the left</p> <p>(iii) Explain why the curve has shifted in the direction you have stated.</p> <p style="text-align: right;"><b>( 20 marks)</b></p>					
		Increase in the cost of ingredients for sandwiches	Marks	An additional 200 students visiting due to an athletics competition in the school		Marks
	D/C <b>or</b> S/C?	Supply Curve	4	Demand Curve		4
	Shift to right <b>or</b> left?	Left	4	Right		4
	Explain	Costs of production have increased and the supplier will reduce supply.	2	The additional students will, if they have income, demand sandwiches and so the demand for sandwiches will increase on the day of competition.		2
			10			10

	Possible responses	Max Mark
(c)	<p>The Government extended the electric vehicle (EV) purchase grant of €5,000 in Budget 2019.</p> <ul style="list-style-type: none"> <li>(i) Outline <b>one</b> economic reason why the government took the above action.</li> <li>(ii) State and explain <b>one</b> economic effect the above action may have on the demand for electric vehicles (EVs) in Ireland.</li> <li>(iii) State and explain <b>two</b> other actions the Irish government could take to encourage the purchase of electric vehicles (EVs). <span style="float: right;">(25 marks)</span></li> </ul> <p><b>(i)</b> Outline <b>one</b> economic reason why the government took the above action.</p> <p><b>CO<sub>2</sub> emissions/cleaner environment</b> These vehicles will help reduce emissions and help Ireland become more environmentally friendly.</p> <p><b>Reduced dependence on fossil fuels</b> If demand for diesel and petrol cars decreases then so too will the demand for diesel and petrol.</p> <p><b>EU Climate change targets</b> Ireland is committed to meeting its EU climate change targets but at present it lags behind. The above measure, if successful, may help Ireland get closer to its EU target.</p> <p><b>Reduced EU fines</b> More money available for other uses (opportunity cost).</p> <ul style="list-style-type: none"> <li><b>(ii)</b> State and explain <b>one</b> economic effect the above action may have on the demand for electric vehicles in Ireland.</li> </ul> <p><b>Demand should increase.</b> As electric vehicles become more price competitive there will be an increased demand for new vehicles.</p> <ul style="list-style-type: none"> <li><b>(iii)</b> State and explain <b>two</b> other actions the Irish government could take to encourage the purchase of electric vehicles (EVs).</li> </ul> <p><b>Reduce motor tax/VRT</b> Assign a lower motor tax to electric cars. (Electric vehicles are currently in the lowest tax band €120)/Have lower VRT on the purchase of electric cars.</p> <p><b>Plug-in points / charging points nationwide / grants for installation of home chargers</b> Increased plug-ins will facilitate the increased use of electric cars.</p> <p><b>Allow electric vehicles to use bus lanes</b> The use of bus lanes may entice urban dwellers to purchase electric cars.</p> <p><b>Free parking</b> Provide free parking for electric cars which will reduce costs and act as a further incentive.</p> <p><b>Remove / reduce motorway tolls</b> Exempt electric cars for motorway tolls on all Irish roads.</p> <p><b>Reduce benefit-in-kind taxes for firms</b> This would encourage the use of EVs by firms and thereby help Ireland meet its EU climate change targets.</p>	<p style="text-align: center;"><b>6</b> <b>( 4 + 2 )</b></p> <p style="text-align: center;"><b>7</b> <b>( 5 + 2 )</b></p> <p style="text-align: center;"><b>2 @ 6</b> <b>( 4 + 2 )</b></p>

**Q3 The labour market**

	Possible responses	Max Mark
(a)	<p>Explain <b>any three</b> of the following terms:</p> <ul style="list-style-type: none"> <li>• National minimum wage rate</li> <li>• Occupational mobility of labour</li> <li>• Benefit-in-kind</li> <li>• Public sector employment.</li> </ul> <p style="text-align: right;"><b>(21 marks)</b></p> <p><b>National minimum wage rate</b> The lowest wage employers must by law pay their employees per hour of work.</p> <p><b>Occupational mobility of labour</b> The ease with which workers can move from one job to another.</p> <p><b>Benefit -in-kind</b> Payment to worker in a non-cash form which is taxable / Benefit an employee receives that cannot be converted into cash but has a cash value.</p> <p><b>Public sector employment</b> Workers employed by the state / their wages are paid by the government.</p>	<p><b>1 @ 11</b> <b>2 @ 5</b></p>
(b)	<p><u>Labour</u> has a major role to play in helping an economy develop.</p> <p>(i) Explain the term underlined above.</p> <p>(ii) Outline <b>two</b> reasons why employers might demand additional labour.</p> <p>(iii) State and explain <b>two</b> factors which may encourage more people to participate in the labour force.</p> <p style="text-align: right;"><b>(30 marks)</b></p> <p>(i) Explain the term underlined above.</p> <p>The human effort involved in producing a good or service.</p> <p>(ii) Outline <b>two</b> reasons why employers might demand additional labour.</p> <p><b>Demand for output / product</b> If there is an increase in the demand for the firm's goods/services this may lead to an increase in demand for extra workers.</p> <p><b>Government policies</b> If the government were to make it less expensive to employ workers then the firm may employ extra workers e.g. a reduction in employer's PRSI; reduced corporation profits tax; incentives offered for employing a long-term unemployed person etc.</p>	<p><b>6</b></p> <p><b>2 @ 6</b> <b>(3+3)</b></p>

Q	Possible responses	Max Mark
	<p><b>Reduction in the national minimum wage</b> If the national minimum wage rate was reduced, costs of production may fall. This may result in a firm being able to hire additional workers.</p> <p><b>Labour may be cheaper than technology</b> If this is the case then employers may demand extra labour.</p> <p>(iii) State and explain <b>two</b> factors which may encourage more people to participate in the labour force.</p> <p><b>Increased wage rates</b> may make it more worthwhile for people who are unemployed to join the labour force.</p> <p><b>Reduced state benefits</b> By reducing state benefits more people may decide to join the labour force.</p> <p><b>Lower income tax / USC</b> By lowering the income tax rates take - home pay increases and this may motivate some people to join the labour force.</p> <p><b>More flexible working hours</b> Offering more flexible hours may encourage homemakers to join the labour force.</p> <p><b>Cheaper child minding services / availability of crèches / increased parental leave</b> By providing childcare services / free pre-school places - workers with children may find it more financially viable to work.</p> <p><b>Retirees re-joining the workforce</b> If the retirement age is extended or abolished then more people will be able to participate in the labour force. A person who has retired may find their pension is inadequate and so seek some hours of work.</p> <p><b>Changed personal circumstances</b> If children are now of a school going age it may allow the house parent to rejoin the labour force.</p> <p><b>Provide incentives for up-skilling workers</b> Provide incentives for those who wish to start their own businesses or provide access to retraining people who may have lost their jobs to help them become more employable.</p>	<p><b>2 @ 6 (3+3)</b></p>

Q	Possible responses	Max Mark
(c)	<p>The Irish economy is currently experiencing skill shortages in certain sectors such as the construction, IT, health and education sectors.</p> <p>(i) Discuss <b>one</b> economic effect of skills shortages for <b>each</b> of the following:</p> <ul style="list-style-type: none"> <li>• Firms.</li> <li>• The Irish economy.</li> </ul> <p>(ii) State and explain <b>two</b> measures firms could take to increase the supply of skilled labour. <span style="float: right;"><b>(24 marks)</b></span></p> <p>(i)</p> <p><b>Firms:</b>  May have to reduce output / reduced productivity / reduce the provision of services due to the lack of labour / the quality of the product or service may deteriorate.</p> <p>Firms may lose customers if they can't meet demand / effect on reputation.</p> <p>Firms may lose market share to competitors if those competitors do not have labour shortages.</p> <p>Wage rate may be forced upwards in order to entice workers to work.</p> <p>Firms may have to source labour from outside the country.</p> <p><b>The Irish economy:</b>  Foreign companies may not locate here because of labour shortages and so Ireland loses out on investment.</p> <p>Increased immigration as those industries which need skilled workers may attempt to bring in workers from outside Ireland.</p> <p>Pressure in the provision of some services i.e. education and health due to the labour shortages / lack of essential housing (and the problems associated with this).</p> <p>Increased demand for courses in ITs/Universities.</p> <p>Reduction in economic growth / loss of revenue for government e.g. PAYE, CPT etc.</p> <p>(ii) Two measures firms could take to increase the supply of skilled labour:</p> <p><b>Upskill the existing workforce / provide in-house training</b>  Offer existing workers the chance to upgrade their skills/knowledge with courses etc.</p> <p><b>Increase wage rates</b>  This may attract some workers into those sectors which are experiencing shortages.</p> <p><b>Internships</b>  Offer work placements/internships for people who may be interested in this area and entice them to work in the sector.</p> <p><b>Information campaign</b>  Inform people that vacancies exist and promote the advantages of a career in various sectors.</p> <p><b>Providing/Offering subsidised accommodation</b>  If employees' costs were subsidised it may attract workers into the firm.</p> <p><b>Recognition of foreign qualifications by Irish firms</b>  Firms could recognise those qualifications received by workers in foreign countries.</p>	<p style="text-align: center;"><b>2 @ 6 (4+2)</b></p> <p style="text-align: center;"><b>2 @ 6 (4+2)</b></p>

**Q4 Trade and Ireland's Rainy Day Fund**

Q	Possible responses	Max Mark
<p><b>(a)</b></p>	<p>Explain <b>any three</b> of the following terms:</p> <ul style="list-style-type: none"> <li>• Open economy</li> <li>• Exchange rate</li> <li>• Economic growth</li> <li>• Tariffs.</li> </ul> <p style="text-align: right;"><b>(21 marks)</b></p> <p>Open economy One that engages in international trade i.e. it imports and exports goods and services.</p> <p>Exchange Rate This is the value of one currency expressed in terms of another currency.</p> <p>Economic growth</p> <ul style="list-style-type: none"> <li>• It is the rise in GNP / output (value of goods &amp; services)/ national income per head within a country over a period of time.</li> <li>• Increased productive capacity of an economy.</li> </ul> <p>Tariffs This is a tax on imported goods from abroad.</p>	<p><b>1 @ 11</b> <b>2 @ 5</b></p>
<p><b>(b)</b></p>	<p>Irish rugby supporters will travel to Japan for the Rugby World Cup 2019.</p> <p>(i) Is this an example of an invisible import <b>or</b> an invisible export for the Irish economy? Explain your answer.</p> <p>(ii) Explain what a <b>surplus</b> in Ireland's Balance of Trade means.</p> <p>(iii) Outline <b>two</b> economic advantages of international trade for the Irish economy.</p> <p style="text-align: right;"><b>(30 marks)</b></p> <p>(i) This is an example of an invisible import as the money is leaving and going into the Japanese economy/outflow of funds from Ireland.</p> <p>(ii) Explain what a <b>surplus</b> in Ireland's Balance of Trade means.</p> <p>The amount of goods exported exceeds the amount of goods imported. This means that physical/tangible exports are greater than physical/tangible imports.</p>	<p><b>4</b> <b>3</b></p> <p><b>9</b></p>

Q	Possible responses	Max Mark
	<p>(iii) Outline <b>two</b> economic advantages of international trade for the Irish economy.</p> <p><b>Employment creation</b> Exports mean increased demand for goods produced in Ireland, leading to increased employment. Jobs may also be created in the distribution sector with the import of goods.</p> <p><b>Increased GNP / Economic growth</b> The monies received from exports (injection into the circular flow) will lead to increased incomes within the country.</p> <p><b>Increased sales / profits</b> 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 Ireland's economy / provide the finance to help pay for imports.</p> <p><b>Attract investment</b> Large exports will increase confidence in the Irish economy and may help attract further investment into Ireland.</p> <p><b>Government finances</b> Increased economic activity will generate increased tax revenues for the government e.g. VAT / PAYE / CPT. If the government puts tariffs on some imports then this will also generate revenue for the state.</p> <p><b>More choice for consumers</b> Consumers have a much greater selection of goods and services available to them through trade.</p> <p><b>Raw materials unavailable in Ireland</b> Raw materials, unavailable, can be imported i.e. oil. Ireland's climate is also unsuitable for the production of certain fruits i.e. oranges.</p>	<p><b>2x7 (4+3)</b></p>

Q	Possible responses	Max Mark
(c)	<p>The government is planning to contribute €500m into Ireland’s ‘<b>Rainy-Day Fund</b>’ from 2019 and this involves an opportunity cost.</p> <p><b>Note:</b> The fund was introduced to help the economy manage future economic shocks such as Brexit, trade wars, banking crises etc.</p> <p>(i) Explain the term <b>opportunity cost</b>.</p> <p>(ii) In your opinion is this Rainy-Day Fund a good idea? Explain your answer.</p> <p>(iii) Suggest <b>two</b> uses for the €500m, other than the Rainy-Day Fund, giving <b>one</b> reason for your answer in <b>each</b> case. <span style="float: right;"><b>(24 marks)</b></span></p> <p><b>(i) Opportunity cost</b></p> <ul style="list-style-type: none"> <li>▪ The cost of foregone alternatives.</li> <li>▪ The cost of passing up the next best choice when making a decision.</li> </ul> <p><b>(ii) In your opinion is this Rainy-Day Fund a good idea? Explain your answer.</b></p> <p><b>YES.</b></p> <p>It will provide a fund to the government for use if the economy were to get into difficulties similar to that which occurred in 2008. It can be used in an emergency if and when needed. If there was an economic crash the government would have money available / if taxes declined and / or funds were required to help firms adapt to a hard Brexit / could reduce the need for austerity measures in the future.</p> <p><b>NO.</b></p> <p>The funds could be used in the economy now in those areas which need finance e.g. housing, health sector, education etc.</p> <p><b>(iii) Suggest two uses for the €500m, other than the Rainy Day Fund, giving reasons for your answer in each case.</b></p> <p><b>Social Housing</b> Many people are homeless and require accommodation.</p> <p><b>Building schools / hospitals</b> The population is increasing requiring more schools and hospitals. Build these now when money is available and interest rates are low.</p> <p><b>Provision of broadband</b> This is a priority for the state to maintain Ireland’s competitiveness.</p> <p><b>Improvement in public transport</b> Investment in more environmentally friendly transport and thereby help Ireland meet its EU climate change targets.</p> <p><b>Improved public services</b> Provide better pupil teacher ratios / increase number of health sector workers / provision of respite for those who need care.</p> <p><b>Increase the pension reserve fund</b> Ireland’s population is ageing and this will require the provision of pensions in the future.</p>	<p style="text-align: right;"><b>6</b></p> <p style="text-align: right;"><b>6</b></p> <p style="text-align: right;"><b>2 @ 6 (4+2)</b></p>

**Q5 Non cash-based payment methods, interest rates & Post office closures**

Q	Possible responses	Max Mark
(a)	<p>Maynooth University issues a campus smartcard called 'MyCard', to all its students. This allows users, to purchase on campus without using cash.</p> <p>Outline <b>one</b> advantage of a <b>non cash-based</b> method of payment for <b>each</b> of the following:</p> <ul style="list-style-type: none"> <li>• Students</li> <li>• University</li> <li>• Banks.</li> </ul> <p style="text-align: right;"><b>(21 marks)</b></p> <p style="text-align: center;"><b>Students</b></p> <p><b>More convenient</b> Students do not need to carry cash for payment</p> <p><b>Safer</b> There is reduced risk of theft.</p> <p><b>Digital record</b> There is an electronic trail of all monies received and paid from the account.</p> <p style="text-align: center;"><b>University</b></p> <p><b>Less security risks</b> With less cash on the campus the risks of storing cash, transferring cash and possible theft are reduced.</p> <p><b>Lower insurance premiums</b> Insurance premiums should fall as risk of theft is reduced.</p> <p><b>Convenience/efficiency</b> Possible reduction in time queuing to make payments with cash within the university.</p> <p style="text-align: center;"><b>Banks</b></p> <p><b>Time saving</b> Opportunities for staff to deal with other consumer matters, allowing for speedier decision making.</p> <p><b>Development of new / improved banking technologies</b> Banks introduce new methods for dealing with customers i.e. greater use of technology leading to greater bank efficiencies.</p> <p><b>Reduction in staff numbers / cost reductions</b> Banks may require fewer staff reducing costs in the bank.</p> <p><b>Reduced risk of robberies</b> If all payments are on line/ cashless, there will be less cash in the bank reducing the risk of robberies.</p>	<p><b>3 @ 7 (4+3)</b></p>

Q	Possible responses	Max Mark
(b)	<p>Some economists are predicting an increase in interest rates within the year. Explain how an increase in interest rates is likely to affect <b>each</b> of the following:</p> <ul style="list-style-type: none"> <li>• Households</li> <li>• Firms</li> <li>• The Irish Government. <span style="float: right;"><b>(24 marks)</b></span></li> </ul> <p style="text-align: center;"><b>Households</b></p> <p><b>Borrowing discouraged / increased mortgage repayments</b> The cost of monthly repayments (on variable mortgages) will increase resulting in decreased disposable income.</p> <p><b>Savings encouraged / spending discouraged</b> With a higher rate of interest households may find it more attractive to save and so they may decrease their spending.</p> <p style="text-align: center;"><b>Firms</b></p> <p><b>Costs of production / prices</b> Increased interest charges increase the cost of production resulting in possible higher prices.</p> <p><b>Decreased competitiveness</b> Increased costs will decrease the competitiveness of Irish firms' exports and may lead to a decrease in sales leading to less competitiveness internationally.</p> <p><b>Loss of jobs</b> If sales fall employment may fall or become less secure.</p> <p style="text-align: center;"><b>The Irish Government</b></p> <p><b>Cost of Servicing the National Debt</b> With increases in domestic interest rates the cost of repaying the internal portion of the national debt increases.</p> <p><b>Investment and impact on economic growth</b> As borrowing become more expensive the incentive to invest decreases, leading to a decline in economic growth/employment and decreased economic activity.</p> <p><b>Taxation revenues</b> DIRT will increase due to increased savings. Decreased VAT/excise duties due to decreased spending. If unemployment increases there will be a decrease in income tax revenues etc.</p>	<p><b>3 @ 8</b> <b>( 4+4 )</b></p>

Q	Possible responses	Max Mark														
(c)	<p>One hundred and sixty one post offices are set to close in Ireland in the next year. (Source: RTE News, August 2018)</p> <p>(i) State and explain <b>two</b> possible reasons for the closure of some post offices.</p> <p>(ii) Outline <b>one</b> economic effect which the closure of the post offices may have on <b>each</b> of the following: Customers of the Post Offices / Employees of the Post Offices / The local community. <b>(30 marks)</b></p> <p>(i) State and explain <b>two</b> possible reasons for the closure of some post offices.</p> <table border="1" data-bbox="188 589 1342 880"> <thead> <tr> <th data-bbox="188 589 435 633">Statement</th> <th data-bbox="435 589 1342 633">Explanation</th> </tr> </thead> <tbody> <tr> <td data-bbox="188 633 435 775"><b>Decrease costs</b></td> <td data-bbox="435 633 1342 775">An Post wants to reduce its operational costs and closing some post offices will help reduce costs / boost profits / maintain services in other areas.</td> </tr> <tr> <td data-bbox="188 775 435 880"><b>Decrease in the use of services</b></td> <td data-bbox="435 775 1342 880">In some areas consumers are using their local post offices less frequently and so there is less demand for its services.</td> </tr> </tbody> </table> <p>(ii) <b>One</b> economic effect of the closure of the post offices may have on the following:</p> <table border="1" data-bbox="188 1037 1369 1816"> <thead> <tr> <th data-bbox="188 1037 435 1081">Group</th> <th data-bbox="435 1037 1369 1081">Economic effect</th> </tr> </thead> <tbody> <tr> <td data-bbox="188 1081 435 1261"><b>Customers</b></td> <td data-bbox="435 1081 1369 1261"> <p><b>Loss of service/inconvenience</b> The customer may have to make alternative arrangements for services which are only available at the PO e.g. post; social welfare payments.</p> </td> </tr> <tr> <td data-bbox="188 1261 435 1529"><b>Employees</b></td> <td data-bbox="435 1261 1369 1529"> <p><b>Loss of jobs</b> Some employees may lose their jobs with the closure of the Post Office.</p> <p><b>Re-location</b> Some employees may have to accept jobs in new locations resulting in increased costs / inconvenience in getting to work.</p> </td> </tr> <tr> <td data-bbox="188 1529 435 1816"><b>The Local community</b></td> <td data-bbox="435 1529 1369 1816"> <p><b>Reduced economic activity/rural decline</b> Less people may shop / do business in the locality and this can reduce economic activity in the town/ and its future viability.</p> <p><b>Job losses</b> Direct job losses and possible loss of jobs in the service sector in the area.</p> </td> </tr> </tbody> </table>	Statement	Explanation	<b>Decrease costs</b>	An Post wants to reduce its operational costs and closing some post offices will help reduce costs / boost profits / maintain services in other areas.	<b>Decrease in the use of services</b>	In some areas consumers are using their local post offices less frequently and so there is less demand for its services.	Group	Economic effect	<b>Customers</b>	<p><b>Loss of service/inconvenience</b> The customer may have to make alternative arrangements for services which are only available at the PO e.g. post; social welfare payments.</p>	<b>Employees</b>	<p><b>Loss of jobs</b> Some employees may lose their jobs with the closure of the Post Office.</p> <p><b>Re-location</b> Some employees may have to accept jobs in new locations resulting in increased costs / inconvenience in getting to work.</p>	<b>The Local community</b>	<p><b>Reduced economic activity/rural decline</b> Less people may shop / do business in the locality and this can reduce economic activity in the town/ and its future viability.</p> <p><b>Job losses</b> Direct job losses and possible loss of jobs in the service sector in the area.</p>	<p><b>2 @ 6 (3+3)</b></p> <p><b>3 @ 6 (3+3)</b></p>
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Q	Possible responses	Max Mark
(a)	<p>Raising revenue through taxation and reducing <u>tax evasion</u> are important aims of government.</p> <p>(i) Explain the term underlined and state <b>one</b> example of tax evasion.                      (ii) State and explain <b>two</b> economic reasons why taxation is essential for an economy. <b>(21 marks)</b></p> <p><b>(i) Tax evasion</b>                      Making false tax returns / no tax returns so as to minimise tax liability.</p> <p style="text-align: center;">Examples</p> <ol style="list-style-type: none"> <li>1. A teacher giving grinds and not declaring this income for tax purposes.</li> <li>2. Paying for a good/service in cash to avoid paying the VAT inclusive price.</li> </ol> <p><b>(ii) State and explain two economic reasons why taxation is essential for an economy.</b></p> <p><b>Provides revenue for the government / finance government activities</b>                      The government requires tax revenue to fund the daily operation of the country e.g. defence, policing etc.</p> <p><b>Provide public services</b>                      The government requires tax revenue to provide services such as health care, schools etc. which are essential for citizens.</p> <p><b>Help to re-distribute wealth</b>                      The government can re-distribute the taxation collected in the form of social welfare payments to those citizens who require it e.g. old age pensions, single parent allowances etc.</p> <p><b>Promote industry</b>                      Subsidies, grants can be provided to help industry and encourage enterprise.</p> <p><b>Achieve Social Objective</b>                      Carbon taxes to decrease pollution/damage to environment. Taxes introduced discourage smoking, alcohol consumption such as VAT and excise duties etc. Progressive taxes to achieve a fairer distribution of income.</p> <p><b>Achieve a favourable balance of payments</b>                      By placing a tax on imports, imports may fall, thereby improving the country's balance of payment.</p>	<p style="text-align: center;"><b>5</b></p> <p style="text-align: center;"><b>2</b></p> <p style="text-align: center;"><b>2 @ 7 (3 + 4)</b></p>

Q	Possible responses	Max Mark
(b)	<p>In Budget 2019 the Value Added Tax (VAT) rate for the hospitality sector (hotels, restaurants etc.) increased from 9% to 13.5%.</p> <p>(i) Explain the term <b>Value Added Tax</b>.</p> <p>(ii) Is VAT an example of a direct tax or an indirect tax? Explain your answer.</p> <p>(iii) Outline <b>two</b> possible economic effects on the Irish economy of this increase in the rate of VAT for the hospitality sector. <b>(30 marks)</b></p> <p>(i) Explain the term Value Added Tax. This is a tax on goods and services.</p> <p>(ii) It is an indirect tax. It is <b>not</b> a tax on income or wealth / it is a tax on spending. It is placed on consumer / user and is collected through a third party.</p> <p>(iii) <b>Two</b> possible economic effects on the Irish economy of this increase in the rate of VAT for the hospitality sector.</p> <p><b>Higher prices</b> Firms may increase their prices and this may result in a decrease in demand for their services / increased demand for holidays abroad. The number of tourists visiting Ireland could fall.</p> <p><b>Loss of jobs/unemployment increase</b> Jobs may be lost. If demand falls then less workers may be needed.</p> <p><b>Discourages (may alter spending) spending / economic growth</b> If prices in restaurants / hotels etc. increase, overall spending by Irish citizens and tourists may fall leading to a decline in economic activity. People can avoid or minimise this tax based on their own personal choices.</p> <p><b>Tax implications</b> If spending stays the same then VAT collected will increase. If employment decreases then income tax revenue will decrease. If there is a decline in business activity Corporation Tax may decrease. If VAT revenue increases then the government has the possibility of reducing other taxes.</p> <p><b>Achieve greater efficiencies</b> May encourage firms to become more efficient/innovative therefore benefitting the consumer and the economy in the long run.</p> <p><b>Rural hotels adversely affected</b> The rise in the tax may hit rural hotels / restaurants more seriously than those in the main tourist destinations and could force them out of business.</p>	<p><b>8</b></p> <p><b>3</b></p> <p><b>3</b></p> <p><b>2 @ 8</b> <b>( 4+4 )</b></p>

Q	Possible responses	Max Mark										
(c)	<p>Outline <b>one</b> economic argument <b>in favour of</b> and one economic argument <b>against any two</b> of the following government measures announced in Budget 2019:</p> <ul style="list-style-type: none"> <li>• Increase in social welfare payments of €5 per week</li> <li>• Increase of 50c in the price of a packet of 20 cigarettes</li> <li>• Introduction of 2 extra weeks paid parental leave to every parent of a child under one year of age.</li> </ul> <p style="text-align: right;"><b>(24 marks)</b></p> <ul style="list-style-type: none"> <li>• increase in social welfare payments of €5 per week</li> </ul> <table border="1" data-bbox="217 555 1326 1619"> <thead> <tr> <th data-bbox="217 555 767 595">Economic argument <b>in favour</b></th> <th data-bbox="767 555 1326 595">Economic argument <b>against</b></th> </tr> </thead> <tbody> <tr> <td data-bbox="217 595 767 869"> <p><b>Better standard of living</b> More income is provided to the poorer sector so a better standard of living can be achieved. It may also compensate for the increase in the cost of living.</p> </td> <td data-bbox="767 595 1326 869"> <p><b>Increased Government expenditure / borrowing</b> The government will spend more and so may require more borrowing to fund expenditure.</p> </td> </tr> <tr> <td data-bbox="217 869 767 1182"> <p><b>Fairer distribution of Income</b> The extra payment helps reduce the gap between rich and poor leading to a fairer distribution of income. May help reward those pensioners who contributed to the growth of the economy during their working lives.</p> </td> <td data-bbox="767 869 1326 1182"> <p><b>Opportunity cost</b> The money could be put to some alternative use e.g. to fund youth employment initiatives, education and training initiatives.</p> </td> </tr> <tr> <td data-bbox="217 1182 767 1417"></td> <td data-bbox="767 1182 1326 1417"> <p><b>Possibility of increased taxation</b> With the increase in government expenditure the government may have to increase direct / indirect taxes to fund this increase.</p> </td> </tr> <tr> <td data-bbox="217 1417 767 1619"></td> <td data-bbox="767 1417 1326 1619"> <p><b>Disincentive to work</b> An increase in social welfare payments may discourage people from entering the workforce.</p> </td> </tr> </tbody> </table>	Economic argument <b>in favour</b>	Economic argument <b>against</b>	<p><b>Better standard of living</b> More income is provided to the poorer sector so a better standard of living can be achieved. It may also compensate for the increase in the cost of living.</p>	<p><b>Increased Government expenditure / borrowing</b> The government will spend more and so may require more borrowing to fund expenditure.</p>	<p><b>Fairer distribution of Income</b> The extra payment helps reduce the gap between rich and poor leading to a fairer distribution of income. May help reward those pensioners who contributed to the growth of the economy during their working lives.</p>	<p><b>Opportunity cost</b> The money could be put to some alternative use e.g. to fund youth employment initiatives, education and training initiatives.</p>		<p><b>Possibility of increased taxation</b> With the increase in government expenditure the government may have to increase direct / indirect taxes to fund this increase.</p>		<p><b>Disincentive to work</b> An increase in social welfare payments may discourage people from entering the workforce.</p>	<p><b>4 @ 6</b> <b>(3 + 3)</b></p>
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**Q7 National Income, multinationals and the multiplier**

Q	Possible responses	Max Mark
(a)	<p>The CSO calculates the level of National Income in Ireland and three methods are used to calculate it: the income method; the output method and the expenditure method.</p> <p>(i) What do the letters CSO stand for?</p> <p>(ii) Explain <b>any one</b> of the three methods used to calculate national income.</p> <p>(iii) State and explain <b>two</b> reasons why it is important to calculate the level of National Income in a country. <span style="float: right;">(24 marks)</span></p> <p>(i) What do the letters CSO stand for?</p> <p style="text-align: center;"><b>Central Statistics Office</b></p> <p>(ii) Explain <b>any one</b> of the three methods used to calculate national income.</p> <p><b>Income method</b> This method adds up all the income earned by the factors of production within an economy over a period of time.</p> <p><b>Output method</b> This method adds up all the output produced by the factors of production within an economy over a period of time.</p> <p><b>Expenditure method</b> This method adds up all the spending by the factors of production on the goods/service within an economy over a period of time.</p> <p>(iii) <b>Two</b> reasons why it is important to calculate the level of NI in a country.</p> <p><b>Indicates changes in the level of economic growth/standard of living</b> The national income figure indicates the rate of economic growth/changes in standard of living within the country from one year to the next.</p> <p><b>To help formulate government economic policy/evaluate government policies</b> National income statistics inform and assist government in choosing appropriate economic policies for the country.</p> <p><b>It facilitates International comparisons</b> Ireland's national income statistics enable comparisons to be made between the rate of economic growth/distribution of incomes between countries.</p> <p><b>EU Budget contributions</b> The statistics will determine contributions made by the government to EU or benefits received from the EU.</p>	<p style="text-align: center;"><b>9</b> <b>( 3 x 3 )</b></p> <p style="text-align: center;"><b>5</b></p> <p style="text-align: center;"><b>2 @ 5</b> <b>( 3 + 2 )</b></p>

Q	Possible responses	Max Mark
(b)	<p>One possible reason why multinational companies (MNCs) such as Google and Apple locate in Ireland is the low rate of corporation tax.</p> <p>(i) Explain the terms <b>multinational company</b> and <b>corporation tax</b>.</p> <p>(ii) Discuss <b>two other</b> economic reasons, why MNCs may locate in Ireland.</p> <p>(iii) Discuss <b>one</b> economic reason why some MNCs <b>may not</b> locate in Ireland. <b>(30 marks)</b></p> <p>(i) Explain the terms <b>multinational company</b> and <b>corporation profits tax</b>.</p> <p><b>Multinational company</b> Has offices / branches / business activities in several countries around the world but managed from one (home) country.</p> <p><b>Corporation tax</b> This is a tax on the profits made by companies. 12.5% is the Irish corporation tax rate.</p> <p>(ii) Discuss <b>two other</b> economic reasons, why MNCs may locate in Ireland.</p> <p><b>Skilled workforce</b> Even though there are some skills shortages, Ireland has a skilled, english speaking workforce. Apart from Malta, Ireland is the only English speaking country now a member of the EU.</p> <p><b>Government incentives</b> The government may provide grants towards location in certain areas of the country. The availability of multi-functional grants provided by the IDA.</p> <p><b>Membership of EU</b> As Ireland is a member of EU MNCs may locate here as it gives them open access to the EU market.</p> <p><b>Improved infrastructure</b> The transport and communications infrastructure (broadband) has improved and this allows firms to get their goods to the market, source raw materials etc.</p>	<p><b>2 @ 6</b></p> <p><b>2 @ 6 ( 3+3 )</b></p>

Q	Possible responses	Max Mark
	<p>(iii) Discuss <b>one</b> economic reason why some MNCs <b>may not</b> locate in Ireland</p> <p><b>Lower wage costs elsewhere</b> Wage rates outside Ireland may be lower and this is attractive to some MNCs.</p> <p><b>Lower costs of production</b> Firms may avail of more competitive charges abroad: energy prices; utility charges; insurance costs; professional fees etc.</p> <p><b>Lack of reasonably priced accommodation/housing</b> The lack of suitable housing for workers may act as a deterrent for MNCs to locate here.</p> <p><b>Skilled Labour shortages in certain sectors</b> There are staff shortages in certain skill areas currently so may not locate here i.e. the IT sector.</p> <p><b>Restrictive regulatory framework</b> Regulations in the operation of business may be less strict in other countries making it easier to operate there e.g. protection of the environment may face less regulation.</p> <p><b>Emerging economies in a growth phase</b> There may be greater access to growing international markets such as South east Asia, Africa.</p> <p><b>Lack of advanced technologies/infrastructure</b> Reliable, high-speed broadband is essential to increase the attractiveness of Ireland for investment. Traffic congestion particularly in Dublin leads to increased costs.</p>	<p><b>1 @ 6 ( 3 + 3 )</b></p>

Q	Possible responses	Max Mark
(c)	<p>The Multiplier formula for an open economy is: <math display="block">\frac{1}{\text{MPS} + \text{MPM}}</math></p> <p>(i) Explain <b>each</b> of the terms <b>MPS</b> and <b>MPM</b>.</p> <p>Assume that MPS is 0.1 and MPM is 0.4</p> <p>(ii) Calculate, using the above formula, the size of the Multiplier. <b>Show your workings.</b></p> <p>(iii) Explain the meaning of your answer. <b>(21 marks)</b></p> <p><b>(i)</b> Explain each of the terms <b>MPS</b> and <b>MPM</b>.</p> <p><b>MPS (The marginal propensity to save)</b> The proportion / % of extra income which is saved by consumers.</p> <p><b>MPM (The marginal propensity to import)</b> The proportion / % of extra income which is spent on imports by consumers.</p> <p>(ii) Calculate, using the above formula, the size of the Multiplier. <b>Show your workings.</b></p> $\frac{1}{0.1 + 0.4}$ <p style="text-align: center;"><b>2</b></p> <p>(iii) Explain the meaning of your answer</p> <p>This means that for each €1 spent in the economy, National Income will increase by €2.</p>	<p style="text-align: center;"><b>2 @ 5</b></p> <p style="text-align: center;"><b>8</b></p> <p style="text-align: center;"><b>3</b></p>

**Q8 Terms, Infrastructure and economic decline in some rural areas**

Q	Possible responses	Max Mark
(a)	<p>Explain <b>any three</b> of the following terms:</p> <ul style="list-style-type: none"><li>• Price inflation</li><li>• Full employment</li><li>• Emigration</li><li>• Privatisation.</li></ul> <p style="text-align: right;"><b>(21 marks)</b></p> <p><b>Price inflation</b> An increase in the general level of prices for goods/services over a period of time. A decrease in the value of money / people buy less with their money.</p> <p><b>Full employment</b> When all workers who want a job have a job at existing wage rates.</p> <p><b>Emigration</b> Movement of Irish citizens to reside in another country.</p> <p><b>Privatisation</b> This is the sale of a state / government owned business, industry or service to private owners.</p>	<b>1 @ 11</b> <b>2 @ 5</b>

Q	Possible responses	Max Mark				
(b)	<p>The government is committed to improving the infrastructure in the country, including the provision of broadband in rural areas.</p> <p>(i) Explain the term <b>infrastructure</b>.</p> <p>(ii) Discuss <b>one</b> economic advantage which the provision of broadband in rural areas may have on <b>each</b> of the following:</p> <ul style="list-style-type: none"> <li>• Households</li> <li>• Firms.</li> </ul> <p>(iii) State <b>one</b> example of infrastructure, other than broadband, which you think Ireland should invest in, and explain <b>one</b> reason for your choice.</p> <p style="text-align: right;"><b>(30 marks)</b></p> <p>(i) Infrastructure</p> <ul style="list-style-type: none"> <li>• Large-scale physical capital projects that provide a foundation for economic activity. Roads, power lines, ports, broadband etc.</li> <li>• Capital equipment used to supply publicly available services.</li> </ul> <p>(ii) <b>One</b> economic advantage of the provision of broadband in rural areas may have on each of the following:</p> <table border="1" data-bbox="164 918 1369 2000"> <tbody> <tr> <td data-bbox="164 918 379 1462"><b>Households</b></td> <td data-bbox="379 918 1369 1462"> <p><b>More flexible working arrangements</b> Household members may be able to work from home/more flexible employment/less transport costs etc.</p> <p><b>Access to online banking services</b> Households can conduct their banking on line and this will save time and be more convenient.</p> <p><b>Internet access</b> Enables households to do online shopping; conduct research; communicate etc.</p> <p><b>Access to state services</b> Many state services are available online and households will now be able to access these services quickly, Income tax, Motor tax etc.</p> </td> </tr> <tr> <td data-bbox="164 1462 379 2000"><b>Firms</b></td> <td data-bbox="379 1462 1369 2000"> <p><b>Order supplies and raw materials online</b> will help save time and allow firms to source alternative and cheaper supplies.</p> <p><b>Meet consumer orders</b> Firms can respond to consumer queries quickly and efficiently. This will help improve the firm's image and possibly help boost sales.</p> <p><b>Methods of payment</b> Broadband access allows for the electronic transfer of funds which can be more efficient than traditional methods of payments.</p> <p><b>May locate in rural areas</b> Firms may locate in rural areas where they have access to raw materials and a labour force.</p> </td> </tr> </tbody> </table>	<b>Households</b>	<p><b>More flexible working arrangements</b> Household members may be able to work from home/more flexible employment/less transport costs etc.</p> <p><b>Access to online banking services</b> Households can conduct their banking on line and this will save time and be more convenient.</p> <p><b>Internet access</b> Enables households to do online shopping; conduct research; communicate etc.</p> <p><b>Access to state services</b> Many state services are available online and households will now be able to access these services quickly, Income tax, Motor tax etc.</p>	<b>Firms</b>	<p><b>Order supplies and raw materials online</b> will help save time and allow firms to source alternative and cheaper supplies.</p> <p><b>Meet consumer orders</b> Firms can respond to consumer queries quickly and efficiently. This will help improve the firm's image and possibly help boost sales.</p> <p><b>Methods of payment</b> Broadband access allows for the electronic transfer of funds which can be more efficient than traditional methods of payments.</p> <p><b>May locate in rural areas</b> Firms may locate in rural areas where they have access to raw materials and a labour force.</p>	<p style="text-align: center;"><b>6</b></p> <p style="text-align: center;"><b>2 @ 8 ( 5+3 )</b></p>
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Housing	Investment in social, affordable housing is essential in order to deal with the homeless crisis and cope with the increasing population.											

Q	Possible responses	Max Mark
(c)	<p>Small-town Ireland must fight to thrive. (Source: Irish Independent, 30 November 2018)</p> <p>(i) Outline <b>two</b> possible problems caused by the decline in economic activity in some small towns and rural areas of the country.</p> <p>(ii) State and explain <b>two</b> measures which could be introduced to help reverse this economic decline. <b>(24 marks)</b></p> <p>(i) Outline <b>two</b> possible problems caused by the decline in economic activity in some small towns and rural areas of the country.</p> <p><b>Decline in population/decline in communities</b> If there is a decline in economic activity people will leave the area resulting in a decline in population and in community activities. Younger people may emigrate from the locality.</p> <p><b>Loss of local services</b> If there is a decline in economic activity there will be less retailers/service providers required to provide goods/services.</p> <p><b>Physical appearance of town/village</b> Many disused shop fronts exist since the recession. The town does not appeal to passing trade or potential house buyers and this may further damage economic activity.</p> <p><b>Under-utilisation of local infrastructure / decline in investment</b> If there is a decline in economic activity local infrastructure will not be used as intensively which may lead to deterioration and/or no incentive to invest further e.g. roads; lighting etc. The local school may not be viable and children may then have to switch to alternative schools.</p> <p>(ii) State and explain <b>two</b> measures which could be introduced to help reverse this economic decline in rural areas.</p> <p><b>Maintain the local services</b> Keeping the local post office, garda station and primary school open will ensure that these vital services are available locally and may encourage people to live there. Planning for housing could be restricted to the town centre to utilise the existing services.</p> <p><b>Improve the infrastructure: roads / broadband</b> Improve local roads to facilitate access. If broadband is made available this will encourage the growth of businesses in the area.</p> <p><b>Provide grants for community centres</b> Community centres may provide a focal point for a community and might foster community spirit which will promote co-operation; enterprise and social activities.</p> <p><b>Help develop local community enterprises</b> Provide grants for tourist related ventures.</p> <p><b>Shop local</b> - encourage people to shop local and enhance business activity in rural areas.</p> <p><b>Incentivise owners of underused properties to put them into use and</b> promote economic activities.</p>	<p><b>2 @ 6 ( 4+2 )</b></p> <p><b>2 @ 6 ( 4+2 )</b></p>

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