

Coimisiún na Scrúduithe Stáit
State Examinations Commission

Leaving Certificate 2025

Marking Scheme

Economics

Higher Level

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

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

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

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

Future Marking Schemes

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

Marking Scheme and Support Notes

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

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














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

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

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

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

SECTION A (75 marks)

Q	Possible responses	Max Mark
1	<p>(a) Discuss one argument for and one argument against the view that hosting major sporting events, such as Euro 2024, benefits the host country's economy.</p> <p>Argument for:</p> <p>Increased tourism revenue – the arrival of a large number of international visitors boosts spending in local hotels / restaurants / tourist attractions etc.</p> <p>Job creation – the events create temporary jobs / permanent jobs in construction, hospitality, and event management sectors.</p> <p>Infrastructure development – hosting a major sporting event often leads to improved infrastructure, such as transport, which may have long term benefits for the local population.</p> <p>Boost to economic confidence – the event may increase national pride / consumer sentiment in the host country. This may boost consumer spending during the event and help stimulate the local economy.</p> <p>Argument against:</p> <p>High cost – expenses for the host country for infrastructure, security, event management etc. may be substantial and may surpass the benefits.</p> <p>Opportunity cost – government expenditure on the event means those funds cannot be spent on other areas of the economy, which may generate longer-term benefits for local citizens, e.g. on healthcare, housing, education etc.</p> <p>Risk of economic loss – the host country could incur significant financial losses, if revenue projections from tourism and sponsorship fall short.</p> <p>Underused facilities – after the event, newly-built specialised venues may end up being underused. This leads to wasted resources and ongoing maintenance costs.</p> <p>Environmental damage – large-scale construction projects and the arrival of visitors may cause environmental issues, such as increased pollution / increased litter / increased pressure on energy and water resources etc.</p>	<p>6</p> <p>6</p>
	<p>(b) Outline what you understand by the economic term cost benefit analysis.</p> <p>Helps weigh up / evaluate whether the positive benefits outweigh the associated costs of a project, to decide whether or not it should proceed. For a project to go ahead, its benefits must equal or exceed its costs.</p>	<p>6</p>

2

The table below shows household disposable income, household consumption expenditure, and total household savings in Ireland for Quarter 1, 2024.

Household Total Disposable Income	€43.91 billion
Household Final Consumption Expenditure	€37.32 billion
Household Savings	€6.59 billion

Adapted from the CSO

- (a) From the data in the above table, calculate the household percentage savings rate for Quarter 1, 2024. **Show all your workings.**

6

Workings:

$$\frac{\text{Household savings}}{\text{Household total disposable income}} \times \frac{100}{1}$$

$$\frac{\underline{\text{€6.59 bn}}}{\text{€43.91 bn}} \times \frac{\underline{100}}{1}$$

Answer: 15 %

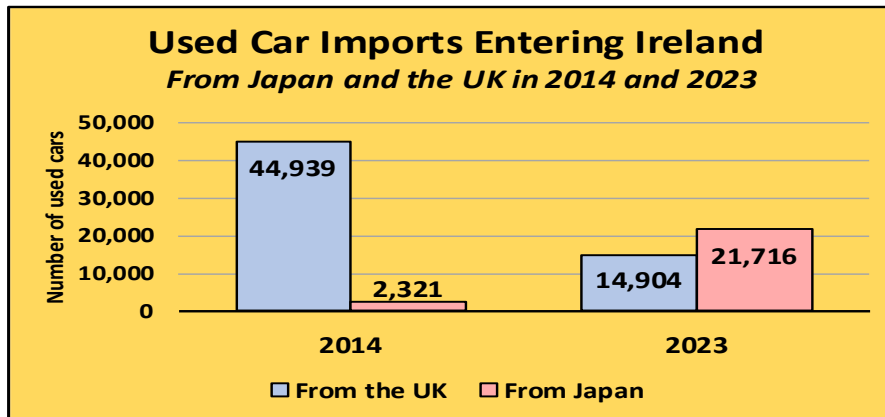
Deduct 1 mark if % omitted

	<p>Answer either (b) or (c)</p> <p>(b) Outline two economic factors which some households in Ireland may consider when deciding how much of their income to save (other than their level of income).</p> <p>Interest rates / access to credit – higher interest rates encourage household savings as deposit returns increase, while lower rates reduce the incentive to save. When borrowing is more accessible, households may save less and rely more on credit for major purchases. However, if borrowing becomes harder to obtain, households may need to save more to fund future expenses.</p> <p>Rate of inflation – if inflation is high or rising, households may choose to spend rather than save, as the value of their savings will decline over time. However, if inflation is low or stable, households may be more inclined to save as their savings will retain its purchasing power.</p> <p>Employment security – if a household has a stable and long-term job (e.g. permanent contracts), it may feel comfortable spending more and saving less. However, workers in temporary contracts, self-employment, or more volatile industries may save more as a financial safety net in case of job loss.</p> <p>Economic outlook / consumer confidence – if households feel more optimistic about the economy, they may save less and spend more. If uncertainty is high (e.g. due to a recession), households may increase their precautionary savings.</p> <p>Government policies / taxation – tax incentives for saving (e.g. tax relief on pension contributions) may encourage higher household savings. If households regard the rate of DIRT (Deposit Interest Retention Tax) as high, they may save less.</p> <p>Levels of household debt – if a household has high levels of debt (e.g. mortgage, car loan, personal loan), it may focus on repaying debt(s) rather than saving. If debt levels are low / non-existent, households may feel they can save more.</p> <p>Demographics / life stage – Younger households may save less to prioritise major expenses such as buying a home or raising children. Households near retirement may save more as they shift focus towards financial security and future planning.</p> <p>Availability / reliability of social protection benefits – if households are confident that state pensions / social welfare benefits will provide for their needs, they may feel less need to save. However, if households are uncertain about the future sustainability of these supports, they may choose to save more as a precaution.</p> <p>Security of savings – if households trust that their savings are safe in banks, they are more likely to save. However, if they fear banking failures / instability, they may withdraw funds and invest elsewhere or spend it.</p>	<p>2 @ 3</p>
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	<p>OR</p> <p>(c) A high level of household savings is desirable for the Irish economy. Do you agree or disagree with this statement?</p> <p style="text-align: center;">AGREE:</p> <p>Financial stability for households – a high level of household savings provides financial security for households. This helps households to cope better with unexpected expenses such as medical emergencies, job losses, economic downturns.</p> <p>Increased lending / investment by banks – when households save more, banks have more funds to lend to businesses and citizens. This may stimulate investment in infrastructure, housing, and entrepreneurship.</p> <p>Increased government investment – higher household savings in banks may result in financial institutions investing more in Irish government bonds. Increased demand for bonds helps the state to borrow at lower interest rates / reduces the cost of public debt. This may lead to the government investing more in long-term projects such as public infrastructure, renewable energy etc.</p> <p>Lower dependence on credit – higher savings mean households rely less on credit and loans. This reduces high personal debt issues, which was a major factor in the 2008 financial crisis in Ireland.</p> <p>Reduced pressure on social protection – higher household savings reduces a reliance on government benefits. Citizens with sufficient savings are less dependent on social welfare during periods of unemployment / illness / financial hardship. Ireland has an ageing population but long-term personal savings helps to ensure financial security in retirement. This eases strain on the state pension system.</p> <p style="text-align: center;">DISAGREE:</p> <p>Reduced consumer spending – if households save too much, they spend less on goods and services. This weakens consumer demand, particularly in sectors like retail and hospitality, where businesses rely heavily on consumer spending.</p> <p>Reduced economic growth / leakages – when consumer spending declines, businesses earn less revenue, which may lead to reduced investment or job losses. Over time, this may slow down Ireland’s economic growth, as reduced demand negatively affects production levels, wages, and government tax revenue.</p> <p>Risk of deflation – if households save more instead of spending, businesses may eventually have to lower prices to attract customers. This may lead to deflation, which reduces business profits, discourages investment, and slows job creation.</p> <p>Lower government revenue – a fall in spending will result in reduced tax revenues from VAT (Value Added Tax). This may limit government expenditure on healthcare, housing, infrastructure etc.</p> <p>Increased Income Inequality – wealthier households tend to save more than lower income ones. If savings rates are high but unevenly distributed, the income inequality gap may widen. Over time, this may weaken Ireland’s social stability / social cohesion and worsen economic inequality.</p>	6
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3 (a) Outline **one** economic reason why Irish consumers are switching to importing more used cars from Japan and fewer used cars from the UK, as shown in the chart.

6



Brexit / Import costs – since the UK left the EU, new trade barriers have made it more expensive to import used cars from Britain. Irish buyers now face customs duties, VAT, and import fees, which did not apply before Brexit. The extra costs have made UK imported cars relatively less attractive compared to Japanese cars.

Sterling / euro exchange rate – the value of sterling has become more unpredictable post Brexit. Whenever the pound appreciates against the euro, Irish buyers must pay more in euro to buy cars from the UK. This makes them less affordable.

Increased Quality and Reliability of Japanese Cars – over time, awareness may have grown among Irish car buyers / importers about the superior quality / reliability / technology of Japanese used cars. These vehicles are often in better condition and with lower mileage. Such factors directly impact costs, resale value, and market demand, all of which are central to economic decision-making.

Japanese cars are cheaper – used cars from Japan are often cheaper than UK imports due to the high turnover of vehicles in Japan. Many Japanese drivers trade in their cars after a few years, which leads to a greater supply of second-hand cars. This results in lower prices for well-maintained vehicles, which make them a more attractive option for Irish buyers.

More EV / hybrid options – Japanese car manufacturers like Toyota, Honda, Nissan etc have been leaders in hybrid / electric vehicle technology for several years. Many used cars from Japan are hybrids, which are cheaper to run than older petrol / diesel cars from the UK. With rising fuel costs, Irish consumers are opting for more fuel-efficient, future-proof Japanese imports.

Wider choice of Japanese models – Japan exports many car models that were never sold in the UK or Ireland. This wider selection gives buyers in Ireland more variety and better options, e.g. Mazda Axela.

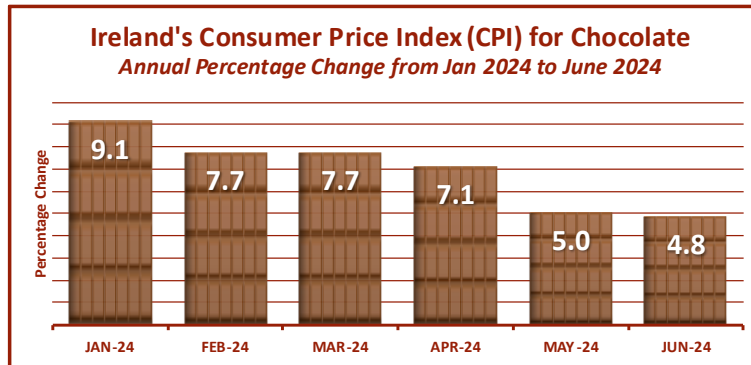
Lower risk of rust and corrosion in Japanese cars – Japan uses less road salt in winter than the UK (and Ireland) and this leads to less rust and corrosion on Japanese cars. This makes Japanese imports more durable and reliable in the long term.

	<p>Answer either (b) or (c)</p> <p>In 2024, the European Union (EU) increased the tariffs charged on electric vehicles (EVs) imported from China.</p> <p>(b) Explain one alternative measure the EU could use (other than tariffs) in order to reduce imports of EVs from China.</p> <p>Import quotas – the EU could set a cap on the number of EVs that can be imported from China every year. This would make it more difficult for EV manufacturers in China to expand their presence in the EU.</p> <p>Subsidies for European EV producers – the EU could provide financial support to European EV manufacturers via research grants, tax incentives, and funding for green technology. This would make European-produced EVs more competitive against imports from China. However, subsidies must comply with EU state aid rules and WTO regulations to avoid unfair competition.</p> <p>Stricter safety and environmental standards / Regulatory standards – the EU could impose stricter safety / emissions / environmental / technical regulations which EVs from China must meet in order to be sold in the EU market. If manufacturers in China struggle to comply, this could reduce imports.</p> <p>Introduce administrative barriers / bureaucracy / red tape – the EU could introduce stricter administrative procedures to make it harder for EVs from China to enter the market. This may include lengthy certification procedures / complex customs procedures. By increasing the time and cost of importing EVs, the barriers may discourage manufacturers in China from exporting to the EU.</p> <p>Changes to Government procurement policy – public sector fleets in Europe, such as government vehicles and public transport, could be required to purchase only EU-manufactured EVs. This would ensure a larger domestic demand for locally produced vehicles rather than imported ones.</p> <p>Investment restrictions – the EU could limit Chinese investment in European car companies. This may make it harder for car producers in China to circumvent trade restrictions by producing in the EU.</p> <p>Investment in domestic battery production – China dominates the supply of rare metals, like lithium, which are essential for EV batteries. The EU could fund large-scale battery production to make European EVs more competitive and reduce the cost advantage of EV imports from China in the long run.</p> <p>Trade embargo – a full ban on importing Chinese EVs would completely stop their entry into the EU market. This is a very extreme measure and may break WTO rules / trigger retaliation from China / increase EV prices for European consumers.</p>	<p>6</p>
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	<p>OR</p> <p>(c) Trade protectionism seems to be increasing globally. Outline one reason why, in your opinion, trade protectionism seems to be increasing.</p> <p>Reduction in leakages from the circular flow of income – when we purchase imports, the money does not stay in the home country but favours the national income of the country or countries we are purchasing from.</p> <p>Protect domestic employment – there will be more of a reliance on domestically produced goods. This will keep people in jobs in the domestic economy.</p> <p>Reduce pollution – importing goods usually involves transportation which damages the environment. Trade protectionism may reduce this damage.</p> <p>Less-reliance on foreign markets – trade protectionism means we are not as reliant on other countries for goods or services.</p> <p>Political / strategic reasons / Deglobalisation / Economic warfare – some sanctions and restrictions in trade have occurred as a result of political decisions such as Brexit / responses to the war in Ukraine / recent trade policies by the United States. Some governments face pressure from voters who feel that globalisation has harmed local economies. Protectionist policies appeal to these voters by promising to support domestic industries.</p> <p>Supply chain problems – the Covid-19 pandemic highlighted weaknesses in global supply chains. This has led countries to prioritise domestic production of essential goods, such as medical supplies and semiconductors.</p> <p>National security concerns – some governments restrict trade in strategic industries such as technology and energy to safeguard sensitive sectors. For example, the Irish government is planning legislation to designate certain foreign producers as ‘high-risk’ and restrict them from supplying equipment for Ireland’s telecom infrastructure.</p>	<p>6</p>
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4

The chart below displays the year-on-year percentage changes in Ireland's Consumer Price Index (CPI) for chocolate from January 2024 to June 2024.



(a) Comment on the trend in the CPI for chocolate shown above, using data from the chart **and** explain if the trend you have outlined is beneficial for chocolate consumers.

6

Trend:

The trend in the CPI for chocolate shows a steady decline from 9.1% in January 2024 to 4.8% in June 2024 (or by 4.3%)

The trend represents a gradual slowdown in the rate of price increases. Chocolate prices are still rising, but at a decreasing rate.

Beneficial for chocolate consumers:

Slower price growth – although prices are still increasing, they are doing so at a lower rate. This makes chocolate less expensive than if its inflation rate remained at 9.1%.

Potential for price stability – if the trend continues, it may lead to price stabilisation or even price reductions in the future.

Reduced financial pressure – the slowdown in price increases, eases the financial strain on consumers compared to when inflation was higher. This makes it easier for chocolate consumers to manage household budgets.

Not beneficial for chocolate consumers:

Prices are still increasing – the declining inflation rate (disinflation) only means that prices are rising more gradually, not that they are falling. Consumers are still paying more than this time last year.

Consumer budgets / disposable incomes are still affected – even with disinflation, consumers may still feel financial pressure, as their wage growth may not be rising at the same pace as chocolate prices. This means some consumers may have to prioritise necessities over discretionary spending like chocolate.

	<p>Answer either (b) or (c)</p> <p>(b) While the rate of price inflation has fallen, Irish consumers continue to pay higher prices. Outline one measure both the Irish government and consumers in Ireland have taken to cope with increases in the cost of living.</p> <p>One measure taken by the Irish Government:</p> <p>Increased social welfare payments – the government has increased payments such as pensions, child benefit, and fuel allowances. Two double social welfare payments were made to long-term recipients. These measures help low-income and vulnerable groups cope with higher costs.</p> <p>National minimum wage increased – the national minimum wage has been raised to €13.50 per hour for those aged 20 and over to improve the purchasing power of lower-paid workers.</p> <p>Tax cuts / Tax credits – changes in income tax bands and reductions in the Universal Social Charge (USC) rates have boosted disposable incomes of workers.</p> <p>Energy / Cost-of-Living supports – the government has provided energy credits and subsidies to help households with rising utility costs.</p> <p>Rent controls / Housing initiatives – additional social housing projects have been introduced to address the rising cost of accommodation. The rent tax credit has been increased from €750 to €1,000, to offer extra financial support to renters.</p> <p>Expansion of free GP care / Medical card eligibility – more citizens now qualify for free GP visits and medical cards, which reduce their healthcare expenses.</p> <p>Public sector pay increases – negotiated wage increases for public sector employees help protect their earnings from the impact of inflation.</p> <p>Expansion of subsidised childcare – increased subsidies for childcare services help reduce the financial burden on working families.</p> <p>Education supports – the free schoolbooks initiative has been extended to all students up to the Leaving Cert level and exam fees have been waived to reduce expenses for families with school-going children.</p> <p>Cheaper public transport measures – 20% reduction on public transport fares will continue in 2025 / 50% discount for Young Adult Leap Card holders / Public transport is now free for all children under nine / Universal Companion Pass allows citizens over 70 years to bring a friend for free on public transport.</p>	6
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One measure taken by consumers in Ireland:

Budgeting / Cost-cutting – consumers have adopted stricter budgeting strategies, in order to prioritise essential spending, and cut out non-essential expenses.

Switching to discount retailers – many consumers are choosing lower-cost supermarkets and brands to save on groceries.

Energy-saving measures – to reduce electricity and heating bills, households are investing in more energy-efficient appliances and taking advantage of government incentives such as solar panel subsidies.

Increased use of public transport – consumers are reducing transport costs by opting for public transport or carpooling instead of driving.

Switching providers / Shopping around more – more consumers compare prices now and switch providers for insurance, broadband, and utilities, in order to secure better deals.

Growing own food – some consumers plant vegetables and herbs at home to cut grocery costs.

Buying in bulk / Using loyalty schemes – consumers are increasingly purchasing in bulk, using supermarket loyalty points, and availing of discounts to save money.

Remote working to cut commuting / childcare costs – many employees are opting to work from home more frequently in order to save on transport and childcare costs.

Repairing instead of replacing – rather than buying new, more consumers are repairing clothes, appliances, and furniture to extend their lifespan.

Second-hand shopping – more consumers are buying second-hand clothing, furniture, and electronics to cut down on expenses.

OR

- (c) Chocolate producers buy cocoa in advance of making products. In Q1, 2024, cocoa prices tripled. Manufacturers are expected to pass these higher costs on to shoppers and retailers in Q4, when most of the industry's sales are made around Halloween and Christmas.

Adapted from RTÉ News

Do you regard the above situation to be an example of demand-pull inflation or cost-push inflation? Indicate your choice below and justify your choice.

6

Answer: Cost-push inflation

Justification:

Rising input costs – cocoa prices have increased for chocolate producers. When the cost of raw materials rises, businesses must pay more to produce the same goods. This is a cause of cost-push inflation.

Higher prices for consumers – chocolate manufacturers are faced with increased production costs and are passing these costs on to consumers by raising prices. This means that inflation is being driven by higher costs.

Not caused by a rise in consumer demand – demand-pull inflation occurs when there is too much money chasing too few goods / when consumer demand rises faster than supply. Here, demand has not necessarily increased but production costs have risen.

Supply-side shock – the sudden tripling of cocoa prices acts as a supply shock and makes chocolate production more expensive and hence reduces its supply. This further contributes to rising prices.

Time lag in price increase – chocolate producers are expected to raise prices later in the year. This suggests a cost-push inflationary effect as it is common with cost-push inflation for businesses to absorb higher costs for a period before passing them on.

5 (a) Explain the difference between a positive economic statement and a normative economic statement.

2 @ 3

Positive economic statement:

A positive economic statement is **objective and fact-based**. It describes the world as it is, or as it will be, under certain conditions without making value judgments. It can be tested / verified by using evidence / data.

Normative economic statement:

A normative statement is **subjective and based on opinions / value judgements**. It expresses what 'should' happen rather than what actually is happening. It cannot be tested / verified by using evidence / data.

(b) Determine whether each of the economic statements below is a positive statement or a normative statement. Indicate your choice below by ticking (✓) the relevant box.

2 @ 3

Economic Statement		Positive Statement	Normative Statement
1.	All citizens in Ireland deserve free healthcare to ensure equal access to medical services.		✓
2.	If the Irish government were to raise the corporation tax rate by 3%, it would reduce foreign direct investment in the country by at least 25%.	✓	

- 6 (a) The national minimum wage rate currently stands at €13.50 per hour. This is an example of a price floor.
Explain what you understand by the economic term price floor.

6

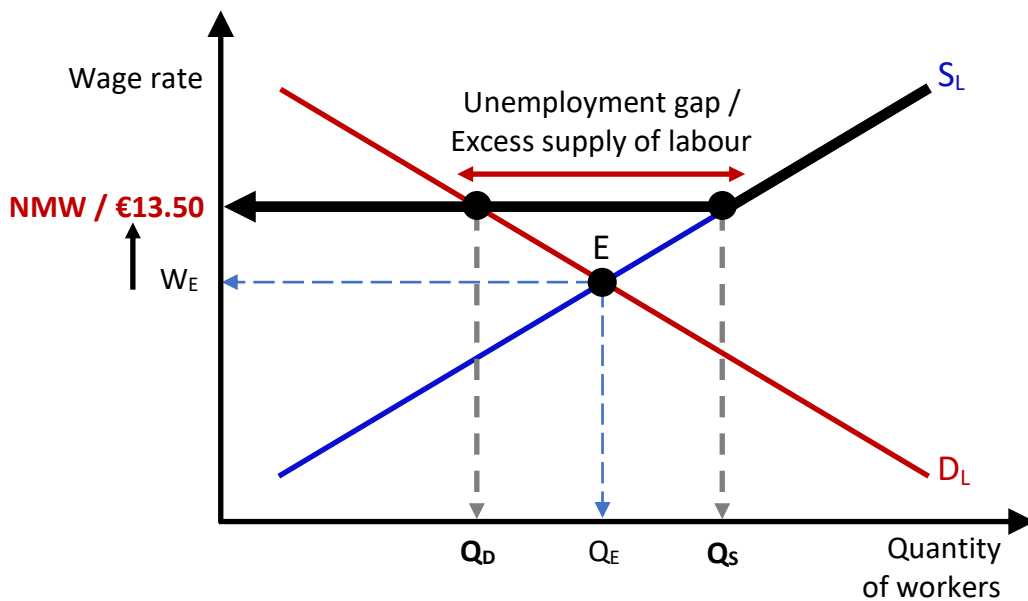
Price floor:

A price floor is a legal minimum price / price below which a good or service cannot be sold set by the government / enforced by law.

Its purpose is to protect incomes / stabilise markets / encourage production / prevent unfair competition / enforce public health measures.

- (b) The diagram below shows a free labour market.
Complete the diagram below to show how a change to Ireland's current national minimum wage rate, at a higher rate than W_E in the diagram below, will affect the market for labour. Clearly label any changes you make. Explain your answer.

6



Explanation:

Wage rate: the national minimum wage rate (NMW) lies above the free-market equilibrium wage rate (W_E).

Supply increases: at the higher minimum wage rate, more workers want to work / the supply of labour increases, compared to the free market level (Q_E).

Demand falls: however, since businesses must now pay a higher wage, they demand fewer workers / the demand for labour decreases at the minimum wage level compared to the free market level (Q_E).

Excess supply / unemployment: this results in unemployment, as the number of job seekers (Q_S) exceeds available jobs (Q_D). While some workers will earn more, others may lose their jobs or have reduced hours as businesses adjust to the higher labour costs.

- 7 (a) The table below shows estimated values for Income Elasticity of Demand (YED) for selected goods in Ireland.

	Product	YED value
1	Domestic electricity	+ 0.1
2	Instant noodles	- 0.5
3	Premium branded clothing	+ 4.1

Identify one necessity and one luxury good from the above table, using the Income Elasticity of Demand (YED) data provided. Justify both of your answers.

6

Necessity product – Electricity *or* Noodles

Justify – A necessity product is a product, which consumers need and will continue to buy even when their income changes. The YED value of electricity lies between 0 and 1, indicating that it has income inelastic demand. A percentage change in income will cause a smaller percentage change in demand.

For example: YED of +0.1 means that for every 1% change in income, demand for electricity will change by 0.1%. If income rises by 1%, demand will increase by 0.1%. If income falls by 1%, demand will decrease by 0.1%."

Luxury good – Premium branded clothing

Justify – A luxury good is a non-essential product which consumers buy more of when their income increases. The YED value of premium branded clothing is above 1, indicating that it has income elastic demand. A percentage change in income will cause a greater percentage change in demand in the same direction. YED of +4.1 means that for every 1% change in income, demand for premium branded clothing will change by 4.1% in the same direction. If income rises by 1%, demand will increase by 4.1%. If income falls by 1%, demand will decrease by 4.1%."

- (b) The government announced in Budget 2025 that it would spend €9m on phone pouches for all secondary school students in the country.

Phone pouches in all secondary schools are considered to be **merit goods**. Explain your understanding of this statement.

6

Phone pouches in secondary schools are considered a merit good because students may underestimate their personal benefits, such as improved focus / better learning outcomes and so pouches may be underused / under consumed.

Pouches create positive externalities, as a more focused learning environment benefits students, teachers, and society in general by helping to develop a more skilled and productive workforce.

8	(a)	<p>Explain the concept of environmental sustainability and outline one recent initiative introduced by the Irish government to improve the country's environmental sustainability.</p> <p>Environmental sustainability:</p> <p>Environmental sustainability refers to the responsible / ethical management and use of natural resources in a way that ensures their availability and quality for future generations.</p> <p>Recent government initiative:</p> <ul style="list-style-type: none">• Decarbonising electricity with solar or wind energy.• The Home Retrofitting Programme to reduce residential carbon emissions.• Investment in EV charging infrastructure and EV subsidies to incentivise EV adoption.• The plan to reduce agricultural emissions by 2030.• Introduction of the Deposit Return Scheme in 2024.• Annually increasing the carbon tax rate.• Investment in green public transport (electric / hybrid buses).• Introduction of the Marine Planning Framework to sustainably manage marine activities.• The phasing out of peat extraction.	6
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(b)

A study has shown that shoppers struggle to tell the difference between goods that have genuinely low impacts on the environment and those that are 'greenwashed'.

Adapted from the Irish Independent (May 2024)

(Greenwashing is a marketing measure/practice where some companies make false or exaggerated claims to appear more environmentally friendly than they actually are).

Explain two ways in which greenwashing can lead to **market failure**.

2 @ 3

Information Failure / Asymmetric Information – when companies greenwash, they deceive consumers by pretending their products are eco-friendly. Consumers cannot make fully informed choices because they do not know the truth – but the company does. This creates an information gap and prevents accurate decisions in the market.

Misallocation of resources – greenwashing misleads people into buying products that are not actually eco-friendly and this draws resources away from genuinely eco-friendly products. This results in overinvestment in misleading products and underinvestment in truly green products and causes an inefficient use of resources.

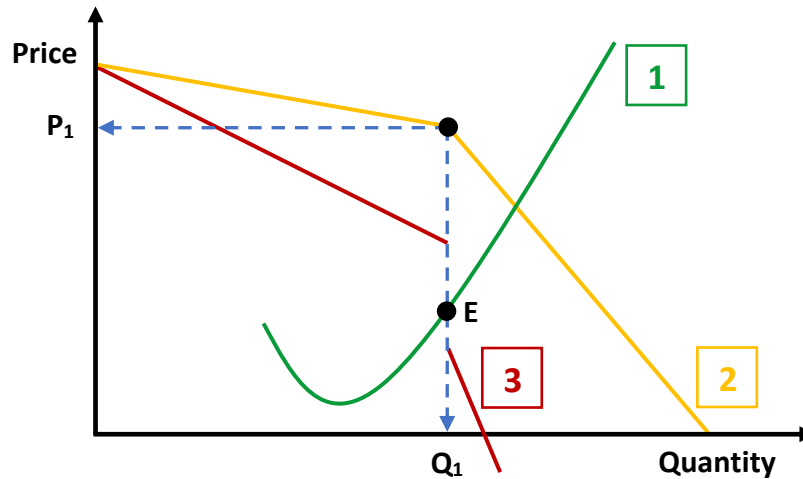
Reduced market efficiency – greenwashing disrupts the market signals that prices normally provide. Consumers pay premium prices for what they believe are eco-friendly products, but these products often do not provide actual environmental benefits. This misleads consumers and reduces overall market efficiency, as prices no longer match the true value of a product.

Negative externalities / Hidden demerit goods – greenwashed products often harm the environment more than consumers realise, which leads to overconsumption. These products may cause harmful effects not shown in their prices. The market fails to adjust for these negative impacts, which leads to wasted resources and environmental harm.

Erodes consumer trust / Creates a 'missing market' – When greenwashing is exposed, consumers may stop trusting all environmental claims, even from genuinely green companies. This may reduce demand for sustainable products, which creates a missing market and leading to market failure.

9

The diagram below represents the long run equilibrium of a firm operating in an oligopoly market.



(a) Write out in full what each of the numbered items (1 to 3) in the diagram above represent. **Do not use abbreviations.**

6

1. **Marginal cost**
2. **Average revenue = Demand**
3. **Marginal revenue**

(b) With reference to the diagram above, explain the shape of the curve labelled 2.

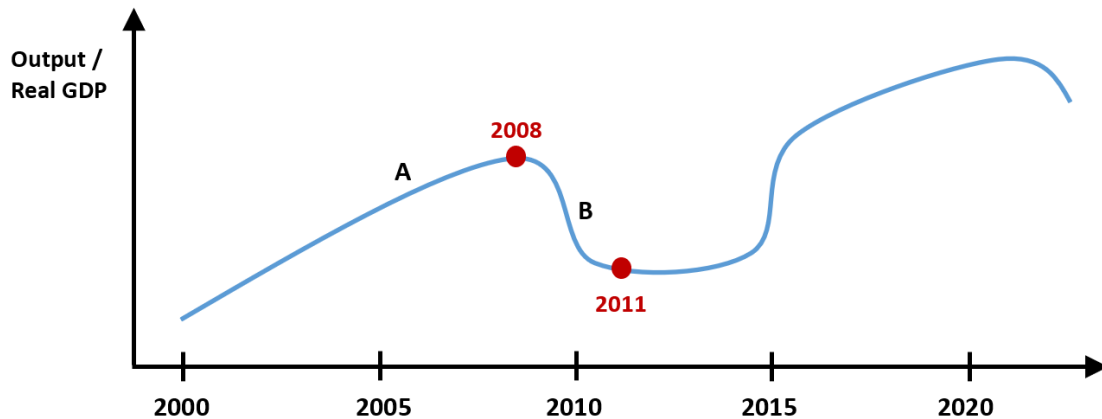
6

Before the kink – if a firm increases its price, competing firms will not follow by raising their prices. Customers will then switch to competitors, who are keeping their prices unchanged. As a result, quantity demanded will decrease by a greater percentage than the price increase / the firm will lose a lot of consumers. Hence this part of the demand curve is relatively price elastic.

After the kink – if a firm reduces its price, competing firms will match the price cut to avoid losing their customers. Since all firms are lowering prices together, the firm will not gain many new customers. This means quantity demanded will increase by a smaller percentage than the price reduction. Hence, this part of the demand curve is relatively price inelastic.

10

The diagram below illustrates different phases of Ireland's economic cycle since 2000.



(a) Identify from the diagram above which option (A or B) represents:

- An economic boom
- An economic recession

2 @ 3

Justify your choice in each case.

Economic boom **A**

Economic recession **B**

Economic boom justification:

In this period, leading up to 2008, Ireland's economy was known as the Celtic Tiger. It was a time of rapid economic growth driven by foreign investment, strong consumer spending, and a booming property market. The steady rise in real GDP on the graph shows Ireland's strong economic performance before the financial crisis. (over a number of consecutive quarters).

Economic recession justification:

After the 2008 global financial crisis, Ireland experienced a severe downturn, which resulted in a severe banking crisis, rising unemployment, and a sharp decline in economic output / GDP. The lowest point in 2011 reflects the depth of the Irish recession, when the country had to seek a bailout from the troika to stabilise the economy. (for two or more consecutive quarters).

(b) Outline one economic factor which led to a change in Ireland's economic output during the years 2008 to 2011.

6

Global financial crisis – the 2008 global financial crisis was a major factor in Ireland's economic decline. It triggered a severe global recession, which led to a sharp decline in consumer confidence, a collapse in international trade, and a significant drop in foreign investment. As a small, open economy, Ireland was particularly vulnerable, and it resulted in a major contraction in economic output.

Collapse of the Irish property market – the bursting of Ireland's property bubble in 2007 had an immediate and devastating economic impact. Property prices plummeted, which resulted in a sharp decline in construction activity. This collapse significantly reduced domestic investment, caused widespread job losses, and further weakened economic output.

Surge in unemployment – as the financial crisis hit, businesses had to shut down or lay off staff, particularly in construction, retail, and services. The rapid rise in unemployment meant citizens had lower disposable incomes. This led to a sharp fall in consumer spending, which weakened demand for goods and services, and resulted in a significant decline in economic output (GDP).

Sovereign debt crisis – to fund the bank bailouts and rising unemployment benefits, the Irish government had to borrow heavily, which increased the national debt. Investors lost confidence in the Irish economy, which resulted in borrowing costs soaring. This forced the government to cut spending instead of investing in growth. This led to a further decline in economic activity and business confidence, causing GDP to drop.

Emigration / Outward migration – with rising job losses and a severely weakened economy, young skilled workers left Ireland in large numbers. This meant fewer citizens were available to contribute to economic activity, particularly in domestic industries. The shrinking workforce also reduced demand for housing, consumer goods, and services, which further contracted GDP.

Banking crisis and bailout – Irish banks were heavily exposed to the property market collapse, which led to a severe banking crisis. In 2008, the Irish government issued a blanket bank guarantee to support struggling banks. By 2010, Ireland had to seek an €85 billion bailout from the Troika (EU, ECB, IMF). The crisis resulted in liquidity problems, soaring public debt, and austerity measures, all of which further depressed economic output.

Austerity budgets – as part of the bailout agreement, Ireland had to cut government spending and raise taxes. This limited its economic activity. While aimed at reducing the large budget deficit, these contractionary / pro-cyclical economic policies lowered domestic demand and consumer spending, which prolonged the recession.

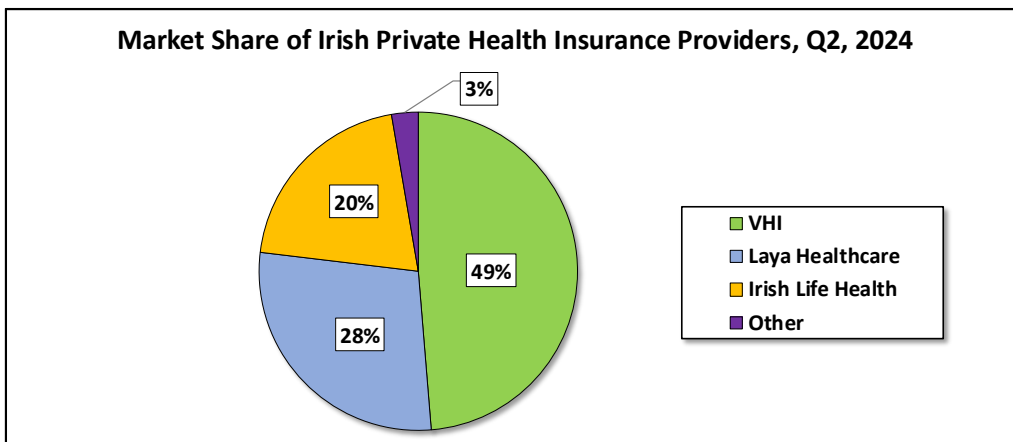
Question 11

Possible Responses

**Max
Mark**

(a) The chart below shows the market shares of private health insurance companies in Ireland.

22



Adapted from hia.ie

(i) Based on the data in the chart above, calculate the Herfindahl Hirschman Index (HHI) to determine whether the market is competitive or highly concentrated. Indicate your answer below by ticking (✓) the relevant box and justify your answer. **Show all your workings.**

Competitive

Highly concentrated

Workings:

HHI Model:

$$\begin{array}{rcl}
 49\% & 49^2 & = & 2,401 \\
 28\% & 28^2 & = & 784 \\
 20\% & 20^2 & = & 400 \\
 3\% & 3^2 & = & 9
 \end{array}$$

$$2,401 + 784 + 400 + 9 = \mathbf{3,594}$$

Justify:

According to the European Commission and the US Department of Justice, a Herfindahl-Hirschman Index (HHI) greater than 2,500 indicates a highly concentrated market. This industry is dominated by three major firms accounting for 97% of the market.

8

	<p>New health insurance provider, Level Health, to enter the Irish market this week. Irish Independent, November 2024</p> <p>(ii) With the entry of this new firm into the Irish health insurance market, outline two potential economic effects on the existing firms in the industry.</p> <p>Increased competition and lower prices – the arrival of Level Health may force existing insurers to lower premiums to remain attractive to customers. Consumers could benefit from more competitive pricing and better value for money.</p> <p>Improved services and innovation – to differentiate themselves, existing insurers may introduce better customer service, more comprehensive coverage, or innovative policies. E.g. Digital health services or more personalised insurance plans may become more common.</p> <p>Market share redistribution – some existing firms could lose customers to Level Health, particularly if the new entrant offers better deals or targets specific segments of the market, e.g. younger customers, families, or businesses). Insurers with weaker brand loyalty may be most at risk.</p> <p>Pressure on profit margins – increased competition could reduce the profitability of established insurers. They may need to cut costs, streamline operations, or seek efficiencies to maintain their profitability and competitiveness.</p> <p>Regulatory and market responses – the health insurance market regulator / the Health Insurance Authority (HIA) may monitor pricing and competition to ensure fair market practices. Established firms may lobby for regulatory changes or incentives to maintain their position in the market, e.g. stricter licensing or capital requirements for new entrants.</p> <p>Potential for mergers or exits – if competition intensifies significantly, smaller or less competitive insurers may merge with larger firms or exit the market altogether. This may lead to short-term instability / a stronger industry in the long run.</p> <p>Increased consumer choice / Market Expansion – more choices for consumers may mean existing firms could lose customers to Level Health. However, if Level Health targets previously uninsured or underinsured groups, it may expand the overall market, and potentially benefit all firms in the long run.</p> <p>Potential for a price war / short-term instability – if Level Health aggressively undercuts prices, a price war may emerge, which would lead to lower profits across the industry. In the short term, this may create market instability, where weaker firms struggle to survive.</p> <p>Impact on the labour market – increased competition may lead to job losses at existing firms if they respond by cutting costs or restructuring. Conversely, increased competition may lead to new job creation in marketing and customer service by existing firms.</p>	<p>2 @ 7</p>
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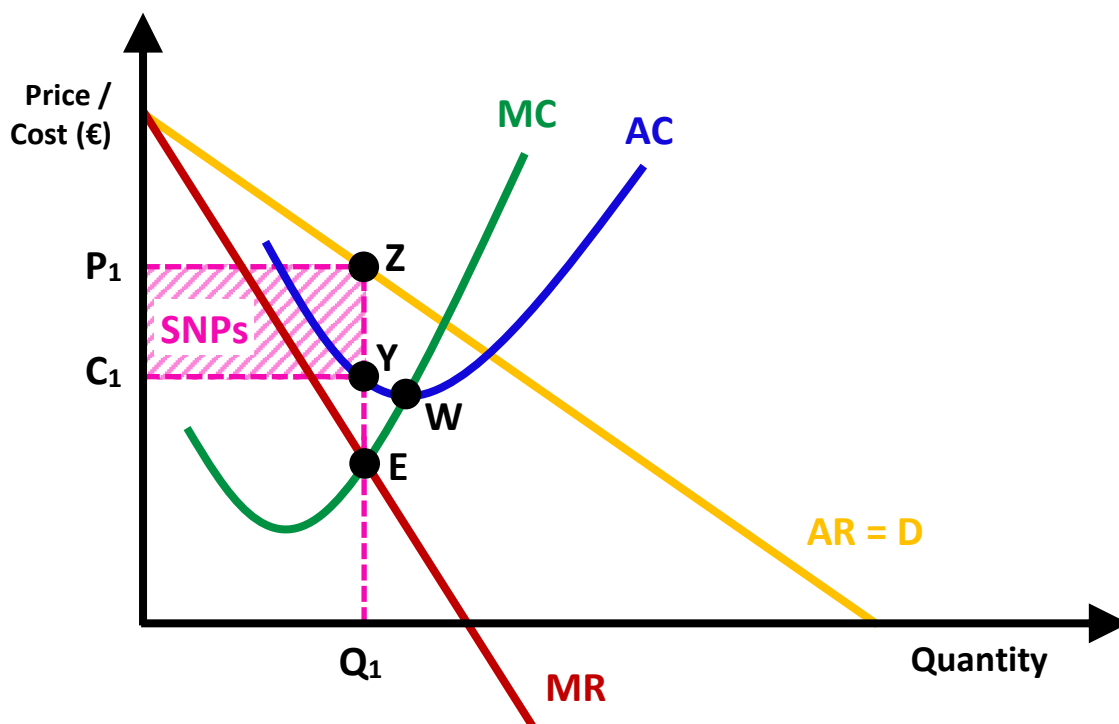
(b)

(i)

A patent gives a pharmaceutical company the sole right to produce and sell a new drug.

33

Explain, with the aid of a fully clearly labeled diagram (including the axes), the long-run equilibrium position of a pharmaceutical company operating in a **monopoly** market.



P	Q	MR	AR	MC	AC	E	Q_1	P_1	C_1	SNPs
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12

Explanation:

9

- Equilibrium is at point E where $MC = MR$ (and MC is rising).
- The company produces Q_1 .
- It sells its output at P_1 .
- Costs are at the level C_1 (point Y).
- The company earns supernormal profits (SNPs) as AR is greater than AC.
- The company is inefficient / wastes resources as costs are not at the minimum point of the AC curve (W).

(ii) Outline one barrier to entry often found in monopoly markets, **other than a patent**.

4

Government-legislated monopolies – the Government may grant a company the sole right to produce a good or supply a service, e.g. An Post has a government monopoly over universal postal services, including letter delivery in Ireland. It is the only provider, required by law, to deliver post nationwide, even in remote areas.

Collusion and trade agreements – firms may enter trade agreements with other suppliers i.e. collude with them so that no other firm can supply the product or service in the market. E.g. Daimler, Volvo/Renault, Iveco, DAF, and MAN were fined €2.93 billion by the European Commission in 2016 for colluding in a price fixing cartel to prevent new truck manufacturers enter the European market.

Exclusive ownership of raw materials – a company may acquire the sole right to the available raw materials thereby becoming a monopoly in that particular industry. E.g. Coillte, the state-owned forestry company, owns and manages the vast majority of Ireland’s forests. This gives it significant control over the supply of timber.

High capital requirements / Economies of scale – for some industries the capital required to get established in that industry is so large that only the company which can raise the necessary capital may operate in the market. E.g. The ESB (Electricity Supply Board) dominated Ireland’s electricity market for decades because of the enormous infrastructure costs required to generate and distribute power.

Mergers and acquisitions – by merging with a competitor or buying out the competitor a firm may become a monopoly supplier in that industry. E.g. in 2014, Irish Water was established by merging local authority water services into one national utility. The move created a state-controlled monopoly over public water supply and wastewater treatment in Ireland.

Intimidation and unfair practices – an individual or group of individuals may, by fear, force or threats, stop other individuals competing with the supplier. E.g. the supply of illegal drugs.

<p>(iii)</p>	<p>Outline one economic advantage and one economic disadvantage for consumers, if a pharmaceutical company has monopoly power.</p> <p>Economic Advantage for Consumers:</p> <p>Innovation and Research & Development (R&D) – pharmaceutical firms with a monopoly may invest heavily in R&D due to the high profits they earn. This may lead to the development of new and improved medicines that benefit consumers. E.g. Pfizer invested heavily in COVID-19 vaccine development, which led to life-saving innovations.</p> <p>Guaranteed supply of essential drugs – a monopoly firm may ensure the consistent supply of critical medications that smaller competitors might struggle to provide.</p> <p>Standardised quality and safety – large pharmaceutical monopolies are often heavily regulated and must meet stringent safety and quality standards. This may provide consumers with a level of confidence in the medicine they use, the European Medicines Agency (EMA)</p> <p>Potential for economies of scale – large-scale production may reduce the cost of manufacturing drugs. This may lead to lower prices for consumers in the long term.</p> <p>Brand trust / reputation – consumers may feel more comfortable using drugs from a well-known monopoly firm rather than an unknown or smaller competitor.</p> <p>Economic Disadvantage for Consumers:</p> <p>Higher prices – monopoly firms have pricing power. This enables them to charge significantly higher prices for essential medicines, as there is little to no competition.</p> <p>Limited consumer choice – consumers may have fewer alternatives to choose from, especially if the monopoly firm has exclusive rights to a specific drug. This may limit access to alternative treatment options.</p> <p>Potential for exploitation – a monopoly firm may delay generic drug production or lobby against lower-cost alternatives. This is prioritising profits over public health.</p> <p>Reduced incentive to improve drugs / medicines – without competition, there is less pressure to improve drug effectiveness or reduce side effects. This may impede medical advances.</p> <p>Risk of supply chain disruptions – if a monopoly firm experiences production issues, consumers may face shortages due to a lack of alternative suppliers. E.g. Many countries recently have faced shortages of Ozempic, a diabetes drug made by Novo Nordisk, due to high global demand and limited production capacity.</p>	<p>4</p> <p>4</p>
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(c)	<p>More than three-quarters of the approximately 2,500 GP / doctor practices in Ireland have now closed their lists to new patients and over 700 GPs / doctors are due to retire in the next five years.</p>	
20	<p style="text-align: right;">Adapted from RTÉ News</p>	
	<p>(i) Outline two possible effects that the above development may have on existing / potential patients.</p> <p>Longer waiting times – with fewer GPs available, patients may have to wait longer for appointments, leading to delays in getting medical care.</p> <p>Overcrowded GP practices – existing GPs may become overworked, making it harder for them to give each patient enough time and attention.</p> <p>Increased pressure on hospitals – more people may go to hospital emergency departments for minor illnesses because they cannot see a GP.</p> <p>Higher costs for private care – patients unable to get a GP appointment may have to pay for private healthcare, making medical care more expensive for some people.</p> <p>Health risks due to delayed care – if people cannot see a GP when needed, illnesses may go undiagnosed or untreated for longer, leading to more serious health problems.</p> <p>Increased health inequality – GP shortages disproportionately affect rural areas and low-income communities, where access to healthcare is already limited. This may widen health inequalities.</p> <p>(ii) Suggest one economic measure the Irish government could take to address the current shortage of GPs / doctors.</p> <p>Increase funding for GP training and recruitment – expand medical school places and offer more scholarships or grants specifically for GP training. Provide financial incentives, such as student loan forgiveness, for GPs who commit to working in underserved areas.</p> <p>Retain GPs by improving working conditions – reduce administrative burdens by funding secretarial staff or investing in digital health infrastructure. Lowering paperwork would allow GPs to focus more on patient care, reducing burnout and increase job satisfaction.</p> <p>Attract foreign-trained GPs via a targeted immigration policy – fast-track a visa programme for qualified GPs and streamline the recognition of foreign medical qualifications. Offer incentives such as relocation assistance and competitive salaries to encourage foreign-trained GPs to work in Ireland.</p> <p>Encourage GPs to work in rural areas – introduce location-based incentives such as higher salaries or housing allowances for GPs in rural areas. Expand telemedicine services to support GPs working in remote locations.</p> <p style="text-align: center;">More possible responses on next page</p>	<p>2 @ 4</p> <p>4</p>

	<p>Reform GP contracts and working hours – adjust GP contracts to provide better work / life balance, which may make the profession more attractive. Offer part-time or flexible working options to retain more experienced doctors / encourage those who have left to return to the profession i.e. retired</p> <p>Expand the role of nurses / pharmacists – the government could expand the roles of nurses / pharmacists to deal with more routine cases. This would free up GPs to focus on more complex patient needs</p> <p>Reform medical school entry / training pathways – reduce the reliance on high CAO points for entry into medical courses and introduce more graduate entry routes to attract a diverse range of students. Increase postgraduate GP training places and ensure faster progression from qualification to practice.</p> <p>Address GP practice costs and overheads – provide financial support for setting up new GP practices, especially in areas with shortages. Reduce insurance and administrative costs, to make it more financially viable to remain in practice.</p> <p>Promote public awareness of GP career opportunities – encourage more students to pursue a career as a GP through targeted school programmes, e.g. talks by local GPs, work experience at a GP practice etc. Raise awareness of a GP career as a rewarding choice by highlighting its crucial role in patient care, continuity of treatment, and community health.</p> <p>The Irish healthcare system reflects Ireland’s broader mixed economy.</p> <p>(iii) Explain what is meant by the term mixed economy and outline another example which shows that Ireland is a mixed economy.</p> <p>Mixed Economy:</p> <p>A mixed economy is an economic system that combines elements of both central planning (government involvement) and private enterprise. The allocation of resources is influenced by both market forces (supply and demand) as well as government intervention (regulations / public services / taxation / subsidies etc.). While most goods and services are produced by private businesses, the government plays a significant role in essential sectors.</p> <p>Any relevant example:</p> <p>Education – Ireland’s school system includes both public and private schools. The majority of schools are publicly funded by the State. A small number of schools are privately funded, meaning parents pay full fees.</p> <p>Transport – Ireland’s transport sector includes both state-owned and private companies. Dublin Bus is state-owned and operates public transport services. Go-Ahead Ireland is a private company that also runs bus routes in Dublin under contract.</p> <p>Energy – the Irish energy sector includes both private firms and a semi-state company. The Electricity Supply Board (ESB) is state-owned and its retail arm, Electric Ireland, competes with private energy providers like SSE Airtricity, Bord Gáis Energy, Energia etc.</p> <p>State regulation – the government appoints Regulators and Ombudsmen to private industries to help protect consumers.</p>	8
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Question 12

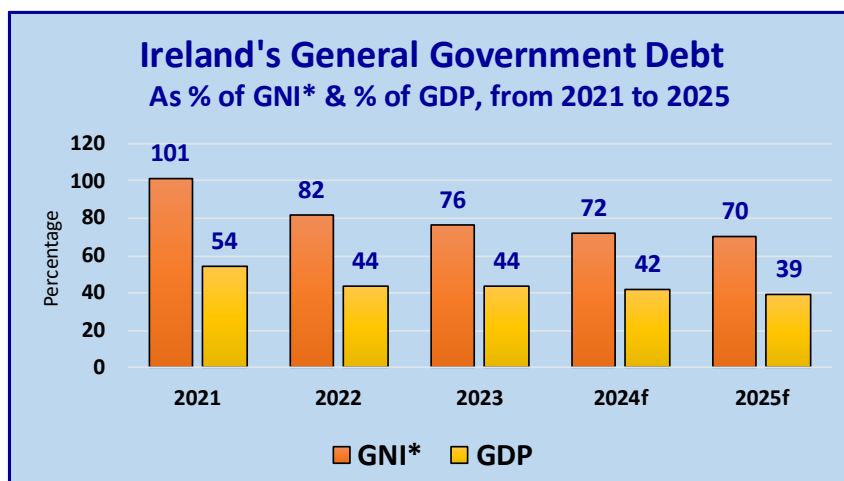
Possible Responses

**Max
Mark**

(a)

26

The chart below displays Ireland's general government debt as a percentage of its Modified Gross National Income (GNI*) and of its Gross Domestic Product (GDP) for the years from 2021 to 2025. (Figures for 2024 and 2025 are forecasted).



- (i)** Outline the overall trend in Ireland's general government debt, as shown in the diagram above, **using data from the chart**. Indicate which overall trend you are commenting on by ticking the relevant box.

6

Government Debt as a % of GNI*:

There is a clear **downward trend** in government debt as a percentage of GNI*.

- In 2021, it was 101%.
- It fell to 82% in 2022.
- It continued to decline to 76% in 2023.
- Forecasts for 2024 (72%) and 2025 (70%) show a further reduction.
- It falls by 31 percentage points over the course of the chart.

Government Debt as a % of GDP:

There is a downward trend in government debt as a percentage of GDP.

- In 2021, it was 54%.
- It dropped to 44% in 2022 and remained at 44% in 2023.
- Forecasts predict a slight decline to 42% in 2024 and 39% in 2025.
- It falls by 15 percentage points over the course of the chart.

Downward + Reference to two distinct figures **or** overall percentage decrease

	<p>(ii) Outline one economic advantage of Ireland reducing its level of general government debt for each of the following:</p> <ul style="list-style-type: none"> • Taxpayers in Ireland • The Irish government. <p>Taxpayers in Ireland:</p> <p>Improved disposable incomes / standard of living – a lower national debt reduces the need for tax increases. As a result, citizens have higher disposable incomes, which improve their standard of living.</p> <p>Improved confidence in the economy – with a more stable financial situation, consumers and businesses feel more secure. This may lead to increased spending and investment.</p> <p>Economic growth / Boost to the circular flow of income – less money leaving the country for debt repayments means more will stay within Ireland. This boosts domestic economic activity.</p> <p>Improved access to public services / infrastructure – lower general government debt means better access to essential services like healthcare, education, housing etc.</p> <p>Better pension / social protection security – a government with lower debt is more financially secure. This may reduce the likelihood of future cuts to pensions, social welfare benefits, and supports for vulnerable groups.</p> <p>The Irish government:</p> <p>Lower annual interest repayments – a falling national debt means the government spends less on interest payments each year.</p> <p>More funds available for public services – with less money used for debt repayments, the government has more to invest in healthcare, education, infrastructure etc.</p> <p>Improved international credit rating – a lower debt level signals financial stability, which improves Ireland’s credit rating and makes future borrowing cheaper.</p> <p>Greater budget flexibility – the government has more financial freedom / resilience to respond to economic challenges / fund new initiatives / reduce taxes when possible.</p> <p>Improved standing in EU / international markets – a lower debt position improves Ireland’s reputation in the EU / in global markets. This may increase investor confidence and attract more foreign direct investment (FDI).</p>	<p>7</p> <p>7</p>
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(iii) Which is a more accurate measure of Ireland's debt burden: debt as a percentage of GNI* **or** debt as a percentage of GDP? Indicate your choice below by ticking (✓) the relevant box and justify your choice.

Debt as a percentage of GNI*	<input checked="" type="checkbox"/>	Debt as a percentage of GDP	<input type="checkbox"/>
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Justify :

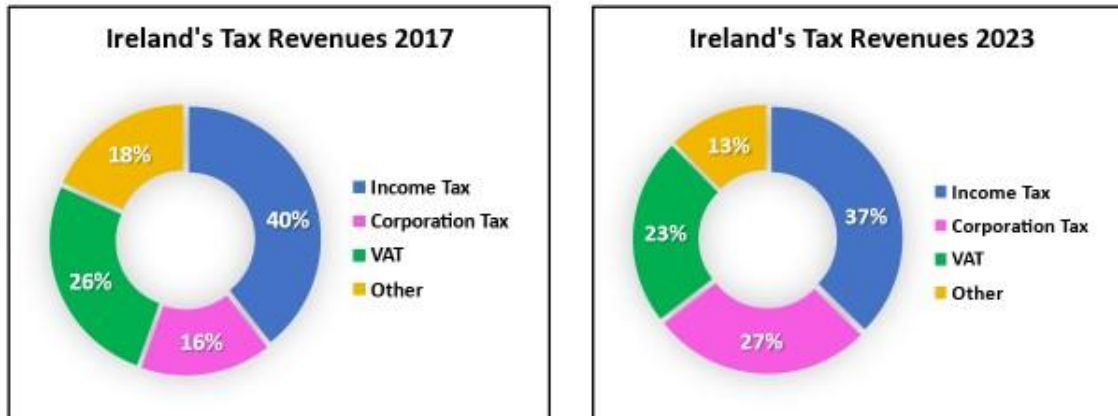
- GNI* (Modified Gross National Income) is a better measure of Ireland's real economic capacity. It removes distortions caused by multinationals and reflects the income that remains in Ireland. This makes it a more accurate gauge of the resources available to repay debt.
- Ireland's GDP is inflated by multinational activity, including intellectual property transfers and aircraft leasing. These activities make the economy appear larger than it actually is because the profits generated often leave the country. As a result, GDP overstates Ireland's ability to service its debt.
- GDP is the standard measure for international comparisons by the EU / IMF / ECB, but the government often refers to GNI* because it gives a clearer picture of the country's financial position and debt sustainability.
- The debt / GNI* ratio provides a more realistic assessment of Ireland's financial position. In the chart, the debt / GNI* ratio is significantly higher than the debt / GDP ratio. This shows how much of Ireland's economic output is driven by MNC activity rather than domestic sources.

6

(b)

28

The two charts below compare Ireland's main sources of tax revenue in 2017 and in 2023.



- (i) Identify the **MOST** significant change which occurred in the composition of Irish tax revenue from 2017 to 2023, using data from the charts above. Outline one reason for this significant change.

Most Significant Change:

The most significant change is the increase in Corporation Tax from 16% to 27% (by 11%). This represents a substantial shift in Ireland's tax structure as Corporation Tax accounts for a much larger proportion of overall revenue in 2023.

Reason:

Growth in corporate profits / Foreign Direct Investment (FDI) – Ireland continues to attract large multinational companies, especially from the US, in industries such as ICT, pharmaceuticals, and financial services. The long-term expansion of these sectors has led to substantial growth in corporate profits, which has increased their tax contributions.

Ireland's low corporate tax rate / Profit-shifting by MNCs – Ireland's corporate tax rate remained at 12.5% for the timeframe of the chart. This was one of the lowest rates in Europe and helped to attract large multinational companies to establish their European headquarters here / strategically book their profits in Ireland rather in other countries.

Ireland's Knowledge Development Box (KDB) / Growth of intellectual property (IP) rights – to attract more high-value industries, Ireland introduced the Knowledge Development Box (KDB) in 2016. It offered a reduced corporate tax rate of 6.25% on profits generated from qualifying IP, such as patented inventions and copyrighted software. Over time, this scheme has grown in popularity and has increased Corporation Tax revenue.

Impact of the Covid pandemic on key sectors – the pandemic directly boosted the profits of ICT and pharmaceutical companies, which already had a strong presence in Ireland. Medical advancements, vaccine production, and the increased reliance on technology for remote working led to a short-term but sharp rise in revenues, which increased Corporation Tax revenue.

6

6

(ii) Do you regard Ireland's value added tax system to be a progressive tax or a regressive tax? Indicate your answer below by ticking (✓) the relevant box and justify your choice.

Progressive tax	<input type="checkbox"/>
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Regressive tax	<input checked="" type="checkbox"/>
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Justify:

A regressive tax is a tax that takes a higher proportion of income from low-income earners than from high-income earners. This means that as income increases, the proportion of income paid in tax decreases. Value Added Tax (VAT) is an example of a regressive tax because everyone, regardless of income, pays the same tax rate (flat rate) on certain goods and services. As a result, lower-income earners end up paying a larger percentage of their income on VAT compared to higher-income earners.

8

(iii) Some politicians are debating the possible introduction of a higher rate of income tax on individuals who earn above €100,000 per annum.

Do you agree or disagree with this statement, that individuals who earn above €100,000 per annum should pay a higher rate of income tax?

Indicate your choice below by ticking (✓) the relevant box and justify your choice.

AGREE:

Progressive taxation – Ireland already uses a progressive tax system, which means higher earners contribute more. Introducing a higher rate for incomes above €100,000 would ensure that those who can afford to pay more, contribute a fairer share.

Less reliance on indirect / regressive taxes – Ireland relies heavily on indirect taxes like VAT, which disproportionately affect lower-income earners. By increasing income tax on high earners, the government may reduce the need for higher VAT or other indirect tax rates, which would make the tax system fairer for everyone.

Reduces income inequality – a higher income tax rate on high earners could help reduce income inequality by narrowing the gap between rich and poor through increased redistribution of wealth.

More sustainable public finances – increased income tax revenue from high earners would provide the government with more funds to invest in infrastructure, social protection, public services without borrowing more / without placing a greater tax burden on low earners.

International comparisons – some other European countries have higher top income tax rates than Ireland. E.g. Denmark has a top rate of almost 56%, which helps to fund its high-quality public services.

Addresses cost of living – with a rising cost of living, the government needs more revenue to provide essential services. A higher income tax rate on top earners would allow for better support for lower- and middle-income earners who are struggling with rising costs such as rent and childcare.

8

DISAGREE:

Risk of 'brain drain' – high-income earners like skilled professionals and entrepreneurs, may leave Ireland for countries with lower income tax rates. This would reduce Ireland's talent pool and tax base.

Negative impact on FDI – a higher top tax rate could make Ireland less attractive to skilled workers, entrepreneurs, and executives, which may discourage foreign investment. MNCs need top talent but if high earners face much higher taxes here than elsewhere, businesses may struggle to hire and expand. This may hurt Ireland's competitiveness and reduce job creation.

Already high tax burden – Ireland's top marginal tax rate (income tax + USC + PRSI) is already 52% for employees and 55% for the self-employed. A further increase may be seen as unfair and excessive.

Increased tax avoidance – high-income earners may use tax planning strategies or move income offshore to reduce their tax liability. This may mean the expected increase in tax revenue does not materialise.

Encourages economic growth – lower tax rates may encourage spending and investment, which leads to job creation and economic growth. Increasing taxes may reduce disposable income and have a negative effect on the economy.

Punishes hard work and success – higher taxes on top earners may reduce incentives to work harder, take risks, or invest in further education and skills. If worker feel they are losing too much of their income to tax, they may become less motivated to take on extra work, start a business, or innovate. This may hinder economic growth.

(c)	This September, the Irish government will introduce an auto-enrolment pension scheme for employees, who do not have a private pension. Note: For every €3 an employee puts into their pension, €4 more will be added to it: €3 by their employer and €1 by the State.	
21		
	<p>(i) Outline one possible economic advantage to the employee and one possible economic disadvantage to the employer of this scheme.</p> <p>Economic Advantage to the Employee:</p> <p>More pension savings for less contribution – the State contribution boosts the employee’s retirement fund without needing to contribute as much themselves.</p> <p>Guaranteed pension savings – many employees do not have a private pension. This scheme ensures they will start saving automatically, which will lead to better financial security in retirement.</p> <p>Protection against future income loss – a pension provides financial support after retirement, which reduces the risk of poverty when the employee is no longer earning a salary.</p> <p>Easy to use scheme / Encourages good financial habits – the scheme makes it easier for employees to save for retirement without needing to actively sign up or make complex decisions. Since the government manages the scheme, employees do not have to research / choose a private pension provider. This makes long-term saving simpler.</p> <p>Portable pension – if an employee changes jobs, their pension savings stay with them. They do not lose their contributions or have to restart a new pension plan.</p> <p>Less reliance on the state pension – the state pension alone may not be enough for a comfortable retirement for many employees. This scheme ensures employees have extra savings, which may reduce their financial worries later in life.</p> <p>Economic Disadvantage to the Employer:</p> <p>Higher business costs – employers must equal the employee contribution. This increases labour costs, which could reduce profits, especially for small businesses.</p> <p>Negative impact on hiring / wages – higher costs per employee may lead employers to hire fewer workers or limit wage increases to manage expenses. If businesses cannot afford the extra costs, they may reduce staff numbers or switch to part-time or temporary contracts to lower expenses.</p> <p>Administrative burden – employers must handle enrolments, manage pension deductions, and ensure compliance with regulations. This increases their paperwork and associated costs.</p> <p>Damages competitiveness – Irish businesses may face higher costs than those in countries without mandatory employer pension contributions. This makes them less competitive.</p>	<p>7</p> <p>7</p>

(ii)

Discuss how this auto-enrolment pension scheme may influence the multiplier effect in Ireland in the short term (if it leads to a lower marginal propensity to consume, MPC).

- It will result in a weaker multiplier effect.

Explanation:

- As employees must contribute to their pensions, they have less disposable income to spend. The multiplier effect depends on spending, i.e. when citizens spend less, businesses earn less. Since one person's spending is another person's income, reduced spending leads to less job creation and slower economic growth. If workers save more through pensions instead of spending, the overall boost to the economy is smaller.
- A lower Marginal Propensity to Consume (MPC) causes the denominator in the multiplier formula to increase. This results in a smaller multiplier effect in Ireland.

7

Question 13

Possible Responses

**Max
Mark**

(a) The chart below shows the value of Ireland's exports, by region, in the first six months of 2024.

29



Adapted from the CSO

(i) Calculate the percentage of Ireland's total goods exports that entered **the United States**. **Show all your workings.**

8

Workings:

$$\frac{\text{Ireland's exports to the US}}{\text{Ireland's total goods exports}} \times \frac{100}{1}$$

$$\frac{\text{€34 bn}}{\text{€108 bn}} \times \frac{100}{1}$$

$$\frac{\text{€34 billion}}{\text{€108 billion}} \times \frac{100}{1}$$

Answer: 31.48% / 32%

Deduct 1 mark for omission of %

	<p>In 2022, the CSO reported that 11,785 companies in Ireland were engaged in exporting goods.</p> <p>(ii) Outline one economic benefit and one economic challenge of Ireland's exports for the Irish economy.</p> <p>Economic Benefit:</p> <p>Increased national income (GDP / GNP / GNI*) / Injection into national income – exports contribute significantly to Ireland's national income by bringing in foreign revenue. The increase in national income may lead to higher economic growth / improved living standards / increased tax revenues for the government.</p> <p>Job creation – Ireland’s export sector has created a large number of jobs, both directly and indirectly. Increased demand for Irish goods abroad may lead to higher production, which in turn requires more labour and increases employment levels in the country.</p> <p>Improvements in innovation and productivity – by competing in global markets, companies in Ireland may need to adopt new technologies and practices. This may lead to greater efficiencies and economies of scale and future long-term economic growth.</p> <p>Economic Challenge:</p> <p>Vulnerability to external shocks – Ireland has a highly open economy, which makes it more vulnerable to external economic shocks, e.g. economic fluctuations / wars / trade wars / changes in demand in key export markets etc. A downturn in global markets may lead to reduced demand for Irish exports. This negatively impacts the Irish economy.</p> <p>Overreliance on a few sectors – a large share of Ireland's exports is concentrated in a few key sectors, such as pharmaceuticals, ICT, agri-food etc. Such an overreliance on a limited number of industries may cause economic instability, if any of these sectors face difficulties.</p> <p>Fluctuations in euro exchange rates – as an export-led economy, Irish exporting companies are exposed to risks associated with euro exchange rate fluctuations. A stronger / appreciating euro makes Irish exports more expensive / less competitive in international markets.</p> <p>Environmental impact – increasing production levels in order to export may lead to environmental damage, e.g. higher carbon emissions / resource depletion. The pressure to maintain export levels may conflict with Ireland's Climate Action Plan.</p>	<p>7</p> <p>7</p>
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Ireland is now the ninth-largest contributor of foreign direct investment (FDI) into the US.

Adapted from the Sunday Independent

(iii) Outline one economic reason why such outflows of FDI from Ireland are important **for the Irish economy.**

7

Explanation:

Spreads economic risk – investing in the US reduces Irish companies' reliance on the Irish market. This diversification protects Ireland's economy from economic downturns and makes it more resilient.

Boosts national income – profits earned by Irish companies abroad are often repatriated to Ireland. These earnings contribute to Ireland's GNP and GNI* (not GDP), as they originate from overseas activities. When these profits are repatriated, they contribute to Ireland's overall economic wellbeing by increasing national income and may increase government tax revenues.

Boosts balance of payments – outward FDI can positively impact Ireland's balance of payments by generating inflows when profits from foreign investments are repatriated. These inflows strengthen the current account by offsetting Ireland's high reliance on foreign MNCs sending their profits abroad.

Gain in skills and knowledge – Irish companies operating in the US gain new skills / technologies / knowledge. These may be applied in Ireland to improve productivity, innovation, and competitiveness.

Strengthens trade / investment links – Irish investments in the US help deepen economic relations between the two countries, which may make Ireland a more attractive destination for US investment. This may facilitate trade deals, open new export opportunities for Irish firms, and encourage reciprocal investment in Irish industries.

Improves Irish business competitiveness – exposure to international markets forces Irish firms to compete globally, which improves their efficiency and innovation. Competing in large economies like the US may allow Irish firms to scale up, achieve economies of scale, and develop world-class brands that may later expand into other international markets.

Avoids trade barriers – if US protectionist policies continue, Irish firms, that rely on exports to the US, may struggle due to tariffs or other trade restrictions. These firms can bypass such barriers and continue to grow by locating directly in the US. This helps ensure their profitability and stability. It also secures long-term access to the US market, which is crucial as the US is one of Ireland's largest trading partners.

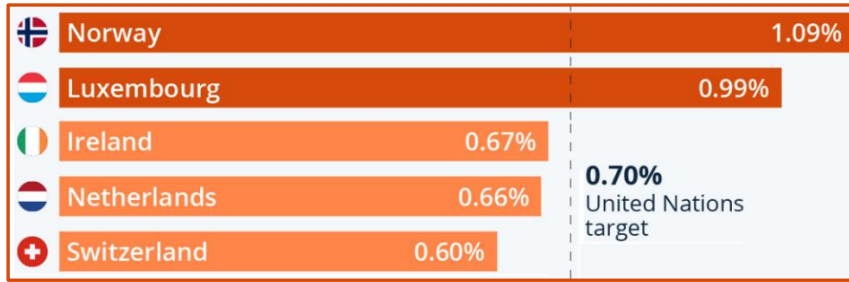
(b)	Over 90 foreign pharmaceutical companies operate in Ireland and they employ over 45,000 people.	
25	Adapted from idaireland.com	
	<p>(i) Ireland has a comparative advantage in attracting pharmaceutical foreign direct investment (FDI).</p> <p>Explain the principle of comparative advantage.</p> <p>Explanation:</p> <p>Comparative advantage occurs when a country specialises in the production of the goods, for which they have the lowest opportunity cost / in which it is relatively most efficient. The country trades for the remainder of its requirements. This leads to increased productivity.</p> <p>(ii) Outline two sources of comparative advantage in Ireland, which help to attract foreign pharmaceutical companies.</p> <p>Reputation / Track record – Ireland has long established itself as a hub for global pharmaceutical companies. Major pharma MNCs like Pfizer and Johnson & Johnson already have a strong presence. This builds confidence for other pharma MNCs considering Ireland as a manufacturing location.</p> <p>R&D / innovation supports – the Irish government supports research and development for the pharma industry through grants and tax incentives. This may lead to innovation in the sector, e.g. Pfizer’s Grange Castle site produced the Covid-19 mRNA vaccine, Paxlovid.</p> <p>Pharmaceutical ‘cluster effect’ – Ireland’s pharmaceutical industry benefits from a ‘cluster effect’, where companies operate in close proximity to each other. This enables knowledge-sharing, collaboration with universities, and easier access to specialised suppliers. E.g. Cork hosts several pharmaceutical giants alongside biotech startups and University College Cork (UCC). It helps to make the pharma industry in Ireland more efficient and innovative.</p> <p>Highly skilled workforce – Ireland has a well-educated and highly skilled workforce, especially in STEM areas. The pharmaceutical sector benefits from a steady supply of talent that includes highly qualified graduates from Irish universities in areas like biochemistry and pharmacology etc.</p> <p>Ireland’s open economy – Ireland’s open economy is heavily export-oriented, which makes it easier for pharmaceutical companies to engage in international trade. Its geographic location also enables efficient shipping routes to both North America and Europe.</p> <p>Low corporate tax rate – Ireland’s corporate tax rate is highly competitive compared to many other European countries. The tax environment reduces operational costs for pharmaceutical companies and encourages FDI in the pharma sector.</p>	<p style="text-align: right;">7</p> <p style="text-align: right;">2 @ 6</p>

	<p>Proximity to the EU market – As a member of the EU, Ireland offers tariff-free access to a large single market of approx. 450 million consumers. This access ensures pharmaceutical companies can distribute their products more easily across the EU.</p> <p>English-speaking nation – Ireland is the largest native English-speaking country in the EU, which makes it an attractive location for US and Canadian pharmaceutical firms. This linguistic advantage eases global operations and communication with international partners.</p> <p>Alignment with regulatory / quality standards – Ireland adheres to strict EU regulations and has built a reputation for maintaining high quality standards, particularly in pharmaceutical manufacturing. This complies with international markets, particularly the EU and the US / improves Ireland’s attractiveness for companies requiring world-class manufacturing conditions.</p> <p>Political and economic stability – Ireland is a politically and economically stable country with a pro-business environment. This may give pharmaceutical companies confidence in long-term investment decisions.</p> <p>(iii) The World Trade Organisation (WTO) plays a crucial role in global trade. Outline one function of the WTO.</p> <p>Facilitates trade negotiations – the WTO’s most important role is to help countries negotiate trade agreements. These deals aim to reduce barriers such as tariffs and quotas, which make trade easier and more efficient. By promoting free and fair trade, these agreements help economies grow and strengthen international relations.</p> <p>Resolves trade disputes – when countries disagree on trade issues, the WTO acts as a neutral mediator to settle disputes. This prevents conflicts from escalating into trade wars, which could damage the global economy. The WTO’s dispute resolution process ensures that all members follow the agreed rules by creating a more stable trading environment.</p> <p>Monitors trade practices – the WTO regularly reviews and decides whether countries are following their trade commitments. This monitoring promotes transparency and builds trust among member states because every country knows that the trade rules are being enforced fairly.</p> <p>Provides support to developing countries – the WTO helps poorer nations improve their ability to trade by offering them training, advice, and technical assistance. This support allows developing countries to trade more effectively / to benefit from the economic opportunities the WTO agreements create.</p> <p>Promotes transparency in global trade – the WTO requires members to publish their trade policies and practices. This transparency reduces uncertainty, prevents unfair practices, and allows businesses to operate with more confidence in international markets.</p> <p>Encourages economic cooperation / stability – the WTO helps to prevent economic tensions from escalating into serious disputes by providing a forum for governments to discuss trade issues and resolve conflicts. Such stability is crucial for global economic growth and investment.</p>	6
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(c)

21

The chart below shows the percentage of Gross National Income (GNI) which various countries contributed to Official Development Assistance (ODA) in 2023.



Adapted from Statista

(i) Outline one possible economic reason for the Irish government failing to reach the UN target of 0.70% of GNI.

7

Competing domestic priorities – the government may have prioritised spending elsewhere on healthcare, housing, infrastructure, education, or social protection, especially given the rising costs in these sectors. Increased public sector wages may reduce the budget available for foreign aid. The cost of living crisis may pressure the government to prioritise direct support for Irish citizens.

Economic uncertainty / Budget constraints – global or domestic economic downturns may reduce government revenue and lead to more cautious government expenditure. Concerns over future economic shocks / unforeseen crises, such as increased geopolitical instability, may lead to more conservative fiscal policies.

Public debt / fiscal rules – despite Ireland’s strong economic growth, it has public debt obligations that require careful management. The EU’s Stability and Growth Pact encourages fiscal discipline, which may limit budget flexibility.

Dependency on corporate tax revenue – Ireland’s economy relies heavily on corporate tax revenue. Any uncertainty in this sector may lead the government to avoid increases in discretionary spending like ODA.

Prioritising humanitarian aid over a fixed target – Ireland may choose to respond flexibly to global crises (e.g. Ukraine, Gaza, natural disasters etc.), instead of focusing solely on meeting a percentage target. This approach may mean that aid levels vary annually rather than always strictly hitting 0.70% of GNI.

EU contributions count as aid – Ireland contributes to the EU budget, which funds development projects in poorer countries. Some of this spending may already be supporting international aid indirectly, even if it’s not counted in Ireland’s national ODA total.

Shift in political priorities – political considerations may cause the government to focus more on the Irish economy rather than increasing foreign aid commitments. The government may have to balance priorities based on public expectations and political realities.

(ii)

Outline one possible economic benefit that Ireland's ODA provides to least developed countries (LDCs).

Reduces extreme poverty – Ireland's ODA provides vital resources such as food, clean water, and healthcare to the poorest communities in LDCs. This direct assistance helps lift people out of extreme poverty, improves their quality of life and creates a basis for sustainable economic growth.

Develops infrastructure – ODA funds the construction and improvement of essential infrastructure in LDCs, such as roads / schools / hospitals etc. Better infrastructure helps economic activities, supports trade, and attracts investment, all of which contribute to economic stability and growth.

Develops education / skills – Ireland's ODA helps fund education in LDCs. This helps to build a more skilled workforce. Improved education increases productivity and gives citizens in LDCs better opportunities to contribute to their economies.

Improves healthcare – ODA funds healthcare initiatives, such as vaccination programmes and disease prevention efforts. Healthier populations are more productive and have lower healthcare costs. This allows for more resources to be invested in economic development.

Diversifies economies / Improves trade – Ireland's ODA helps LDCs to develop new industries and to access international markets. By diversifying their economies, LDCs may reduce dependence on a single export and improve their trade balance. This may lead to more stable economic growth.

Improves government / Reduces corruption – economic development of LDCs is often hindered by weak governments and ineffective government systems. Irish ODA helps build stronger legal, financial, and political systems, which are crucial for attracting investment, enforcing property rights, and reducing corruption.

7

(iii)	<p>Outline one challenge for LDCs who have become dependent on international aid, such as ODA.</p> <p>Lack of economic development – when an LDC becomes overly reliant on ODA, it prevents the development of a self-sustaining economy. LDC governments may focus on securing aid rather than fostering local industries and entrepreneurship. E.g. Malawi has struggled to develop its agricultural sector possibly due to continuous food aid, which may discourage investment in domestic farming.</p> <p>Distorted market – large amounts of foreign aid may disrupt local markets by undermining domestic producers. If free or heavily subsidised goods flood the market, local producers will struggle to compete. This weakens domestic industries and leads to long-term economic imbalances. E.g. in Haiti, free rice imports from the U.S. have significantly reduced demand for locally grown rice, which harms Haitian rice farmers.</p> <p>Loss of autonomy – international aid often comes with specific economic conditions imposed by donor countries / NGOs. The conditions may not align with the country's economic priorities and may limit government control over economic policies. E.g. some International Monetary Fund (IMF) loans to LDCs require austerity measures to reduce public services, even when the cuts hinder economic development.</p> <p>Weakened government – a prolonged reliance on aid weakens government institutions by making them more accountable to donors than their own citizens. This may result in poor economic planning and increased corruption, as aid funds are not always managed transparently. E.g. in South Sudan, large amounts of financial aid have been lost due to corruption, rather than being used for development.</p> <p>Aid volatility / uncertainty – international aid is often unpredictable, as it depends on the economic and political priorities of donor countries. If aid is suddenly reduced or withdrawn, LDCs may struggle to sustain vital projects in healthcare, education, or infrastructure. E.g. The US government froze many USAID funds to LDCs in February 2025.</p> <p>Erosion of local culture / local practices – when LDCs rely heavily on foreign aid, donor-driven policies may weaken local traditions. For example, some Western-funded education programmes in African LDCs promoted English and French as the primary teaching languages, replacing indigenous languages. This eroded cultural heritage and highlighted a dependence on foreign education models instead of developing locally-led ones.</p> <p>Limited impact on structural issues – foreign aid often addresses short-term needs like food, healthcare, and education but neglects deeper problems such as governance, land reform, and legal systems. This keeps LDCs reliant on aid, as corruption, weak institutions, and poor infrastructure persist. E.g. despite decades of foreign aid, the Democratic Republic of Congo still struggles with poor governance and underdeveloped infrastructure.</p>
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Question 14

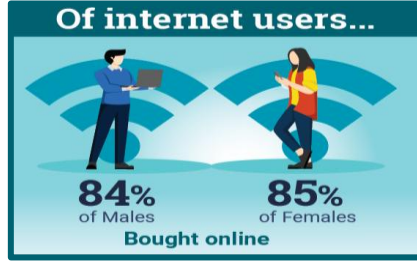
Possible Responses

**Max
Mark**

(a)

25

The graphic below shows that the majority of internet users in Ireland bought online in 2023.



Adapted from Household Digital Consumer Behaviour 2024, CSO

(i) Outline two benefits of online shopping for **consumers in Ireland**, *other than being able to choose from a wider selection of products*.

2 @ 5

Possible benefits:

Increased convenience / accessibility / efficiency – consumers can shop from home at any time, thus avoiding travel, queues, and crowds. Quick searches, filters, and one-click purchases save time / make shopping more efficient. This is especially useful for busy professionals and parents / for those in rural areas with fewer physical stores nearby.

Cheaper prices / Discounts – online stores often have lower prices, exclusive promotions, and discount codes. Price comparison tools make it easier to find the best deals.

Home delivery / Subscription services – goods are delivered directly to your door, sometimes the next day. Subscription services for groceries or essentials simplify regular purchases.

Access to reviews / Better informed decisions – customer ratings and reviews help buyers to make better choices, which reduce the risk of disappointment. AI-driven recommendations may also suggest relevant products.

Flexible payments – various payment options may exist, which offer flexibility, including digital wallets and ‘buy now, pay later’ options.

Easy returns – under EU consumer protection laws, Irish shoppers have the right to a 14-day cooling-off period for online purchases. This means they can return most goods without needing to provide a reason.

Less impulse buying – shopping online gives time to think before purchasing. This may reduce the likelihood of impulse buys, as online shoppers can take time to compare options and consider their needs making a purchase.

Environmental benefits – online shopping lowers carbon emissions by reducing unnecessary car journeys to multiple stores. Many companies now offer sustainable delivery options, such as carbon-neutral shipping or eco-friendly packaging.

(ii)

Amazon plans to open a dedicated store in Ireland in 2025, offering over 100 million products.

Outline two economic **difficulties** which Amazon's expansion may create for small and medium-sized retailers operating in Ireland.

Economic difficulties:

Increased competition – Amazon’s expansion will introduce a dominant global retailer into the Irish market. Small retailers with limited resources may struggle to compete with Amazon’s ability to offer a vast selection of products at lower prices.

Squeezed profit margins – Amazon’s aggressive pricing strategies may force small retailers to lower their prices to stay competitive. Since small retailers often operate with thin profit margins, this may lead to reduced profitability or even financial losses.

Technology gap – Small Irish retailers may struggle to compete with Amazon’s advanced e-commerce platform and logistics network. Many local businesses may lack the resources to invest in technology and improve their delivery systems to match Amazon’s efficiency.

Erosion of customer loyalty – Customers may shift their loyalty to Amazon due to the lower prices, faster shipping, and a wider range of products. This may lead to a decline in sales for small retailers, who rely heavily on repeat business from local customers.

Supply chain challenges – Amazon’s very significant purchasing power may disrupt supply chains for small retailers. Suppliers may prioritise Amazon, resulting in stock shortages or higher costs for smaller businesses. This may make it difficult for them to maintain stable pricing and available stock.

Community impact – Amazon’s expansion may contribute to the decline of local high streets and shopping areas, as small retailers struggle to survive. This may weaken community cohesion and reduce the vibrancy of local economies, which often depend on small businesses.

Job losses in small businesses – as Amazon attracts more customers, small retailers may experience declining sales, leading to layoffs or even business closures. This could result in local job losses, particularly in family-run businesses and independent shops.

Negative impact on retail property market – if small retailers are forced to downsize, relocate, or close entirely, a rise in vacant retail spaces may further reduce overall consumer activity in local shopping areas. It creates a vicious circle which may make it increasingly difficult for small retailers to recover.

2 @ 5

	<p>(iii) Online shopping shows how advances in technology can influence Ireland’s market economy. Outline one other way that changes in technology may affect how either of the following sectors operates:</p> <ul style="list-style-type: none"> • Agriculture • Sports & Fitness <p>Indicate your sector by ticking (✓) the relevant box below and outline your answer.</p> <p>Agriculture:</p> <p>Precision farming – technologies like GPS and drones enable farmers to monitor crop health, optimise planting patterns, and apply fertilisers or pesticides more precisely. This reduces waste and costs, which improves the competitiveness of Irish agriculture.</p> <p>Reduced labour costs / Higher output – automated machinery (like robotic milking systems) may reduce labour costs / increase productivity / streamline operations, which leads to higher profitability.</p> <p>Improved market access – technology may enable more environmentally friendly farming to occur, e.g. by adopting methane-reducing cattle feed Irish farmers may better meet environmental standards and access export markets / avoid penalties under climate agreements.</p> <p>Data analytics / AI – software can help farmers to better track weather patterns / soil conditions / livestock health. This may lead to better decision making / higher output, which improves competitiveness.</p> <p>Use of apps – farmers may pool resources through apps such as WhatsApp to share equipment, labour, and transport, in order to reduce costs, which is crucial for a market economy.</p> <p>Use of renewable energy – by integrating renewable energy (e.g. solar panels), farms may reduce operational costs / generate additional income by selling excess energy back to the grid. This improves Ireland's agricultural competitiveness.</p> <p>Use of genetic engineering – advances in genetics help to improve livestock breeds and crop varieties. This reduces input costs and boosts Ireland’s agricultural productivity / reputation in both domestic and export markets.</p>	<p>5</p>
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Sports & Fitness:

Wearable tech – fitness trackers and smartwatches encourage consumer interest in fitness. It drives consumer demand for fitness-related products and services / increases revenue for manufacturers of wearables and associated apps.

Performance analytics – advanced data tools, such as video analysis and GPS tracking, may help athletes and sports teams to optimise performance. This supports industries that provide such tools / creates demand for skilled jobs in technology and sports science.

Online fitness platforms – virtual workout classes and apps allow people to exercise at home. This expands access to fitness options across Ireland, particularly in rural areas. They may lead to new revenue streams for trainers, app developers, and related services.

Eco-friendly facilities – by adopting smart technologies and renewable energy, sports facilities may reduce operational costs, attract eco-conscious consumers, and enhance their profitability. This contributes to Ireland’s market economy.

Social media – social media apps like Instagram and TikTok allow gyms and sports clubs to market themselves more effectively by reaching a wider audience. This may increase membership / sponsorship deals. Economic activity generated by social media marketing is clear and measurable.

Esports development – the rise of esports has created opportunities for game developers, event organisers, and professional players. Platforms like Twitch and YouTube Gaming allow gamers to earn income through ad revenue, sponsorships, and donations. More young people are engaging with digital sports rather than traditional physical sports.

(b)

The data below represents the market demand and the market supply schedules for a new deodorant, called Scentastic.

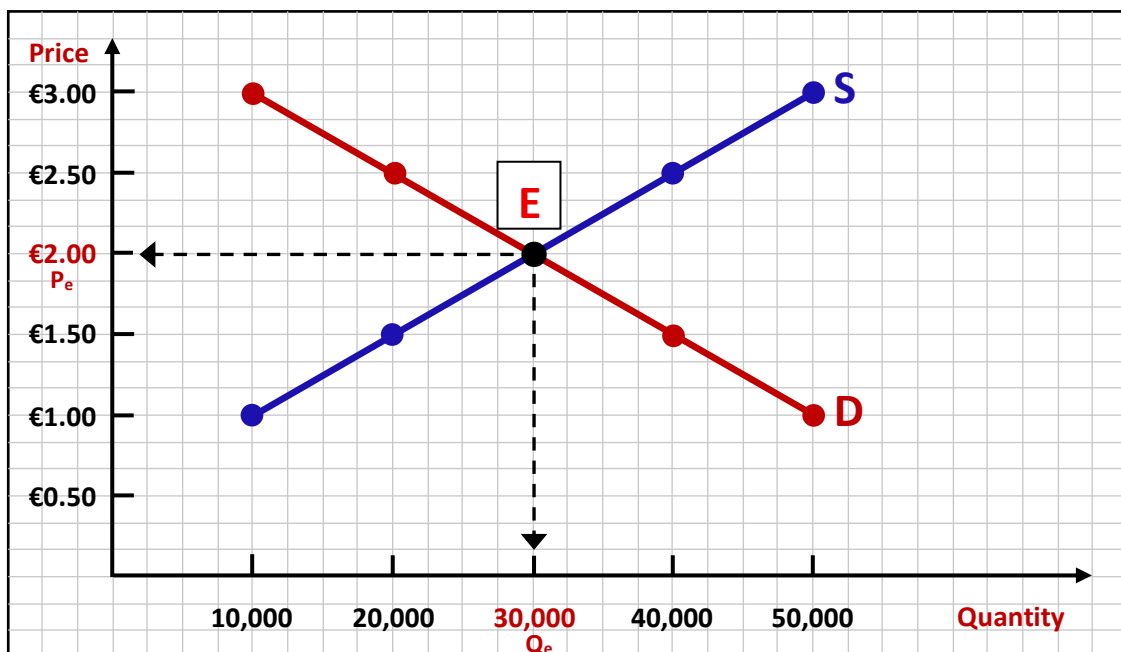
31

Price (€)	Quantity Demanded (units)	Quantity Supplied (units)
€1.00	50,000	10,000
€1.50	40,000	20,000
€2.00	30,000	30,000
€2.50	20,000	40,000
€3.00	10,000	50,000

(i) Using the data above, complete on the graph paper provided below:

- The market demand curve for Scentastic.
- The market supply curve for Scentastic.
- Clearly label the point of equilibrium as E.
- Show the equilibrium price (P_e) and the equilibrium quantity (Q_e) on the graph.

Note: You must complete/fill in the price axis and the quantity axis.



17:
17 x 1

Complete
Axes:
2

D:6
S:6
Equil
 P_e
 Q_e

(ii) Using an appropriate formula, calculate the **price elasticity of demand (PED)** for Scentastic, when its price rises from €2.00 to €2.50 and the quantity demanded decreases from 30,000 units to 20,000 units.

Explain the economic meaning of your answer and **show all your workings**.

Workings:

$$\frac{\Delta Q}{\Delta P} \times \frac{P1 + P2}{Q1 + Q2}$$

$$\frac{-10,000}{0.50} \times \frac{2.00 + 2.50}{30,000 + 20,000}$$

Answer: - 1.8

Economic meaning of the answer:

The sign is minus therefore Scentastic obeys the Law of Demand.

There is an inverse relationship between the price and quantity demanded of Scentastic.

The absolute value is 1.8.

This demand for Scentastic is price elastic as its PED is greater than 1.

The percentage change in the price of Scentastic will cause a greater percentage change in its quantity demanded. For every €1 increase in the price of Scentastic, its quantity demanded will decrease by 1.8%.

9

5

(c)	<p>Nearly 200,000 citizens in Ireland work in the gig economy.</p>	
19	<p>“Navigating Ireland’s Gig Economy: Strategies for Success”, esoftskills.ie</p>	
	<p>(Note: the gig economy is a labour market where short-term contracts or freelance work is widespread).</p> <p style="text-align: center;">The gig economy needs to be better regulated for its workers.</p> <p>(i) Do you agree or disagree with the statement? Indicate your choice below by ticking (✓) the relevant box and justify your choice.</p> <p style="text-align: center;">AGREE:</p> <p>Lack of job security – gig workers usually lack permanent contracts / have no guarantee of continued employment. This instability may lead to financial insecurity and difficulty in obtaining loans or mortgages.</p> <p>Absence of employment rights – many gig workers are classified as independent contractors rather than employees. This means they miss out on protections like sick pay, holiday pay, and unfair dismissal rights. Stronger regulation could ensure they receive basic employment rights.</p> <p>Low / unpredictable earnings – in contrast to traditional jobs, gig workers may struggle with fluctuating income levels. This makes it hard to budget and plan financially. Minimum wage protections should be extended to gig workers to ensure fair pay.</p> <p>Lack of social protection – many gig workers do not have access to social security benefits such as PRSI contributions, which affect their entitlement to state pensions, unemployment benefits, and illness benefits. A reclassification of their employment status could improve their social protection coverage.</p> <p>Exploitation by digital platforms – digital platforms such as food delivery and taxi hailing services often dictate pricing and working conditions, without consulting workers. More oversight is needed to prevent unfair treatment and ensure better working conditions.</p> <p>Lack of taxation clarity – many gig workers face confusion regarding their tax liabilities as self-employed citizens. Clearer regulations could simplify tax compliance and prevent potential legal issues arising.</p> <p style="text-align: center;">DISAGREE responses overleaf</p>	7

DISAGREE:

Flexibility for workers – many gig workers choose this type of work because it offers flexibility. They can decide when and how much they work. It allows them to balance other commitments like education, caregiving, or a second job. If stricter regulations are introduced, companies may reduce this flexibility.

More employment opportunities – the gig economy allows workers to earn money quickly without going through long hiring processes. For citizens struggling to find full-time employment, gig work can provide immediate income, work experience and self-employment opportunities i.e employment at gigs/ the arts.

Regulations may reduce gig work – if gig workers were reclassified as employees, companies might hire fewer people or introduce stricter requirements to reduce costs. This could lead to fewer opportunities for those who rely on gig work.

Some gig workers earn well – not all gig workers experience low pay or poor conditions. Some choose gig work because they earn more than they would in traditional employment, especially those with in-demand skills like IT, graphic design, or consulting. Over-regulation may limit their earning potential.

Increased costs for consumers – if gig workers receive more benefits, companies will likely increase their prices to cover these costs. This could make services like food delivery, taxi-hailing services, and freelance work more expensive for consumers.

Ireland's economy benefits from gig work – the gig economy helps businesses by providing a flexible workforce, reducing costs, and increasing productivity. If businesses were to face higher costs due to regulations, they may relocate or reduce investment in Ireland, which would lower economic growth.

(ii)	<p>Ireland has maintained near to full employment since January 2022. Outline one positive and one negative economic effect of full employment on the Irish economy.</p> <p>Positive economic effect:</p> <p>Higher standard of living – increased employment leads to higher incomes. This allows consumers to afford more goods and services, which improves their standard of living.</p> <p>Reduced social protection costs / Increased tax revenue – with more working, the government spends less on unemployment benefits / collects more revenue from income tax, VAT, and other taxes.</p> <p>Boosts economic growth – higher employment boosts spending / aggregate demand. This leads to increased production and economic growth.</p> <p>Encourages investment – companies are more likely to invest in their business when demand is high and economic conditions are stable.</p> <p>Greater consumer sentiment – consumers feel more confident / secure when employment levels are high. This leads to increased spending, which adds to economic stability.</p> <p>Reduced inequality / Less poverty – more job opportunities allow a wider range of workers to earn incomes. This helps to close income gaps and reduce poverty levels.</p> <p>Negative economic effect:</p> <p>Skilled labour shortages – employers may struggle to find qualified workers, which hinders business growth and may lead to skills gaps in key industries.</p> <p>Increased wage demands – as available workers become scarcer, businesses may have to offer higher wages to attract and retain staff. This increases labour costs.</p> <p>Strain on public infrastructure / public services – increased employment may lead to overcrowding in public transport, housing shortages, and pressure on healthcare and education services.</p> <p>Labour shortages in low-paid sectors – industries offering minimum wages, such as hospitality and retail, may find it difficult to attract workers. This may lead to a reduction in service quality or business closures.</p> <p>Rising inflation – more citizens earning and spending money drives up demand for goods and services. This may lead to higher prices / increased inflationary pressure.</p> <p>Worsening balance of payments – higher incomes increase demand for imported goods, which may weaken Ireland’s balance of payments.</p>	6
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Question 15

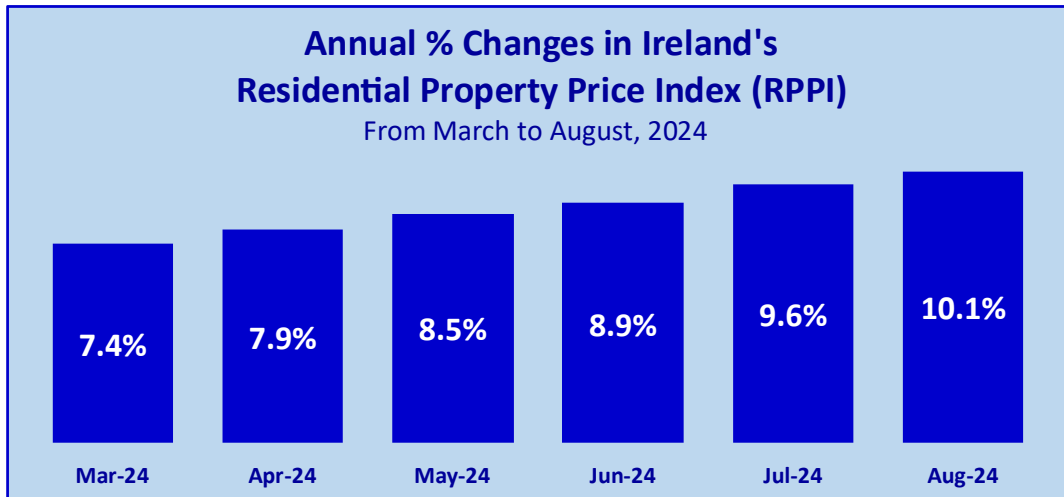
		Possible Responses	Max Mark
(a)		The Government has published The Finance (Provision of Access to Cash Infrastructure) Bill 2024, which aims to ensure that sufficient and effective access to cash is available across the country. Adapted from RTÉ News, (July, 2024)	
24			
	(i)	<p>Do you agree or disagree with The Finance (Provision of Access to Cash Infrastructure) Bill 2024? Indicate your choice below by ✓ the relevant box and justify your choice.</p> <p style="text-align: center;">AGREE:</p> <p>Ensures financial inclusion – many people, especially older citizens, those in rural areas, and those on low-incomes, still rely on cash for everyday transactions. The bill ensures they are not excluded from the economy.</p> <p>Supports small businesses – not all small retailers and market traders have access to affordable card payment systems. Cash access enables them to operate efficiently.</p> <p>Reduces dependence on digital systems – digital payment systems can experience technical failures or cyberattacks. Having cash as an alternative ensures economic stability during such disruptions.</p> <p>Protects consumer privacy – cash payments do not leave a digital footprint, which helps consumers maintain their privacy / reduces data tracking by companies and financial institutions.</p> <p>Enhances emergency preparedness – in cases of natural disasters or widespread power outages, digital payments may not work. Economic activity during crises is maintained by the use of cash e.g. during Storm Éowyn (Jan) cash became a necessary form of payment, as digital payment systems in many areas were severely disrupted.</p> <p style="text-align: center;">DISAGREE:</p> <p>Encourages criminal activity – cash transactions are harder to trace, which makes it easier for money laundering, tax evasion, and other illicit activities to thrive.</p> <p>High maintenance costs – ATMs and cash-handling infrastructure require significant investment and upkeep. Banks and businesses may find it expensive to maintain cash availability. Reduction in costs possibly allow firms to keep their prices low.</p> <p>Goes against cashless trend – many countries and businesses are shifting toward digital payments due to their convenience and efficiency. This bill slows down Ireland’s transition to a cashless economy.</p> <p>Limited consumer demand – the majority of citizens in Ireland now use card and mobile payments. If demand for cash continues to decline, maintaining cash infrastructure may become inefficient.</p> <p>Environmental impact – producing and transporting cash has a carbon footprint. Encouraging digital payments may be more environmentally friendly.</p> <p>Increased security risks – handling cash increases the risk of theft for businesses, banks, and citizens. A shift towards digital payments enhances security by reducing the risks associated with physical money.</p>	6

<p>(ii)</p>	<p>Outline two factors, which affect the amount of credit that Irish retail banks can create.</p> <p>Future economic expectations – if retail banks are optimistic about the economic outlook, they may be more likely to lend as they expect borrowers to repay their loans without issues. If they foresee an economic downturn or financial instability, they may become more cautious about potential defaults and reduce lending to minimise risk.</p> <p>ECB changes in interest rates / monetary policy – if the ECB raises interest rates, it becomes more expensive for retail banks to borrow money, which may lead to reduced lending to consumers. If the ECB reduces interest rates, it becomes cheaper for banks to borrow money, which may lead to increased lending to consumers.</p> <p>Competition within the retail banking sector – less competition within the sector may result in stricter lending practices. The Irish retail market has become more concentrated in recent years with the exits of Ulster Bank and KBC Bank.</p> <p>Central bank reserve ratios – the PLR refers to the percentage of a retail bank’s total deposits that it must hold in cash or highly liquid assets, rather than lending out. If the PLR increases, it reduces the supply of credit by retail banks and vice-versa.</p> <p>Ability of banks to raise capital on international markets – Irish retail banks borrow money from international financial markets to fund lending activities. If global market conditions are strong, banks can easily raise funds. This increases the supply of credit.</p> <p>Customers cash deposits – if customers lodge more cash on deposit then this increases the ability of a bank to create more credit.</p> <p>Availability of creditworthy customers – a bank will only lend to those customers it deems creditworthy. If creditworthiness declines so too will the amount of credit created.</p> <p>Customers’ demands of loans: if customers do not demand loans then banks are restricted in the amount of credit they can create.</p>	<p>2 @ 6</p>
<p>(iii)</p>	<p>According to the Irish Times, Allied Irish Bank (AIB) is investing €40 million upgrading almost two-thirds of its 170-branch network by the end of 2025. Outline one economic reason, why, in your opinion, AIB is making this investment.</p> <p>Commits to environmental sustainability / cost reduction – by upgrading its branches, the bank may improve its energy efficiency and reduce costs of electricity, heating, and cooling.</p> <p>Attracts / retains customers – by upgrading its branches, AIB can offer better in-person services, which many customers still value for important financial decisions. A modern branch network helps attract new customers, keep existing ones loyal, and ensure strong customer satisfaction, especially in rural areas.</p> <p>Complies with Government policies – AIB’s investment aligns with the Irish government’s policy to maintain cash access and banking services across the country. By keeping its branch network strong, AIB is showing its commitment to financial inclusion and avoids a public backlash.</p> <p>Supports digital integration – by modernising branches, AIB can incorporate new technology, such as self-service kiosks and advanced digital support. This improves efficiency and ensures it stays up to date with how banking is changing.</p>	<p>6</p>

(b)

25

The chart below, adapted from the CSO, shows the year-on-year percentage changes in the Residential Property Price Index (RPPI) for Ireland from March to August, 2024.



- (i) Using the data in the chart above, calculate the percentage increase in the RPPI from March 2024 to August 2024. **Show all your workings.**

8

Workings:

$$10.1 - 7.4 = 2.7\%$$

$$\frac{\text{August 2024} - \text{March 2024}}{\text{March 2024}} \times \frac{100}{1}$$

$$\frac{10.1 - 7.4}{7.4} \times \frac{100}{1}$$

Answer: 36.48%

Deduct 1 mark for omission of %

(ii)

Rising property prices is affecting the labour market in Ireland.

Discuss two economic effects which the development above may have on **the Irish labour market**.

2 @ 6

Reduced geographical mobility of labour – geographical mobility of labour refers to the ease with which workers can move from one area to another for work purposes.

Rising property prices make it more difficult for workers to move to urban areas where jobs are available, reducing the geographical mobility of labour. This may lead to labour shortages in key sectors such as hospitality, retail, education, healthcare, construction, technology etc., where workers may not be able to afford to live near their workplaces.

Increased wage demands – as housing becomes more expensive, workers may demand higher wages to cover their living costs. This increases business costs, especially in sectors with high urban employment, such as retail and hospitality. This may lead to rising inflation.

Skills shortages / Emigration – high housing costs may drive skilled workers to seek employment abroad in countries with lower living costs. This will worsen skills shortages in Ireland. Employers may struggle to attract international talent, which reduces levels of innovation and business expansion.

Overcrowding – more workers may resort to overcrowded accommodation, which may lead to lower living standards. This could have long-term effects on health / wellbeing, and indirectly affect worker productivity.

Impact on entrepreneurship and small businesses – rising property prices make it more expensive for small businesses and startups to operate in urban areas. Higher commercial rents and housing costs discourage entrepreneurship, as business owners may struggle to afford personal and business expenses. This may reduce job creation and weaken innovation in urban areas. Businesses may need to relocate to more affordable areas to reduce costs. This may lead to shifts in employment patterns and contribute to urban sprawl, as economic activities move away from city centres.

Greater reliance on remote working – as house prices and rents become more unaffordable in cities, more workers may demand remote or hybrid work arrangements to avoid high housing costs / long commutes. Sectors requiring a physical presence (e.g., retail, healthcare, hospitality) may face more persistent labour shortages, which would make it more difficult to fill essential roles in urban areas.

Expansion of commuter belt – workers may extend commuting distances by moving to more affordable suburban or rural areas. This may increase commuting times, which leads to a reduction in productivity / a strain on transport infrastructure / increased commuting times increase stress, and may reduce overall job satisfaction.

Increase in informal employment – to cope with rising property prices, some workers may feel they need to take on additional part-time work / gig economy jobs / work in the shadow economy. While this may help supplement income in the short term, it may also lead to less job security and fewer long-term financial protections.

(iii)	<p>In Budget 2025, the government decided it was extending mortgage interest relief for taxpayers who are paying more in mortgage interest in 2024 than they were in 2022. (Mortgage interest relief is a tax relief on the interest paid in a year on a qualifying mortgage loan). Do you agree or disagree with this decision? Indicate your choice below by ticking (✓) the relevant box and justify your choice.</p> <p style="text-align: center;">AGREE:</p> <p>Helps homeowners with higher costs – interest rates increased substantially in 2023 and 2024. This resulted in mortgagees making higher repayments. The interest relief helps those struggling with these higher costs.</p> <p>Targeted support – the relief is only for those whose mortgage interest increased in 2024 over 2022. This means it directly helps those who have been hit hardest.</p> <p>Supports middle-income earners – many middle-income earners are the ones most affected by rising mortgage costs. The relief provides financial support to those who may not qualify for other housing assistance.</p> <p>Prevents mortgage arrears / repossessions – without the interest relief, some mortgagees / homeowners may struggle to pay their mortgage. This may lead to missed payments or even losing their homes.</p> <p>Encourages spending in the economy – if mortgage holders receive tax relief, they have higher disposable incomes to spend on goods and services. This helps businesses and supports economic growth.</p> <p>Helps to stabilise the housing market – if homeowners struggle to pay their mortgages, there could be a rise in forced sales, which might cause instability in the housing market.</p> <p style="text-align: center;">DISAGREE:</p> <p>Helps only some citizens – the relief only helps homeowners with mortgages, while renters, who also face rising costs, receive no benefit from the scheme. It also benefits higher earners more, as those with larger mortgages typically have higher incomes. Meanwhile, people with smaller mortgages or those who have fully paid off their loans receive little to no support.</p> <p>Government expenditure could be used elsewhere – the funds spent on mortgage interest relief could be used for other housing supports, such as building more social houses or increasing rent tax credits.</p> <p>May increase housing prices – if citizens expect the government to keep offering mortgage interest relief, it may encourage higher borrowing and push house prices even higher.</p> <p>Only a temporary fix – this measure helps in the short term, but it does not solve the underlying issue of high mortgage interest rates & housing affordability in the long term.</p> <p>Fairness issue – some taxpayers may feel it unfair that public funds are being used to support homeowners rather than being spread equally across society.</p>	5
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(c)		<p>What we have to prioritise now is enabling infrastructure to deal with the medium-term needs of our economy.</p>	
26		<p>Minister for Public Expenditure, National Development Plan Delivery and Reform Sunday Business Post, October 2024</p>	
	(i)	<p>Explain the economic term public infrastructure and illustrate your answer with an example.</p> <p>Public Infrastructure:</p> <p>Public infrastructure refers to essential facilities and services which support economic activity / improve the lives of citizens / productive capacity. It is usually funded and maintained by the government but may also involve public-private partnerships (PPPs) (where private companies collaborate with the government to finance, build, and operate infrastructure).</p> <p>Any relevant example:</p> <p>Ireland’s public water supply system, managed is by Irish Water, a semi-state body. It provides essential services to households and businesses by ensuring access to clean water, which supports public health and economic activity.</p> <p>Public hospitals like Mayo University Hospital are part of Ireland’s publicly funded healthcare system. Such hospitals provide essential medical services, support the health of the population and ensure the country’s workforce remains productive.</p> <p>Garda stations are funded and operated by the Irish government. They are critical infrastructure supporting law enforcement. They ensure public safety, which is vital for a stable / functioning economy.</p> <p>Irish Rail’s rail network is owned by the state and provides vital public transport. It reduces road congestion and supports economic activity by connecting cities and rural areas across Ireland.</p>	6

- (ii) Discuss two possible challenges for the Irish economy, if government expenditure on long-term infrastructure is **insufficient**.
- Reduced economic growth** – infrastructure such as transport, broadband, and utilities, is essential for business efficiency. Insufficient investment increases costs, reduces productivity, and discourages both domestic and foreign investment. E.g. Congestion on the M50 motorway slows the movement of goods and workers. This hinders productivity and economic growth.
- Worsening regional imbalances** – a lack of infrastructure investment widens the gap between urban and rural areas. Without reliable transport, broadband, or utilities, rural regions will struggle to attract businesses and workers, which leads to unbalanced regional development. E.g. The lack of high-speed broadband across all rural areas limits remote work and business opportunities.
- Worsening housing crisis** – insufficient investment in social housing will further reduce supply, which drives up prices and rents. This reduces affordability / labour mobility / puts upward pressure on wages. E.g. Ireland’s chronic housing shortage has made it difficult for businesses to attract and retain workers, which stifles economic growth and investment.
- Declining competitiveness** – poor infrastructure increases costs for businesses and makes Ireland less attractive for Foreign Direct Investment (FDI). Companies may relocate to countries with better infrastructure. E.g. Inadequate port and road facilities hinder trade, which damages Ireland’s export performance.
- Environmental targets at risk** – without further investment in sustainable infrastructure, such as green public transport and renewable energy, Ireland may fail to meet climate targets. This may result in long-term environmental damage, and very substantial EU fines.
- Increased strain on public services** – a lack of investment in health, education, and transport leads to overcrowding, longer waiting times, and declining quality of service. This reduces productivity and quality of life. E.g. Population growth may lead to overcrowded hospitals and schools, which reduces the quality of healthcare and education in the country. This makes it more difficult to develop a skilled and healthy workforce, which reduces economic growth.
- Higher future costs** – a delay in infrastructure projects increases costs in the long run. Ageing infrastructure becomes more expensive to repair, and emergency fixes increase government debt. E.g. Ongoing delays in the construction of the National Children’s Hospital have significantly increased costs, with the project now billions over budget.
- Weakened tourism industry** – tourism relies on well-maintained infrastructure such as airports, roads, and cultural sites. Poor levels of investment damages Ireland’s ability to attract and retain tourists. E.g. Delays in upgrading Dublin Airport’s facilities have led to overcrowding, flight delays, and poor public transport connections.

(iii) The data below shows the levels of expenditure by the Irish government for the years 2015, 2019 and 2025 (forecasted).

Year	2015	2019	2025 ^f
Government Expenditure	€54 billion	€67 billion	€105.4 billion

Adapted from the Department of Finance

Explain two economic reasons for the significant increase in government expenditure from 2015 to the projected figure for 2025, other than spending on infrastructure.

2 @ 5

Covid-19 pandemic response – the government introduced emergency support schemes such as the Pandemic Unemployment Payment (PUP) and business wage subsidies. Healthcare spending surged to manage the crisis, with long-term financial expenditure on hospital capacity and public health measures.

Population growth / Ageing population – Ireland’s population has grown significantly and has increased demand for public services such as healthcare, education, and social welfare. Ireland’s ageing population has resulted in higher government spending on pensions, elderly healthcare, and long-term care facilities.

Rising healthcare costs – healthcare expenses have increased due to wage increases for healthcare workers, investment in new medical treatments, and the expansion of hospital facilities. The long-term effects of Covid-19 have also driven continued spending on healthcare infrastructure and public health initiatives.

Social protection / Income supports – the government has increased payments for pensions, child benefits, housing assistance, and unemployment benefits. Rising inflation and cost-of-living pressures have led to additional government interventions such as energy subsidies and direct financial supports for households.

Public sector wage agreements / Growth in public sector workforce – the cost of public sector pay agreements has increased, especially for teachers, healthcare workers, Gardaí, and civil servants. Increased hiring in public services, including healthcare professionals and education, has added to payroll costs.

Housing / Homelessness interventions – increased investment in social housing, rental assistance schemes (e.g., Housing Assistance Payment – HAP), and homeless reduction initiatives. Government intervention in the housing market has increased in response to rising rents and a shortage of available and affordable housing.

Inflation / Rising cost of public services – inflation has increased the cost of delivering public services, from social welfare payments to healthcare and education. Public sector wages and benefits have been adjusted to keep pace with inflation, which has further increased government spending.

More possible responses continued overleaf

EU / Climate action policy commitments – Ireland is legally required to meet EU climate targets, which has led to increased government spending on renewable energy projects, electric vehicle incentives, and carbon reduction programs. The government also funds initiatives to improve energy efficiency in homes and businesses, as well as providing grants for transitioning to greener technologies. Compliance with EU regulations on environmental protection, waste management, and emissions reduction has required additional government funding.

Increased spending on immigration / humanitarian support – financial support for refugees and humanitarian aid, particularly for Ukrainian refugees under Ireland’s Temporary Protection Scheme, has added to government expenditure. This includes housing, healthcare, education, and social protection payments.

Increased spending on defence / security – the government has committed to increasing spending on defence, cybersecurity, and national security in response to evolving global threats. Investment in modernising Ireland’s defence forces and upgrading equipment has contributed to higher government expenditure. Cybersecurity funding has risen to protect national infrastructure from digital threats and cyberattacks.

Question 16

Possible Responses

**Max
Mark**

(a) The table below shows the daily output and production costs for a smoothie and juice bar in Sligo.

25

Output of Smoothies	Fixed Cost (€)	Variable Cost (€)	Total Cost (€)	Average Cost (€)
0	60	0	60	—
20	60	A	70	3.50
40	60	30	90	2.25
60	60	55	115	B

(i) Complete the variable cost and the average cost, labelled A and B, in the table below. **Show all your workings.**

6

Label A (Variable Cost) Workings:

$$\begin{array}{rclcl} \text{Total cost} & \text{minus} & \text{Fixed cost} & = & \text{Variable cost} \\ \text{€70} & - & \text{€60} & = & \text{€10} \end{array}$$

Label B (Average Cost) Workings:

$$\text{Average cost} = \frac{\text{Total cost}}{\text{Output of smoothies}}$$

$$\text{Average cost} = \frac{\text{€115}}{60}$$

Answer = €1.92

(ii) If the outlet charges €4.00 for a fresh smoothie, calculate the profit it earns if it sells 40 smoothies in a day. **Show all your workings.**

5

Workings:

$$\begin{array}{rclcl} \text{Revenue:} & & \text{€4.00} \times \text{40 smoothies} & = & \text{€160} \\ \text{Minus} & & & & \\ \text{Total cost for 40 smoothies:} & & & & \text{€90} \\ \text{PROFIT} & & & & \text{€70} \end{array}$$

(iii)

Outline two objectives the owner of the smoothie and juice bar may pursue other than profit maximisation.

2 @ 7

Prevent government intervention – a smoothie bar focused only on profit maximisation may take actions that could increase the risk of government intervention. Cutting costs too aggressively, such as ignoring hygiene standards, or underpaying staff, is likely to result in food safety fines, employment investigations, or even temporary closure. To avoid government intervention, the business may choose to balance profit maximisation with compliance and responsible business practices.

Discourage the entry of new firms / Limit pricing – if the owner keeps prices low, it may discourage new competitors from entering the local smoothie market. The owner may also build strong customer loyalty through a rewards programme, student discounts, or an exclusive menu. This makes it harder for a new entrant to attract customers. By keeping prices lower in the short term, the business sacrifices short-term profits but ensures long-term market dominance.

Increase market share – instead of focusing just on profits, the owner may aim to sell as many smoothies as possible, in order to build a large customer base. E.g. Run promotional campaigns, offer deals to local gyms / schools / workplaces, introduce new flavours, launch a local delivery service. By increasing sales volume, the business may generate economies of scale, which reduces per-unit costs in the long run.

Maintain adequate profits – The owner may prefer stable, sustainable profits rather than constantly trying to maximise profits. E.g. keeping prices fair to maintain a loyal customer base rather than exploiting short-term demand / reinvesting profits into improving the shop (e.g., buying better blenders, upgrading seating, or expanding the menu) / focusing on a better work-life balance by ensuring that the business is not overly stressful to run while still being profitable.

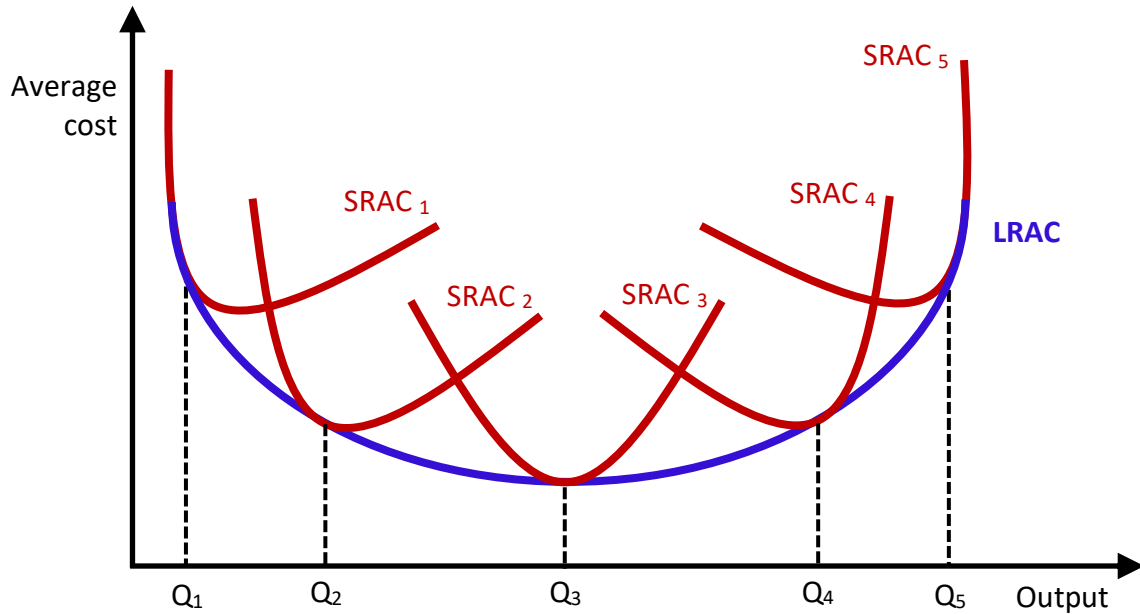
Uphold ethical and social responsibility – a smoothie bar may avoid extreme profit maximisation to uphold ethical business practices and maintain a positive public image. This may lead to steady long-term sales rather than short-term spikes in profits. E.g. Sourcing fair-trade ingredients, supporting local farmers, or using environmentally friendly packaging.

(b)	(i)	Retailers in the Irish fresh smoothie market can experience diseconomies of scale. Explain the term diseconomies of scale and outline one example which a retailer making fresh smoothies may experience.	9
25			
		<p>Diseconomies of Scale:</p> <p>Diseconomies of scale refer to factors which lead to an increase the average cost of production for a firm, as that firm or its industry expands in size / as output increases.</p> <p>Example:</p> <p>Managerial diseconomies – as the smoothie bar expands in scale, communication between staff and management becomes more difficult. The interests of the workers and management may conflict and lead to industrial relations problems. More time / money must be spent on hiring supervisors, which leads to higher per-unit costs.</p> <p>Supply chain / Storage problems – A small smoothie retailer can buy fresh fruit locally, but a larger business may need to order in bulk. This may lead to higher storage costs for perishable fruit. Increased waste if demand is lower than expected</p> <p>Higher labour costs – more employees results in a need for more supervisors and extra training, which adds to expenses. In larger businesses, workers may feel less motivated. This causes workplace conflict / reduces productivity / increases staff turnover.</p> <p>Increased rent / overheads – an expansion into higher-footfall areas, like a shopping centre, will lead to higher rent costs if sales do not grow at the same rate. Growing their number of smoothie outlets will result in higher electricity, water, and equipment maintenance costs.</p> <p>Slower decision making – the owner of a single smoothie bar can quickly introduce a new flavour or adjust prices. In a larger business, decisions must go through several levels of approval, which delay innovation / responses to customer demand.</p> <p>Specialisation of labour / Division of labour – as the smoothie retailer expands, workers may be assigned repetitive tasks, such as only cutting fruit or blending smoothies. This may lead to boredom, reduced motivation, and lower work quality. Mistakes may increase, and staff turnover may rise, which leads to higher recruitment and training costs.</p>	

(ii) The partially completed diagram below shows how the costs for a smoothie bar change as it expands its operations over time.

Complete the diagram with **three** more short run average cost curves (SRAC) to show how the long run average cost curve (LRAC) is constructed. Label your diagram fully.

Explain the shape of the LRAC curve you have drawn in the space provided below.



Explanation:

Downward sloping part of the LRAC

The downward sloping part of the Long Run Average Cost (LRAC) curve, from Q_1 to Q_3 , shows **economies of scale** are more dominant than diseconomies of scale.

More specialised equipment may be used, which helps reduce costs in the long run.

Upward sloping part of the LRAC

The upward sloping part of the Long Run Average Cost (LRAC) curve after Q_3 shows **diseconomies of scale** are more dominant than economies of scale.

Further example of diseconomy of scale other than mention in (b) (i) above.

8

SRAC x 3
Labels x 3

LRAC x 1
Label x 1

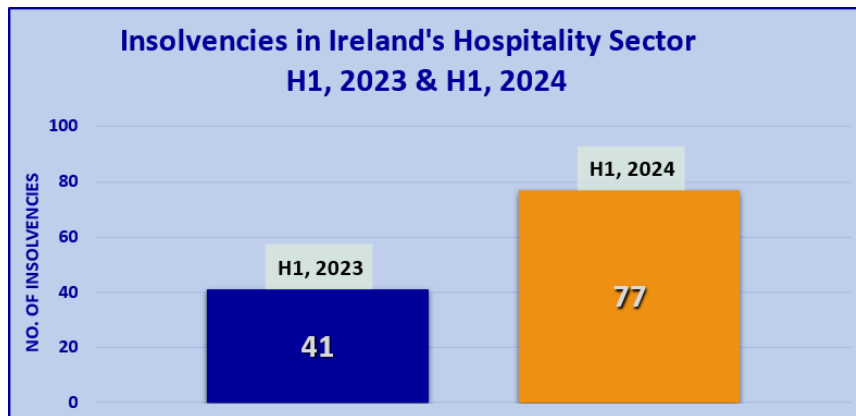
8

(c)

25

The graphic below shows the number of companies in Ireland's hospitality sector that became insolvent in the first half of 2023 and of 2024.

Note: Insolvency occurs when a company cannot meet its financial commitments and may cease to operate.



Adapted from Deloitte (June 2024)

- (i) Outline two economic measures the Irish government could implement to help reduce the number of closures in the Irish hospitality industry.

2 @ 6

Lower VAT rate – reduce the VAT rate for hospitality businesses, which would reduce business costs and help businesses to remain profitable and competitive.

Increase grants / subsidies – offer financial support such as grants or subsidies targeted at small and medium-sized hospitality businesses to cover rising costs like energy, rent, and wages.

Loan guarantees – establish a government-backed loan guarantee scheme, which would encourage banks to lend money at lower interest rates. This would make finance more accessible to struggling hospitality businesses.

Temporary rates relief – provide temporary relief or discounts on local authority commercial rates. This would reduce the financial burden on hospitality businesses during periods of economic difficulty.

Employment supports – introduce employment schemes to help businesses retain staff, such as wage subsidy schemes or reduced employer social insurance contributions.

Marketing and tourism promotion – invest more in national and international tourism marketing campaigns to attract more visitors to Ireland. This would directly benefit hospitality businesses.

Support for digital upgrades – the government could provide grants or tax incentives to hospitality businesses to invest in digital technologies, such as online ordering, digital payments, or improved websites. This would help businesses attract more customers, reduce operational costs, and improve their efficiency.

More possible response continued overleaf

Training / Skills development grants – provide funding for training staff in areas like customer service, management, digital skills, or financial management. Improved skills will help hospitality businesses operate more efficiently and competitively.

Rent support scheme – introduce temporary rent subsidies or encourage landlords to offer rent reductions by providing them tax incentives. Lower rents will significantly reduce costs, especially for hospitality businesses in expensive locations.

Insurance reform / support – reform the insurance market by introducing stronger regulations to reduce premium costs. High insurance costs are currently a substantial burden on hospitality businesses. Reducing these would directly help profitability.

Simpler licensing / regulation – reduce administrative burdens by simplifying licensing procedures / compliance requirements for hospitality businesses. Less bureaucracy will lower costs and make it easier to operate.

Targeted support for rural / seasonal businesses – introduce targeted financial supports or incentives specifically for hospitality businesses in rural or seasonal-tourism areas. These businesses often face unique financial pressures due to seasonal / fluctuating demand.

(ii) In the short run a company may remain in business even if they are making a loss.

Explain the meaning of this statement.

Even if making a loss, a firm should continue to operate in the short run if its total revenue (TR) exceeds its total variable costs (TVC) / if its average revenue (AR) is greater than its average variable costs (AVC). This is because any revenue above variable costs helps offset fixed costs. The firm's losses from continuing to operate will be less than the losses it would incur by shutting down entirely.

5

(iii)

Entrepreneurship is central to Ireland's broad-based economic growth and prosperity.
Adapted from the OECD

Discuss two reasons, why entrepreneurship is important to the continued development of the Irish economy.

2 @ 4

Creates employment – entrepreneurs employ people to produce goods and services. This reduces unemployment and eases pressure on the government to create jobs.

Organises production – entrepreneurs bring together resources (land, labour, and capital) efficiently, coordinating the production of goods and services essential for the economy.

Determines what gets produced – entrepreneurs decide what goods and services to produce based on predictions of consumer demand. This influences the range of products available.

Encourages investment and innovation – entrepreneurs invest money and expertise into their businesses, driving innovation and inspiring others to invest, which leads to economic growth.

Provides tax revenue – profitable entrepreneurial activities generate revenue through income tax, VAT, and corporation tax, which provides essential funds for government spending.

Boosts exports – entrepreneurs who export products help improve Ireland's balance of payments, by bringing money into the economy and creating a surplus when exports exceed imports.

Creates income and wealth – successful entrepreneurs generate income and build assets, which increase the standard of living for themselves and others.

Supports regional development – entrepreneurs often set up businesses across different regions. This spreads economic growth nationwide and reduces inequality between cities like Dublin and rural areas.

Reduces a reliance on multinationals – by growing a strong Irish entrepreneurial sector, the economy becomes less dependent on foreign-owned multinationals. This helps to protect the Irish economy if MNCs were to scale back operations in Ireland.

Improves standards of living – entrepreneurs offer innovative products, improved services, and greater consumer choice. This raises the overall quality of life for citizens.

Encourages a culture of enterprise – entrepreneurial success may inspire others to start businesses and create a positive cycle of innovation that benefits the wider community.

Higher Level Economics Student Research Project

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

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

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

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

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

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

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

