



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

**Leaving Certificate 2018**

**Marking Scheme**

**Economics**

**Ordinary Level**

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

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

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

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

## **Future Marking Schemes**

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

**LEAVING CERTIFICATE 2018**  
**MARKING SCHEME**

**ECONOMICS**

**ORDINARY LEVEL**

## Marking Scheme and Support Notes

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

- The support notes presented are not exclusive and further relevant points presented by candidates are rewarded on their merits.
- They are not model answers but a sample of possible responses.
- The support notes in many cases may contain key phrases which must appear in the candidate's answer in order to merit the assigned marks.
- The detail required in any answer is determined by the context and the manner in which the question is asked, and by the number of marks assigned to the answer in the examination paper. Requirements and mark allocations may therefore vary from year to year.
- Words, expressions or phrases must be correctly used in context and not contradicted and where there is evidence of incorrect use or contradictions the marks may not be awarded.

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**Summary of Mark Allocations**  
**SECTION A (100 marks)**

Question	Marks
1	9 (3+3+3), (2+1+1), (1+1+1)
2	(i) 3 @ 4 (ii) 4
3	2 @ 6 and 2 @ 2
4	(i) 10 (ii) 6
5	4 @ 4
6	(i) 8 (ii) 9
7	(i) 8 (ii) 9
8	(i) 8 (ii) 3 @ 3
9	(9 + 4 + 4)

**SECTION B**

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

## Section A

Q	Possible responses	Max Mark												
1	<p>What do the following letters stand for? Write <b>each</b> answer in the appropriate space.</p> <table border="1" style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <tr> <td style="text-align: center; padding: 5px;"><b>GNP</b></td> <td style="padding: 5px;">Gross National Product</td> </tr> <tr> <td style="text-align: center; padding: 5px;"><b>CPI</b></td> <td style="padding: 5px;">Consumer Price Index</td> </tr> <tr> <td style="text-align: center; padding: 5px;"><b>CSO</b></td> <td style="padding: 5px;">Central Statistics Office</td> </tr> </table>	<b>GNP</b>	Gross National Product	<b>CPI</b>	Consumer Price Index	<b>CSO</b>	Central Statistics Office	<p>(3+3+3) (2+1+1) (1+1+1)</p>						
<b>GNP</b>	Gross National Product													
<b>CPI</b>	Consumer Price Index													
<b>CSO</b>	Central Statistics Office													
2	<p>The diagram below represents the long run equilibrium of a firm in <b>Monopoly</b>.</p> <p>(i) Write in words <b>the full label</b> (not abbreviations) for each of the lines numbered 1 to 3. Use the answer box provided.</p> <table border="1" style="margin-left: auto; margin-right: auto; border-collapse: collapse; text-align: center;"> <caption>Answer Box</caption> <thead> <tr> <th style="padding: 5px;">Number</th> <th style="padding: 5px;">Full label</th> <th style="padding: 5px;">Marks</th> </tr> </thead> <tbody> <tr> <td style="padding: 5px;">1</td> <td style="padding: 5px;"><b>Marginal cost</b></td> <td style="padding: 5px;"><b>4</b></td> </tr> <tr> <td style="padding: 5px;">2</td> <td style="padding: 5px;"><b>Average cost</b></td> <td style="padding: 5px;"><b>4</b></td> </tr> <tr> <td style="padding: 5px;">3</td> <td style="padding: 5px;"><b>Average revenue</b></td> <td style="padding: 5px;"><b>4</b></td> </tr> </tbody> </table> <p>(ii) Some firms may wish to enter a monopoly industry but face barriers to entry. Outline <b>one</b> possible barrier to entry.</p> <ul style="list-style-type: none"> <li>• The <b>government</b> may grant a firm the sole right to supply a good or service.</li> <li>• <b>A patent / copyright</b> will confer the sole right on a firm to a particular manufacturing process for a particular commodity.</li> <li>• <b>Firms may enter into trade agreements</b> with other suppliers i.e. collude with them so that no other firm can supply the commodity to a particular segment of the market.</li> <li>• <b>A firm may acquire the sole right to the available raw materials</b> thereby becoming a monopoly in that particular market e.g. an oil exploration company.</li> <li>• For some industries <b>the capital required to get established in the industry is so large</b> that only the firm which can raise the necessary capital can operate in the market.</li> <li>• <b>By merging with a competitor or buying out the competitor</b> a firm may become a monopoly supplier in that industry.</li> </ul>	Number	Full label	Marks	1	<b>Marginal cost</b>	<b>4</b>	2	<b>Average cost</b>	<b>4</b>	3	<b>Average revenue</b>	<b>4</b>	<p>3 x 4</p> <p>1 x 4</p>
Number	Full label	Marks												
1	<b>Marginal cost</b>	<b>4</b>												
2	<b>Average cost</b>	<b>4</b>												
3	<b>Average revenue</b>	<b>4</b>												

*Outline: A complete sentence is required in the candidate's answer to merit full marks*

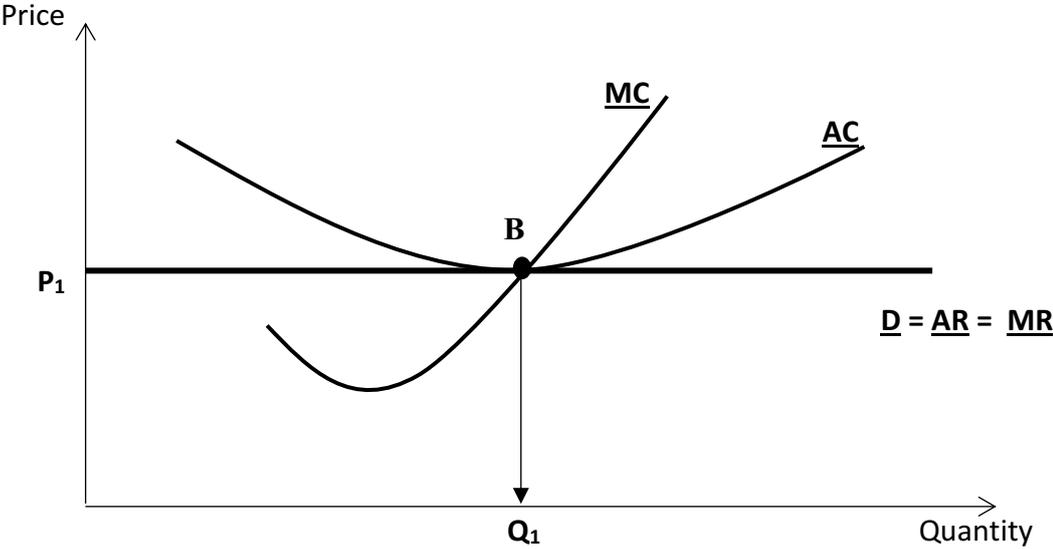


Q	Possible responses	Max Mark
4	<p><b>Karl Marx</b></p> <p><b>Labour Theory of Value</b> - The value of a good was the labour cost needed to produce the good.</p> <p><b>Distribution of Capitalist profits</b> - Capitalists reinvest in new machinery which reduces the demand for labour.</p> <p><b>Evolution of Communism</b> - Employers become fewer. Numbers unemployed grow &amp; organise themselves. Revolution occurs and workers take control of society.</p> <p><b>Exploitation of labour in a capitalist system</b> - He argued that workers were paid subsistence wages by their employers while the value of the goods produced by a worker was more than the wages paid to the worker.</p>	
	<p><b>John Maynard Keynes</b></p> <p><b>National Income may be less than full employment.</b></p> <p><b>Output is demand determined</b> - the size of national income depends on expenditure i.e.  <math>C = I + G + X - M</math></p> <p><b>He favoured government intervention in the economy.</b></p> <p><b>Investment decisions by entrepreneurs depended on their expectations about the future, rather than the rate of interest.</b></p> <p><b>Investment could be less than savings which results in a leakage.</b></p> <p><b>He developed new economic concepts such as the multiplier.</b></p> <p><b>He developed a liquidity preference theory</b> – people hold money for : transactionary; precautionary and speculative reasons.</p> <p><b>Milton Friedman</b></p> <p><b>Monetary policy</b> should be the main instrument used by the government to manage the economy.</p> <p>Monetarists suggest strict control of the money supply <b>so as to control inflation.</b></p> <p><b>Favoured a reduction in inflation</b> to increase competitiveness which may lead to increased exports and job creation.</p> <p><b>He favoured a return to laissez faire</b> principles with minimum state intervention.</p> <p><b>Supply side policies:</b> He favoured policies which improved market efficiency/ boosted supply.</p>	

Q	Possible responses	Max Mark										
5	<p>The following items are either <b>substitute goods</b> or <b>complementary goods</b> for cars. From the list below, identify which of the items are substitute goods for cars and which are complementary goods for cars. Write your answers in the space provided.</p> <table border="1" data-bbox="140 398 1337 461"> <tr> <td data-bbox="140 398 339 461">BUS</td> <td data-bbox="339 398 740 461">WINDSCREEN WIPERS</td> <td data-bbox="740 398 1038 461">TRAIN</td> <td data-bbox="1038 398 1337 461">DIESEL</td> </tr> </table> <p style="text-align: center;"><b>Answer:</b></p> <table border="1" data-bbox="213 524 1139 689"> <thead> <tr> <th data-bbox="213 524 625 566">Substitute goods</th> <th data-bbox="625 524 1139 566">Complementary goods</th> </tr> </thead> <tbody> <tr> <td data-bbox="213 566 625 633">BUS</td> <td data-bbox="625 566 1139 633">WINDSCREEN WIPERS</td> </tr> <tr> <td data-bbox="213 633 625 689">TRAIN</td> <td data-bbox="625 633 1139 689">DIESEL</td> </tr> </tbody> </table>	BUS	WINDSCREEN WIPERS	TRAIN	DIESEL	Substitute goods	Complementary goods	BUS	WINDSCREEN WIPERS	TRAIN	DIESEL	4 x 4
BUS	WINDSCREEN WIPERS	TRAIN	DIESEL									
Substitute goods	Complementary goods											
BUS	WINDSCREEN WIPERS											
TRAIN	DIESEL											
6	<p>The rate of <b>DIRT</b> was reduced to 37% in Budget 2018.</p> <p>(i) What do the letters DIRT stand for?</p> <p style="text-align: center;"><b>Deposit Interest Retention Tax</b></p> <p>(ii) Outline <b>one</b> economic benefit to savers of this reduction in the rate of DIRT.</p> <ul style="list-style-type: none"> <li>• Savers will receive a greater return from their savings.</li> <li>• Encourages saving: people may save more and this safeguards their future.</li> <li>• Spending may fall and this may help reduce inflation in the economy, resulting in lower prices for consumers.</li> <li>• Reduces the need for future borrowing by building up funds.</li> <li>• Reduces indebtedness, as now funds can be used to repay past debts.</li> </ul>	8  9										
7	<p>Price inflation in Ireland is low at present. Explain the term price inflation <b>and</b> state <b>one</b> advantage of this low rate of price inflation for Irish consumers.</p> <p>(i) Price Inflation</p> <p style="text-align: center;"><b>An increase in prices of goods / services over a period of time.</b></p> <p>(ii) Advantage of low rate of price inflation for Irish consumers:</p> <ul style="list-style-type: none"> <li>• Reduced prices for goods and services for consumers so their income goes further.</li> <li>• No decline in standard of living as the value of their money is maintained.</li> <li>• Households can plan better for their future expenses and possibly save more.</li> <li>• Consumer spending generates demand for goods and services. Employment may increase, contributing to economic growth.</li> <li>• Government revenues could increase with more indirect and direct taxes, due to increased employment and spending.</li> <li>• Moderation in demand for wage increases as purchasing power is maintained.</li> <li>• Those on fixed incomes will be able to maintain their purchasing power.</li> </ul>	8  9										

Q	Possible responses	Max Mark
8	<p>The diagram below represents the <b>Circular Flow of Income</b> in an open economy without government.</p> <p>(i) <b>Imports are a leakage</b> from the circular flow of income. Explain what this means.</p> <p style="text-align: center;"><b>This means that money leaves the domestic economy and reduces the amount of income in the economy.</b></p> <p>(ii) State what <b>each</b> of the lines numbered <b>1 to 3</b> represents:</p> <p>Line 1: <b>Receive incomes for supplying the factors of production</b></p> <p>Line 2: <b>Savings</b></p> <p>Line 3: <b>Exports</b></p>	<p style="text-align: center;"><b>8</b></p> <p style="text-align: center;"><b>3 x 3</b></p>
9	<p>Use <b>three</b> of the five terms below to complete the explanation for <b>economic goods</b>.</p> <p style="text-align: center;"><b>Utility    Price    Quantity    Scarce resources    Opportunity Cost</b></p> <p>Economic goods require the use of <b>scarce resources</b> to produce them and so their use has an <b>opportunity cost</b>. Such goods command a <b>price</b> in the marketplace.</p>	<p style="text-align: center;"><b>1 x 9</b> <b>&amp;</b> <b>2 x 4</b></p>

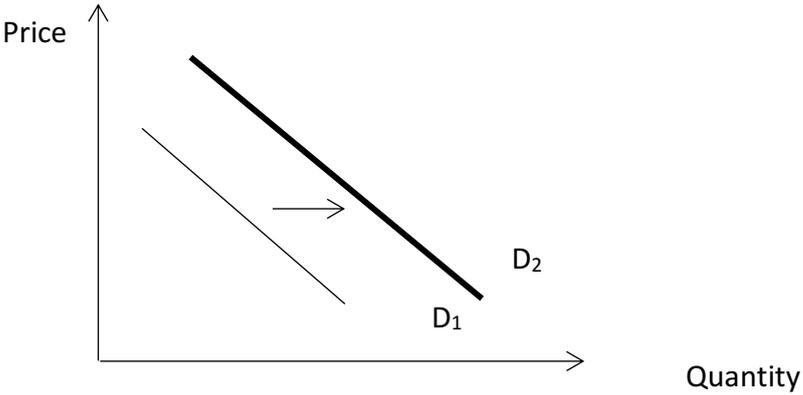
**Q1 Perfect Competition and competition for low cost airlines**

	Possible responses	Max Mark												
<p>(a)</p>	<p>The diagram below represents the long run equilibrium of a firm in <b>Perfect Competition</b>.</p>  <p>(i) Write out what <b>each</b> of the <b>five</b> underlined labels above represents.</p> <table border="1" data-bbox="391 1070 1225 1310"> <thead> <tr> <th>Label</th> <th>Correct answer</th> </tr> </thead> <tbody> <tr> <td>MC</td> <td><b>Marginal Cost</b></td> </tr> <tr> <td>AC</td> <td><b>Average Cost</b></td> </tr> <tr> <td>D</td> <td><b>Demand</b></td> </tr> <tr> <td>AR</td> <td><b>Average Revenue</b></td> </tr> <tr> <td>MR</td> <td><b>Marginal Revenue</b></td> </tr> </tbody> </table> <p>(ii) <b>Copy the diagram into your answer book.</b>                      Equilibrium occurs at point <b>B</b> on the diagram. Show on your diagram:</p> <ul style="list-style-type: none"> <li>The <b>price</b> the firm will charge for its output (use label <b>P<sub>1</sub></b>).</li> <li>The <b>output</b> the firm will produce in equilibrium (use label <b>Q<sub>1</sub></b>). <b>(30 marks)</b></li> </ul>	Label	Correct answer	MC	<b>Marginal Cost</b>	AC	<b>Average Cost</b>	D	<b>Demand</b>	AR	<b>Average Revenue</b>	MR	<b>Marginal Revenue</b>	<p>5x4</p> <p>5 5</p> <p><b>30</b></p>
Label	Correct answer													
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Q	Possible responses	Max Mark
<b>(b)</b>	<p>Explain <b>each</b> of the following characteristics of a Perfect Competitive market.</p> <ul style="list-style-type: none"> <li>(i) Perfect knowledge exists.</li> <li>(ii) All goods produced are homogenous goods.</li> <li>(iii) Free entry and exit exists in the industry.</li> </ul> <p style="text-align: right;"><b>(21 marks)</b></p> <p>Perfect knowledge exists. Each firm is aware of the profits which other firms earn in the industry. Each consumer is aware of the prices being charged by firms.</p> <p>All goods produced are homogenous goods. The goods produced are identical. There is no need for advertising or the use of brand names.</p> <p>Free entry and exit exists in the industry. There are no barriers to exit or entry within the industry.</p>	<p><b>3 x 7</b></p> <p><b>21</b></p>
<b>(c)</b>	<p>In 2017 Ryanair experienced increased competition from other low-cost airlines such as Norwegian Airlines. Increased competition is generally considered good for consumers.</p> <p>Outline <b>two</b> possible advantages for consumers <u>and</u> <b>one</b> possible challenge for producers of increased competition. <span style="float: right;"><b>(24 marks)</b></span></p> <p style="text-align: center;"><b>Possible advantages of increased competition for consumers</b></p> <p><b>More competitive prices</b> Competitors may reduce their prices in order to attract new customers.</p> <p><b>Greater choice of routes</b> Competitors may introduce new routes and /or new times to attract customers.</p> <p><b>Improved quality / range of services</b> Competitors may improve the range of services offered and/or improve the quality of the service provided.</p> <p style="text-align: center;"><b>Possible challenge of increased competition for producers/business</b></p> <p><b>Need to be more cost efficient</b> In order to compete effectively producers must try to reduce costs to as to maintain their market share and/or offer more competitive prices to consumers.</p> <p><b>Possible loss of customers / reduction in profits</b> If producers can't match competitors then some producers may lose customers and profits may fall.</p> <p><b>More innovation required</b> Producers must become more innovative in developing new routes and/or improving current services/developing new services.</p>	<p><b>3 x 8</b></p> <p><b>24</b></p>

## Q2 Utility, Demand and the Sugar Tax

	Possible responses	Max Mark																																										
(a)	<p>People consume goods because they receive <u>utility</u>. As they consume more units of the good their <u>marginal utility</u> will eventually decline.</p> <p>(i) Explain <b>each</b> of the underlined terms.</p> <p>(ii) Using the table below calculate the marginal utility at <b>A, B</b> and <b>C</b>. <b>(Show your workings in your answer book).</b></p> <p>(iii) State at what point diminishing marginal utility sets in <b>and</b> explain your answer.</p> <table border="1"> <tr> <td>Number of units consumed</td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> <td>6</td> </tr> <tr> <td>Total utility in units/utis</td> <td>15</td> <td>35</td> <td>70</td> <td>110</td> <td>130</td> <td>140</td> </tr> <tr> <td>Marginal utility in units/utis</td> <td>15</td> <td>20</td> <td>35</td> <td><b>A</b></td> <td><b>B</b></td> <td><b>C</b></td> </tr> </table> <p style="text-align: right;">(25 marks)</p> <p>(i) Explain <b>each</b> of the underlined terms.</p> <p style="text-align: center;">Utility</p> <p>The satisfaction a consumer receives from consuming a good / service.</p> <p style="text-align: center;">Marginal utility</p> <p>This is the extra / additional satisfaction a consumer receives as a result of consuming one extra unit of a good.</p> <p>(ii) Complete the following table in your answer book. <b>State</b> at what point diminishing marginal utility sets in and <b>explain</b> your answer.</p> <table border="1"> <tr> <td>Number of units consumed</td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> <td>6</td> </tr> <tr> <td>Total utility in units/utis</td> <td>15</td> <td>35</td> <td>70</td> <td>110</td> <td>130</td> <td>140</td> </tr> <tr> <td>Marginal utility in units/utis</td> <td>15</td> <td>20</td> <td>35</td> <td><b>40*</b></td> <td><b>20*</b></td> <td><b>10*</b></td> </tr> </table> <p>110 – 70 = 40 130 – 110 = 20 140 – 130 = 10</p> <p>(iii)</p> <ul style="list-style-type: none"> <li>After the 4<sup>th</sup> unit is consumed / on the consumption of the 5<sup>th</sup> unit.</li> <li>On the consumption of the 5<sup>th</sup> unit the consumer's marginal utility has fallen from 40 units to 20 units.</li> </ul>	Number of units consumed	1	2	3	4	5	6	Total utility in units/utis	15	35	70	110	130	140	Marginal utility in units/utis	15	20	35	<b>A</b>	<b>B</b>	<b>C</b>	Number of units consumed	1	2	3	4	5	6	Total utility in units/utis	15	35	70	110	130	140	Marginal utility in units/utis	15	20	35	<b>40*</b>	<b>20*</b>	<b>10*</b>	<p>5</p> <p>5</p> <p>3 x 4</p> <p>1</p> <p>2</p> <p><b>25</b></p>
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Q	Possible responses	Max Mark
(b)	<p>The diagram below shows two demand curves for smartphones.</p>  <p>(i) Explain the shape of a demand curve for smartphones.</p> <p>(ii) State whether the shift in demand from <math>D_1</math> to <math>D_2</math> above represents an increase or a decrease in the demand for smartphones.</p> <p>(iii) State and explain <b>two</b> reasons why the demand for smartphones might shift as indicated in the above diagram. <b>(25 marks)</b></p> <p>(i) Explain the shape of a demand curve.</p> <p><b>As the price of smartphones decrease the quantity demanded will increase.</b></p> <p>(ii) State whether the shift in demand from <math>D_1</math> to <math>D_2</math> represents an increase or a decrease in the demand for smartphones.</p> <p><b>The shift in demand from <math>D_1</math> to <math>D_2</math>: represents an increase in the demand for smartphones.</b></p> <p>(iii) State and explain <b>two</b> reasons why the demand for smartphones might shift as indicated in the above diagram.</p> <p><b>Increase in incomes</b> Consumers may have more income and so can afford to change their smartphone.</p> <p><b>Changing preference / taste for new models</b> Some consumers may, as a result of extensive advertising, prefer the latest most fashionable model and so the demand for new smartphones may increase.</p> <p><b>Reduction in the price of complements</b> Service providers may have improved the service package provided / reduced the charges and this may encourage consumers to change their smartphones.</p> <p><b>Unplanned factors</b> If manufacturers reduce the speed of the operating system in current models, it may encourage consumers to buy new models.</p>	<p>7</p> <p>6</p> <p>2 x 6 (3 +3)</p> <p><b>25</b></p>

	Possible responses	Max Mark							
<p><b>(c)</b> A tax on sugar-sweetened drinks was introduced in the Government Budget 2018.</p> <p>(i) Outline <b>two</b> reasons why the government introduced the sugar tax.</p> <p>(ii) Outline <b>two</b> possible advantages <u>and</u> <b>one</b> possible disadvantage of this sugar tax for consumers in Ireland. <b>(25 marks)</b></p> <p>(i) Outline <b>two</b> reasons why the government introduced the sugar tax.</p> <p><b>Reduce consumption of sugary foods / reduce obesity levels</b> The tax would increase the price of these drinks and this may act as a disincentive to purchasing these.</p> <p><b>Revenue for state</b> This tax would bring in revenue for the government and fund improved state services.</p> <p><b>Help fund health initiatives</b> The revenue raised could be used to fund programmes which tackle obesity particularly among young people.</p> <p><b>Help reduce future health costs</b> By helping to reduce current consumption there may be less health problems in the future leading to less expenditure on health.</p> <p><b>Incentive for entrepreneurs to supply healthier alternatives</b></p> <p>(ii) Outline <b>two</b> possible advantages <u>and</u> <b>one</b> possible disadvantage of this sugar tax for consumers in Ireland.</p> <table border="1" data-bbox="164 1189 1355 1655"> <thead> <tr> <th data-bbox="164 1189 778 1234">Advantages</th> <th data-bbox="778 1189 1355 1234">Disadvantage</th> </tr> </thead> <tbody> <tr> <td data-bbox="164 1234 778 1312"><b>Healthier lifestyle / reduction in obesity</b></td> <td data-bbox="778 1234 1355 1312"><b>Higher prices for consumers</b></td> </tr> <tr> <td data-bbox="164 1312 778 1507"><b>Possible increase in disposable income</b></td> <td data-bbox="778 1312 1355 1507"><b>May be regressive:</b> The tax may fall more heavily on lower income groups and so may be considered unfair.</td> </tr> <tr> <td data-bbox="164 1507 778 1655"><b>More alternatives may become available:</b> Producers may produce alternatives with a lower sugar content.</td> <td data-bbox="778 1507 1355 1655"></td> </tr> </tbody> </table>	Advantages	Disadvantage	<b>Healthier lifestyle / reduction in obesity</b>	<b>Higher prices for consumers</b>	<b>Possible increase in disposable income</b>	<b>May be regressive:</b> The tax may fall more heavily on lower income groups and so may be considered unfair.	<b>More alternatives may become available:</b> Producers may produce alternatives with a lower sugar content.		<p><b>2 x 5</b></p> <p><b>3 x 5</b></p> <p><b>25</b></p>
	Advantages	Disadvantage							
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<b>Possible increase in disposable income</b>	<b>May be regressive:</b> The tax may fall more heavily on lower income groups and so may be considered unfair.								
<b>More alternatives may become available:</b> Producers may produce alternatives with a lower sugar content.									

### Q3 Factors of Production, Costs and Revenues, Minimum wage rate

	Possible responses	Max Mark																														
(a)	<p>Profit is the return to the factor of production <b>enterprise</b>.</p> <p>Explain the <b>three</b> other factors of production <b>and</b> state the return to <b>each</b> of these factors of production. <b>(24 marks)</b></p> <table border="1"> <thead> <tr> <th>Factor</th> <th>Explanation</th> <th>Return</th> </tr> </thead> <tbody> <tr> <td><b>Land</b></td> <td>anything supplied by nature which helps in the production of output.</td> <td>Rent</td> </tr> <tr> <td><b>Labour</b></td> <td>the human effort involved in producing a good or service.</td> <td>Wages / Salary</td> </tr> <tr> <td><b>Capital</b></td> <td>anything man-made used in the production of output.</td> <td>Interest</td> </tr> </tbody> </table>	Factor	Explanation	Return	<b>Land</b>	anything supplied by nature which helps in the production of output.	Rent	<b>Labour</b>	the human effort involved in producing a good or service.	Wages / Salary	<b>Capital</b>	anything man-made used in the production of output.	Interest	<p><b>3 x 8</b> <b>(3+2+3)</b></p> <p><b>24</b></p>																		
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(b)	<p>The table below shows the output, total cost and total revenue for a firm producing a component for the information technology (IT) industry.</p> <p>The <b>selling price is €10</b> per unit of output sold.</p> <p>Use this table to answer the questions which follow. <b>(Show your workings in your answer book.)</b></p> <table border="1"> <thead> <tr> <th>Output (units)</th> <th>0</th> <th>100</th> <th>200</th> <th>300</th> <th>400</th> </tr> </thead> <tbody> <tr> <td><b>Total Cost (€)</b></td> <td>300</td> <td>500</td> <td>600</td> <td>1,050</td> <td>1,500</td> </tr> <tr> <td><b>Total Revenue (€)</b></td> <td>0</td> <td><b>1,000</b></td> <td><b>A</b></td> <td><b>B</b></td> <td><b>C</b></td> </tr> </tbody> </table> <p>(i) Calculate the <b>total revenue</b> received at <b>each</b> level of output above (<b>A, B, and C</b>).</p> <p>(ii) Calculate the <b>profit</b> earned when the firm sells 200 units.</p> <p>(iii) The total costs of the firm include <u>fixed costs</u> and <u>variable costs</u>. Explain <b>each</b> of the underlined terms <b>and</b> give <b>one</b> example of <b>each</b> for the above firm. <b>(30 marks)</b></p> <p>(i) Calculate the <b>total revenue</b> received at <b>each</b> level of output above (<b>A, B, and C</b>).</p> <table border="1"> <thead> <tr> <th></th> <th>Workings</th> <th>Answer</th> </tr> </thead> <tbody> <tr> <td>A</td> <td>200 x €10</td> <td>€2,000</td> </tr> <tr> <td>B</td> <td>300 x €10</td> <td>€3,000</td> </tr> <tr> <td>C</td> <td>400 x €10</td> <td>€4,000</td> </tr> </tbody> </table>	Output (units)	0	100	200	300	400	<b>Total Cost (€)</b>	300	500	600	1,050	1,500	<b>Total Revenue (€)</b>	0	<b>1,000</b>	<b>A</b>	<b>B</b>	<b>C</b>		Workings	Answer	A	200 x €10	€2,000	B	300 x €10	€3,000	C	400 x €10	€4,000	<p><b>3 x 4</b></p>
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Q	Possible responses	Max Mark																		
(b)	<p>(ii) Calculate the <b>profit</b> earned when the firm sells 200 units. <b>Show your workings.</b></p> $(200 \times \text{€}10) = \text{€}2,000 - \text{€}600 = \text{€}1,400$ <p>(iii) The total costs of the firm include <u>fixed costs</u> and <u>variable costs</u>. Explain <b>each</b> of the underlined terms <b>and</b> give <b>one</b> example of <b>each</b> for the above firm.</p> <p>Fixed cost Costs which do not change as output changes / costs which have to be paid even if nothing is produced. Example: Rent of premises</p> <p>Variable cost Costs which do change as output changes. Example: Wage costs / raw materials for IT components.</p>	<p>6</p> <p>2 x 6 (4+2)</p> <p><b>30</b></p>																		
(c)	<p>Trade unions favour an increase in the national minimum wage rate. State and explain <b>one</b> possible economic effect of an increase in the national minimum wage for <b>each</b> of the following: Employees; Businesses; Consumers. <b>(21 marks)</b></p> <table border="1" data-bbox="164 869 1369 1697"> <thead> <tr> <th colspan="2" data-bbox="164 869 1369 913">Employees</th> </tr> <tr> <th data-bbox="164 913 767 958">Possible positive economic effect</th> <th data-bbox="767 913 1369 958">Possible negative economic effect</th> </tr> </thead> <tbody> <tr> <td data-bbox="164 958 767 1205"> <ul style="list-style-type: none"> <li>• <b>Higher Standard of living / reduction in poverty</b></li> <li>• <b>Better future prospects</b></li> <li>• <b>Incentive to work</b></li> </ul> </td> <td data-bbox="767 958 1369 1205"> <ul style="list-style-type: none"> <li>• <b>Possible loss of hours</b></li> <li>• <b>Possible job losses</b></li> </ul> </td> </tr> </tbody> </table> <table border="1" data-bbox="164 1216 1369 1451"> <thead> <tr> <th colspan="2" data-bbox="164 1216 1369 1261">Businesses</th> </tr> <tr> <th data-bbox="164 1261 767 1305">Possible positive economic effect</th> <th data-bbox="767 1261 1369 1305">Possible negative economic effect</th> </tr> </thead> <tbody> <tr> <td data-bbox="164 1305 767 1451"> <ul style="list-style-type: none"> <li>• <b>More productivity</b></li> <li>• <b>Less staff turnover</b></li> </ul> </td> <td data-bbox="767 1305 1369 1451"> <ul style="list-style-type: none"> <li>• <b>Loss of competitiveness</b></li> <li>• <b>Closure of businesses</b></li> </ul> </td> </tr> </tbody> </table> <table border="1" data-bbox="164 1462 1369 1697"> <thead> <tr> <th colspan="2" data-bbox="164 1462 1369 1507">Consumers</th> </tr> <tr> <th data-bbox="164 1507 767 1552">Possible positive economic effect</th> <th data-bbox="767 1507 1369 1552">Possible negative economic effect</th> </tr> </thead> <tbody> <tr> <td data-bbox="164 1552 767 1697"> <ul style="list-style-type: none"> <li>• <b>Better quality service</b></li> <li>• <b>Increased purchasing power</b></li> </ul> </td> <td data-bbox="767 1552 1369 1697"> <ul style="list-style-type: none"> <li>• <b>Higher prices</b></li> <li>• <b>Loss of service</b></li> </ul> </td> </tr> </tbody> </table>	Employees		Possible positive economic effect	Possible negative economic effect	<ul style="list-style-type: none"> <li>• <b>Higher Standard of living / reduction in poverty</b></li> <li>• <b>Better future prospects</b></li> <li>• <b>Incentive to work</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Possible loss of hours</b></li> <li>• <b>Possible job losses</b></li> </ul>	Businesses		Possible positive economic effect	Possible negative economic effect	<ul style="list-style-type: none"> <li>• <b>More productivity</b></li> <li>• <b>Less staff turnover</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Loss of competitiveness</b></li> <li>• <b>Closure of businesses</b></li> </ul>	Consumers		Possible positive economic effect	Possible negative economic effect	<ul style="list-style-type: none"> <li>• <b>Better quality service</b></li> <li>• <b>Increased purchasing power</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Higher prices</b></li> <li>• <b>Loss of service</b></li> </ul>	<p>3 x 7 (4 + 3)</p> <p><b>21</b></p>
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## Q4 Money, Savings and Non- Cash methods of Payments

Q	Possible responses	Max Mark
(a)	<p>State and explain any <b>three</b> functions of money. <span style="float: right;">(21 marks)</span></p> <p><b>Medium of exchange</b></p> <p><b>Measure of Value</b></p> <p><b>Store of Wealth</b></p> <p><b>Standard for Deferred Payment</b></p>	<p>3 x 7 (2+5)</p> <p><b>21</b></p>
(b)	<p>(i) State and explain <b>two</b> reasons why consumers may decide to save rather than spend their income.</p> <p>(ii) Discuss <b>one</b> economic advantage and <b>one</b> economic disadvantage of savings for the Irish economy. <span style="float: right;">(24 marks)</span></p> <p>(i) State and explain <b>two</b> reasons why consumers may decide to save rather than spend their income.</p> <p><b>Income levels / Tax on incomes</b></p> <ul style="list-style-type: none"> <li>Some citizens' incomes have increased with pay increase and/or a reduction in rates of USC and so with this additional income they may decide to save it rather than spend it.</li> </ul> <p><b>Rate of DIRT</b></p> <ul style="list-style-type: none"> <li>In Budget 2018 the government reduced the rate of DIRT and this may encourage some people to save more of their income.</li> </ul> <p><b>Future Demands on their spending</b></p> <ul style="list-style-type: none"> <li>Some people may be planning to buy a house and so save towards the mortgage requirements.</li> <li>Some people may be planning for their children's future / retirement needs.</li> </ul> <p><b>Create a 'rainy day fund'</b></p> <ul style="list-style-type: none"> <li>Some people may be planning for future emergencies and so wish to create a fund for this.</li> </ul> <p><b>Interest rate</b></p> <ul style="list-style-type: none"> <li>If the interest rates being offered by the financial institutions were to increase then a person may decide to save more.</li> </ul>	<p>2 x 6 (3 + 3)</p>

Q	Possible responses	Max Mark														
<b>(b)</b>	<p data-bbox="188 255 1262 327">(ii) Discuss <b>one</b> economic advantage and <b>one</b> economic disadvantage of savings for the Irish economy.</p> <table border="1" data-bbox="217 367 1329 1285"> <thead> <tr> <th data-bbox="217 367 778 412">One possible economic advantage</th> <th data-bbox="778 367 1329 412">One possible economic disadvantage</th> </tr> </thead> <tbody> <tr> <td data-bbox="217 412 778 551">Reduced inflation</td> <td data-bbox="778 412 1329 551">Reduced spending in the economy</td> </tr> <tr> <td data-bbox="217 551 778 698">Reduced demand for imports</td> <td data-bbox="778 551 1329 698">Increase in unemployment due to reduced spending in the economy</td> </tr> <tr> <td data-bbox="217 698 778 864">More funds available for investment</td> <td data-bbox="778 698 1329 864">Reduced economic growth</td> </tr> <tr> <td data-bbox="217 864 778 1003">Ease personal debt</td> <td data-bbox="778 864 1329 1003"></td> </tr> <tr> <td data-bbox="217 1003 778 1146">Reduce future demands on government finances</td> <td data-bbox="778 1003 1329 1146"></td> </tr> <tr> <td data-bbox="217 1146 778 1285">Increase in DIRT revenue for the government</td> <td data-bbox="778 1146 1329 1285"></td> </tr> </tbody> </table>	One possible economic advantage	One possible economic disadvantage	Reduced inflation	Reduced spending in the economy	Reduced demand for imports	Increase in unemployment due to reduced spending in the economy	More funds available for investment	Reduced economic growth	Ease personal debt		Reduce future demands on government finances		Increase in DIRT revenue for the government		<p data-bbox="1410 255 1490 327"><b>2 x 6 (3 +3)</b></p> <p data-bbox="1385 1263 1449 1308"><b>24</b></p>
One possible economic advantage	One possible economic disadvantage															
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Q	Possible responses	Max Mark
(c)	<p>There is a move away from cash-based methods of payments to non cash-based methods of payment.</p> <p>(i) Name <b>two</b> non cash-based methods of payments.</p> <p>(ii) Outline <b>one</b> possible economic advantage which non cash-based methods of payment may have for <b>each</b> of the following: Banks / Businesses / Consumers. <b>(30 marks)</b></p> <p>(i) Name <b>two</b> non cash-based methods of payments.</p> <p style="text-align: center;"><b>Credit Card / Debit Card / Cheque / Direct Debit / Standing Order / Transfers via online banking</b></p> <p>(ii) Outline <b>one</b> possible economic advantage which non cash-based methods of payment may have for <b>each</b> of the following: Banks / Businesses / Consumers.</p> <p style="text-align: center;"><b>Banks</b></p> <p><b>Time saved by staff dealing with cash</b> This may allow staff deal with other consumer matters allowing for speedier decision making.</p> <p><b>Development of new / improved banking methods</b> Banks may have to innovate and introduce new methods for dealing with customers i.e. greater use of technology.</p> <p><b>Reduction in staff numbers / cost reductions</b> Banks may require fewer staff and this may reduce staff numbers and costs in the bank.</p> <p style="text-align: center;"><b>Businesses</b></p> <p><b>Less need to handle cash / reduces banking costs</b> With less need for cash in the business, time is saved visiting the bank and the cost of dealing with the bank is reduced.</p> <p><b>Reduced security risks</b> With less cash on the business premises the risks of storing cash, transferring cash and possible theft are reduced.</p> <p><b>Lower insurance premiums</b> If the insurance company assess that the risk is reduced maybe the insurance costs will decrease.</p> <p style="text-align: center;"><b>Consumers</b></p> <p><b>More convenient for consumers</b> Consumers are saved the inconvenience of carrying cash around for payments.</p> <p><b>Written record:</b> there is a paper trail of all monies received and paid from an account.</p>	<p><b>2 x 6</b></p> <p><b>3 x 6</b></p> <p><b>30</b></p>



Q	Possible responses	Max Mark												
	<p>(iii) State and explain <b>one</b> economic advantage and <b>one</b> economic disadvantage of increasing the national debt.</p> <table border="1" data-bbox="201 405 1348 1104"> <thead> <tr> <th data-bbox="201 405 778 448">Economic advantage</th> <th data-bbox="778 405 1348 448">Economic disadvantage</th> </tr> </thead> <tbody> <tr> <td data-bbox="201 448 778 551">Current cost of borrowing is low.</td> <td data-bbox="778 448 1348 551">Increased annual interest repayments.</td> </tr> <tr> <td data-bbox="201 551 778 705">Provision of / Improvement in the quality of state Services.</td> <td data-bbox="778 551 1348 705">Opportunity cost.</td> </tr> <tr> <td data-bbox="201 705 778 837">Improvements in infrastructure.</td> <td data-bbox="778 705 1348 837">Increased pressure on taxpayers.</td> </tr> <tr> <td data-bbox="201 837 778 969">Homelessness problem may be addressed.</td> <td data-bbox="778 837 1348 969">Increased risk to the provision of public services / cuts in government spending.</td> </tr> <tr> <td data-bbox="201 969 778 1104"></td> <td data-bbox="778 969 1348 1104">Reduced confidence in the economy.</td> </tr> </tbody> </table>	Economic advantage	Economic disadvantage	Current cost of borrowing is low.	Increased annual interest repayments.	Provision of / Improvement in the quality of state Services.	Opportunity cost.	Improvements in infrastructure.	Increased pressure on taxpayers.	Homelessness problem may be addressed.	Increased risk to the provision of public services / cuts in government spending.		Reduced confidence in the economy.	<p>2 x 6 (3+3)</p> <p><b>24</b></p>
Economic advantage	Economic disadvantage													
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	Reduced confidence in the economy.													

Q	Possible responses	Max Mark												
(b)	<p>In the case of <b>each</b> of the following taxes:</p> <ul style="list-style-type: none"> <li>• a tax on company profits</li> <li>• a tax on employees' wages</li> <li>• a tax on goods or services.</li> </ul> <p>(i) Name <b>each</b> tax above.</p> <p>(ii) State whether each tax is an example of a <u>direct tax</u> or an <u>indirect tax</u>.</p> <p>(iii) Explain <b>each</b> of the underlined terms in part (ii) above. <span style="float: right;"><b>(30 marks)</b></span></p> <p>(i) &amp; (ii)</p> <table border="1" data-bbox="188 757 1329 1272"> <thead> <tr> <th></th> <th>(i) Name of each tax</th> <th>(ii) Direct or Indirect Tax?</th> </tr> </thead> <tbody> <tr> <td>a tax on company profits</td> <td><b>Corporation Profits Tax</b></td> <td><b>Direct</b></td> </tr> <tr> <td>a tax on employees' wages</td> <td><b>Income tax / PAYE</b></td> <td><b>Direct</b></td> </tr> <tr> <td>a tax levied on goods or services</td> <td><b>Value Added Tax</b></td> <td><b>Indirect</b></td> </tr> </tbody> </table> <p>(iii) Explain <b>each</b> of the underlined terms in part (ii) above.</p> <p><b>Direct taxes:</b> are taxes on income or profits.  <b>Indirect taxes:</b> are taxes on goods and services / taxes on spending.</p>		(i) Name of each tax	(ii) Direct or Indirect Tax?	a tax on company profits	<b>Corporation Profits Tax</b>	<b>Direct</b>	a tax on employees' wages	<b>Income tax / PAYE</b>	<b>Direct</b>	a tax levied on goods or services	<b>Value Added Tax</b>	<b>Indirect</b>	<p style="text-align: center;"><b>6 x 3</b></p> <p style="text-align: center;"><b>2 x 6</b></p> <p style="text-align: center;"><b>30</b></p>
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Q	Possible responses	Max Mark
(c)	<p>Spending by the Irish government on education is set to hit €10 billion in 2018 and this involves an <u>opportunity cost</u>.</p> <p>(i) Explain the term <b>opportunity cost</b>.</p> <p>(ii) State and explain <b>two</b> possible economic advantages of increased government spending on education for the Irish economy. <b>(21 marks)</b></p> <p>(i) Explain the underlined term.</p> <p>The cost of foregone alternatives / the cost of passing up the next best choice when making a decision.</p> <p>(ii) State and explain <b>two</b> possible economic advantages of increased government spending on education for the Irish economy.</p> <p><b>Citizens may be better informed / more opportunities</b> The spending may help all those who receive education be better informed about the economy / help individuals become more confident to equip them to adapt in a rapidly changing world and this may help decision making / making choices in society. The increased spending may encourage citizens to engage in life-long learning and this will benefit citizens.</p> <p><b>Improved quality of education service</b> If the investment is in buildings and/or spent on employing more teachers / devising new methods of assessment then the quality of the education received may improve.</p> <p><b>Workforce improved</b> A better educated workforce may result in workers earning higher incomes and their standard of living will improve.</p> <p><b>Business productivity / reduced costs</b> A worker's productivity may improve and this will help a business be more profitable and/or reduce their training costs if the worker enters the workforce with better skills.</p> <p><b>Access to education improved</b> An increase in spending may make it easier for lower income families who cannot afford to keep their children in second level and / or send children to third level to gain access to higher education.</p> <p><b>May make Ireland more attractive for MNCs / FDI / promotes economic growth</b> If the population is better educated then this may act as an incentive for MNCs to locate in Ireland as workers are more confident and more adaptable to a rapidly changing world. This will increase economic activity and promote economic growth.</p> <p><b>Promote entrepreneurship</b> People who are educated may find it easier to set up their own business rather than be reliant on the government or other agencies to provide for them.</p>	<p>7</p> <p>2 x 7 (4+3)</p> <p>21</p>

## Q6 National Income, Multinationals and Overseas Development

Q	Possible responses	Max Mark
(a)	<p>Given National Income (Y) as: <math>Y = C + I + G + (X - M)</math> where  <math>C = €2,500m</math> <math>I = €500m</math> <math>G = €600m</math> <math>X = €300m</math> <math>M = €200m</math></p> <p>(i) State what each of the letters in the formula above represents.</p> <p>(ii) Calculate, using the figures provided, the level of National Income.  <b>Show your workings in your answer book. (20 marks)</b></p> <p>(i) State what each of the letters in the formula above represents.</p> <p style="text-align: center;"><b>Consumption / Investment / Government expenditure / Exports / Imports</b></p> <p>(ii) Calculate, using the figures provided, the level of National Income.</p> <p style="text-align: center;"><math>Y = C + I + G + (X - M)</math></p> <p style="text-align: center;"><math>€2,500m + €500m + €600m + (€300m - €200m) = €3,700m</math></p>	<p><b>10</b> (5 x 2)</p> <p><b>10</b></p> <p><b>20</b></p>
(b)	<p>Multinational Companies (MNCs), such as Facebook and Amazon, locate in Ireland and contribute to economic growth.</p> <p>(i) Explain the terms <b>multinational company</b> and <b>economic growth</b>.</p> <p>(ii) Discuss <b>two</b> possible economic benefits of MNCs, other than economic growth, for the Irish economy.</p> <p>(iii) Discuss <b>one</b> possible economic challenge of MNCs for the Irish economy.  <b>(25 marks)</b></p> <p>(i) Explain the terms <b>multinational company</b> and <b>economic growth</b>.</p> <p><b>Multinational company</b></p> <ul style="list-style-type: none"> <li>• Is a business that operates in many different countries / It has business activities in more than one country.</li> </ul> <p><b>Economic growth</b></p> <ul style="list-style-type: none"> <li>• It is the rise in GNP / output (value of goods &amp; services)/ national income per head within a country over a period of time.</li> <li>• Increased productive capacity of an economy.</li> </ul>	<p><b>2 x 5</b></p>

Q	Possible responses	Max Mark												
<b>(b)</b>	<p>(ii) Discuss <b>two</b> possible economic benefits of MNCs, other than economic growth, for the Irish economy.</p> <table border="1" data-bbox="228 398 1345 1576"> <thead> <tr> <th data-bbox="228 398 512 443">Statement</th> <th data-bbox="512 398 1345 443">Explanation</th> </tr> </thead> <tbody> <tr> <td data-bbox="228 443 512 674"><b>Employment</b></td> <td data-bbox="512 443 1345 674">The MNCs will create jobs directly in Ireland and so employment rises. They also demand ancillary services and this should lead to more jobs in those firms supplying these.</td> </tr> <tr> <td data-bbox="228 674 512 869"><b>Exports will increase</b></td> <td data-bbox="512 674 1345 869">These firms produce their goods for the larger international markets. This may improve the Balance of Payments position.</td> </tr> <tr> <td data-bbox="228 869 512 1182"><b>Taxation revenues will increase</b></td> <td data-bbox="512 869 1345 1182">With the increase in the level of employment, revenue from income tax should increase. With the increase in spending by the firms and their employees indirect tax revenue should increase. The state will also collect a greater amount of revenue from Corporation Profits Tax.</td> </tr> <tr> <td data-bbox="228 1182 512 1339"><b>Attract investment</b></td> <td data-bbox="512 1182 1345 1339">If the MNCs are profitable this may encourage other foreign MNCs to locate here and Irish firms to expand.</td> </tr> <tr> <td data-bbox="228 1339 512 1576"><b>Benefits to local economy</b></td> <td data-bbox="512 1339 1345 1576">Firms in the local economy will benefit e.g. increased benefits to catering firms, taxis, cleaners, restaurants, pubs etc. The MNCs may also source some raw materials from local firms.</td> </tr> </tbody> </table>	Statement	Explanation	<b>Employment</b>	The MNCs will create jobs directly in Ireland and so employment rises. They also demand ancillary services and this should lead to more jobs in those firms supplying these.	<b>Exports will increase</b>	These firms produce their goods for the larger international markets. This may improve the Balance of Payments position.	<b>Taxation revenues will increase</b>	With the increase in the level of employment, revenue from income tax should increase. With the increase in spending by the firms and their employees indirect tax revenue should increase. The state will also collect a greater amount of revenue from Corporation Profits Tax.	<b>Attract investment</b>	If the MNCs are profitable this may encourage other foreign MNCs to locate here and Irish firms to expand.	<b>Benefits to local economy</b>	Firms in the local economy will benefit e.g. increased benefits to catering firms, taxis, cleaners, restaurants, pubs etc. The MNCs may also source some raw materials from local firms.	<b>2 x 5 (3 + 2)</b>
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Q	Possible responses	Max Mark
(c)	<p data-bbox="164 248 1246 320">'An extra €13 million is being spent by the Irish government towards increasing the overseas development aid budget'. <i>(Source: The Irish Times - Oct. 2017)</i></p> <p data-bbox="164 356 1374 504">(i) Outline <b>two</b> characteristics of Less Developed Countries (LDCs).  (ii) Describe <b>two</b> types of aid, other than financial aid, which can be provided to LDCs.  (iii) Outline <b>two</b> reasons why financial aid may not always help LDCs resolve their difficulties. <b>(30 marks)</b></p> <p data-bbox="212 539 1134 577">(i) Outline <b>two</b> characteristics of Less Developed Countries (LDCs).</p> <ul data-bbox="252 613 1318 1240" style="list-style-type: none"> <li>• High population growth rates in LDCs</li> <li>• Famine in LDCs / low life expectancy</li> <li>• High foreign debts / lack of capital</li> <li>• Over-dependence on one crop in LDCs</li> <li>• High percentage of the population engaged in extractive/primary industries in LDCs</li> <li>• Poor infrastructure in LDCs</li> <li>• Low per capita incomes in LDCs / poor standard of living</li> <li>• Poor levels of education / literacy in LDCs / unskilled workforce</li> <li>• Political corruption / less stable political institutions.</li> </ul> <p data-bbox="169 1323 1294 1357">(ii) Describe <b>two</b> types of aid, other than financial aid, which can be provided to LDCs.</p> <ul data-bbox="245 1397 922 1839" style="list-style-type: none"> <li>• Aid through voluntary agencies</li> <li>• Aid (other than financial aid) by foreign citizens</li> <li>• Restructuring of national debts</li> <li>• Multinationals setting up in LDCs</li> <li>• Improve trade terms with LDCs</li> <li>• Assist LDCs with skills and technologies.</li> </ul>	<p data-bbox="1433 562 1497 595"><b>2 x 5</b></p> <p data-bbox="1433 1339 1497 1373"><b>2 x 5</b></p>

Q	Possible responses	Max Mark
(c)	<p>(iii) Outline <b>two</b> reasons why financial aid may <b>not</b> always help LDCs resolve their difficulties.</p> <p><b>Unfair distribution of benefits / poverty gap may widen</b> Any wealth that is created in the poorest countries may be concentrated in the hands of a small ruling elite. In the case of some LDCs the money may not trickle down to the people who really need it.</p> <p><b>Costs to the environment</b> Increased pollution / destruction of the landscape/environment / large scale development may eliminate any positive effects from the foreign aid.</p> <p><b>Rapid population growth may affect the standard of living</b> In LDCs there are rapidly rising populations and the implications of such population growth is that any economic growth is completely outweighed by an increase in population.</p> <p><b>Citizens may become dependent on the financial aid / food aid</b> In some LDCs, a culture of dependency may develop and this may prove to be a major barrier in promoting economic growth and development. This culture of dependency may reduce the desire of people to work / to become entrepreneurs / to increase domestic food production.</p> <p><b>Using aid to invest in high profile projects</b> In some LDCs, the provision of adequate infrastructure together with land drainage and irrigation schemes, roads, housing, factories and communication facilities maybe bypassed in favour of 'high profile' projects to the detriment of citizens.</p> <p><b>Financial aid is tied</b> Much of the aid may be 'tied aid', based on political and trade factors rather than on necessity.</p> <p><b>UN Target 0.7% GNP</b> The funds received in financial aid are inadequate to meet the needs of the LDCs. Only six countries (2017) reached the target set by the UN in 1970.</p>	<p>2 x 5</p> <p><b>30</b></p>

## Q7 Trade and Brexit

Q	Possible responses	Max Mark
(a)	<p>Ireland as a small open economy relies on international trade.</p> <p>(i) Explain the term <b>open economy</b>.</p> <p>(ii) State and explain <b>three</b> economic reasons why Ireland engages in trade. <b>(24 marks)</b></p> <p>(i) Explain the term <b>open economy</b>.</p> <p><b>Explanation:</b> it engages in trade i.e. it imports and exports goods and services.</p> <p>(ii) State and explain <b>three</b> economic reasons why Ireland engages in trade.</p> <p><b>Job creation.</b> Exports mean increased demand for goods produced in Ireland, leading to increased employment.</p> <p><b>Increased GNP / Economic growth [ benefit to the country ]</b> The monies received from exports will lead to increased incomes within the country.</p> <p><b>Increased sales [ benefit to the business ]</b> Domestic firms may increase their sales and their profits by exporting their excess output to a foreign market.</p> <p><b>Earn foreign currencies</b> The receipt of foreign currencies can boost Irish reserves / provide the currency to help pay for Ireland's imports.</p> <p><b>Attract investment</b> Strong exports will enhance confidence in the country and may help attract investment into Ireland.</p> <p><b>More choice for consumers / higher standard of living</b> Consumers, through the availability of imports, have a much larger selection of goods and services available to them e.g. exotic fruits; foreign holidays etc.</p> <p><b>Raw materials unavailable in Ireland</b> Certain raw materials are not available in Ireland and must be imported e.g. oil. Our climate is unsuitable for the production of certain fruits e.g. oranges.</p> <p><b>Enhanced international reputation</b> Selling quality goods and services abroad will enhance the reputation of the country.</p>	<p>6</p> <p>3 x 6 (3 + 3)</p> <p>24</p>

Q	Possible responses	Max Mark									
(b)	<p>'<u>Visible exports</u> were €45,537m in the second quarter of 2017 while <u>visible imports</u> were €22,178m in the same period'. (Source: CSO, 2017)</p> <p>(i) Explain <b>each</b> of the underlined terms.  (ii) Name <b>one</b> example of a visible export <b>and</b> a visible import for the Irish economy.  (iii) Outline <b>two</b> economic advantages for the Irish economy if exports are greater than imports.  <b>(30 marks)</b></p> <p>(i) and (ii)</p> <table border="1" data-bbox="209 613 1331 965"> <thead> <tr> <th></th> <th>Visible exports</th> <th>Visible imports</th> </tr> </thead> <tbody> <tr> <td>Explanation</td> <td>The sale of Irish goods abroad /to consumers outside Ireland.</td> <td>The purchase of foreign goods from abroad/ by Irish consumers.</td> </tr> <tr> <td>Example</td> <td> <ul style="list-style-type: none"> <li>Sale of Irish beef abroad.</li> </ul> </td> <td> <ul style="list-style-type: none"> <li>Purchase of foreign cars.</li> </ul> </td> </tr> </tbody> </table> <p>(iii) Outline <b>two</b> economic advantages for the Irish economy if exports are greater than imports.</p> <p><b>Employment creation</b>  If exports exceed imports this means increased demand for goods produced in Ireland, leading to increased employment.</p> <p><b>Increased GNP / Economic growth</b>  The monies received from exports (injection into the circular flow) will lead to increased incomes within the country.</p> <p><b>Attract investment</b>  Strong exports will increase confidence in the Irish economy and may help attract further investment into Ireland.</p> <p><b>Government finances</b>  Increased economic activity will generate increased tax revenues for the government e.g. VAT / PAYE / CPT.</p> <p><b>Increased sales / profits</b>  If exports exceed imports then this may mean that domestic firms increase their sales/profits by exporting their excess output onto a foreign market / they may enjoy economies of scale.</p>		Visible exports	Visible imports	Explanation	The sale of Irish goods abroad /to consumers outside Ireland.	The purchase of foreign goods from abroad/ by Irish consumers.	Example	<ul style="list-style-type: none"> <li>Sale of Irish beef abroad.</li> </ul>	<ul style="list-style-type: none"> <li>Purchase of foreign cars.</li> </ul>	<p><b>2 x 6</b></p> <p><b>2 x 3</b></p> <p><b>2 x 6</b></p> <p><b>30</b></p>
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Q	Possible responses	Max Mark				
(c)	<p>Brexit will occur formally in March 2019. <span style="float: right;">(21 marks)</span></p> <p>(i) What is meant by the term Brexit?</p> <p style="padding-left: 40px;">Brexit means that the UK will leave the EU in 2019.</p> <p>(ii) Irish exporting firms may have to deal with <u>tariffs</u> and <u>quotas</u>. Explain <b>each</b> of the underlined terms.</p> <table border="1" data-bbox="228 533 1321 703" style="margin-left: 40px;"> <thead> <tr> <th data-bbox="228 533 778 573">Tariffs</th> <th data-bbox="778 533 1321 573">Quotas</th> </tr> </thead> <tbody> <tr> <td data-bbox="228 573 778 703">This is a tax on imported goods.</td> <td data-bbox="778 573 1321 703">This is a limit on the quantity of goods which can be imported.</td> </tr> </tbody> </table> <p>(iii) State and explain <b>one</b> economic challenge, other than tariffs and quotas, which an Irish exporting firm may have following Brexit.</p> <p><b>Transport costs</b> As Ireland is an island nation transport costs can be significant and can make Irish goods more expensive in foreign markets.</p> <p><b>Exchange rate risk</b> If the Euro rises in value relative to the trading partners, then Irish exports become more expensive and this presents a challenge when Irish firms are trying to compete abroad.</p> <p><b>Language skills</b> A lack of language skills may be a challenge for Irish business when exporting to emerging markets.</p> <p><b>Bureaucracy in other countries / regulatory hurdles</b> These additional rules / hurdles make it more difficult for Irish firms to export.</p> <p><b>Higher level of costs coming from a small Irish market</b> Irish firms may not have the benefits of economies of scale compared with large MNCs and this may make it difficult to export. Other costs e.g. insurance costs, broadband etc. are generally higher in Ireland than in other European countries thereby increasing the costs of production.</p> <p><b>Capacity of the firm</b> Irish firms may not have adequate capacity to meet demand for their products abroad if they successfully secure contracts.</p> <p><b>Develop new markets</b> Irish exporting firms, if they lose markets in the UK, will need to develop new markets for their goods and services and this will incur extra costs and time.</p> <p><b>Uncertainty</b> It is difficult for companies to plan for the future as there have been no decisions made by the UK and Europe as to the future of the EU after Brexit.</p>	Tariffs	Quotas	This is a tax on imported goods.	This is a limit on the quantity of goods which can be imported.	<p style="text-align: center;">8</p> <p style="text-align: center;">2 x 3</p> <p style="text-align: center;">1 x 7 (4 + 3)</p> <p style="text-align: center; font-size: 24pt; font-weight: bold;">21</p>
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## Q8 Employment, retirement and homelessness

Q	Possible responses	Max Mark
(a)	<p>'Ireland's unemployment rate is expected to be 6% or lower by the end of the year'. (Source: Department of Finance, 2017) (30 marks)</p> <p>(i) Name <b>one</b> method of measuring unemployment in Ireland.</p> <p style="text-align: center;"><b>Live Register or Quarterly National Household Survey.</b></p> <p>(ii) Discuss <b>one</b> economic effect which the continuing <b>rise in employment</b> may have on <b>each</b> of the following:</p> <ul style="list-style-type: none"> <li>• Retailers in Ireland</li> <li>• Government finances</li> <li>• Ireland's Balance of Trade.</li> </ul> <p style="text-align: center;"><b>Retailers in Ireland</b></p> <p><b>Increased Sales/Profits</b> More employment leading to increased spending power. Sales increase &amp; so too will profits.</p> <p><b>Expansion</b> Retailers may be able to expand / continue in production / hire additional staff.</p> <p style="text-align: center;"><b>Government finances</b></p> <p><b>Tax revenues</b> Increased employment will result in increased income tax revenues. CPT will increase if profits rise. VAT/ Excise duties should increase with increased spending.</p> <p><b>Social welfare spending</b> Expenditure on social welfare should fall if employment rises.</p> <p><b>Reduced state borrowing</b> Improvement in the state's finances may mean that the level of state borrowing will fall.</p> <p><b>Less social problems</b> Fewer resources required to combat anti-social behaviour due to boredom and poverty / less health issues like depression etc. as people are happier in work.</p> <p style="text-align: center;"><b>Ireland's Balance of Trade</b></p> <p><b>Increased demand for imports</b> Spending power increases and thus imports of consumer goods may rise.</p> <p><b>Imports of raw materials</b> Businesses may expand and require increased imports of raw materials.</p>	<p style="text-align: center;"><b>3</b></p> <p style="text-align: center;"><b>3 x 9 (5 + 4)</b></p> <p style="text-align: center;"><b>30</b></p>

Q	Possible responses	Max Mark
(b)	<p>‘There will be one million people over 65 years old in Ireland by 2031 - experts say we need a plan.’  <i>(Source: www. thejournal.ie. September 2017)</i></p> <p>Outline <b>two</b> advantages of extending the public service retirement age beyond 65 years for <b>each</b> of the following: <b>Employees; Government. (24 marks)</b></p> <p style="text-align: center;"><b>Employees</b></p> <p><b>Can participate in the labour force for longer</b>  As the retirement age is extended these workers can now participate in the workforce for longer and contribute to productive activities.</p> <p><b>Higher standard of living</b>  If their income is greater than their expected pension then the worker’s standard of living will improve. They can buy more goods and services.</p> <p><b>Greater personal satisfaction/fulfilment</b>  It may give these people a greater sense of purpose.</p> <p style="text-align: center;"><b>Government</b></p> <p><b>Reduced pension bill</b>  As less people will be retiring the need for the state to fund pensions is reduced.</p> <p><b>Increased tax revenues</b>  As incomes earned are generally higher than for ‘younger’ workers who would have filled the vacancies then the tax revenue to the state should be higher.</p> <p><b>Less skills shortages / better use of existing skills</b>  As workers stay in the workforce for longer there will be less shortages of skills.</p> <p><b>Reduction on spending and training of new recruits</b>  If public servants work until age 68 less new recruits will be required and the government will save on recruitment, induction and training of new personnel.</p>	<p style="text-align: center;">4 x 6</p> <p style="text-align: center;"><b>24</b></p>

Q	Possible responses	Max Mark
(c)	<p data-bbox="201 226 1318 300">'The number of homeless people increased again in September, with 8,374 people accessing emergency accommodation.' (Source: <i>The Irish Examiner</i>, October 2017)</p> <p data-bbox="1230 304 1374 338">(21 marks)</p> <p data-bbox="172 383 1270 416">(i) Outline <b>one</b> economic reason for the increase in number of homeless people.</p> <p data-bbox="164 501 978 535"><b>Growing demand</b> for housing caused by increased population.</p> <p data-bbox="164 555 1182 589"><b>Reduced supply of (social) houses:</b> less building of homes by local authorities.</p> <p data-bbox="164 609 1203 642"><b>Reduced availability of rental properties</b> – landlords do not see it as profitable.</p> <p data-bbox="164 663 1262 696"><b>Rising rents:</b> these are in excess of government rent supplements so not affordable.</p> <p data-bbox="164 703 1267 777"><b>Poverty / unemployment:</b> inability of some people to pay the high rents for housing in Ireland.</p> <p data-bbox="164 797 1182 871"><b>High personal debt</b> during the recession making it difficult for some people to meet their mortgage repayments.</p> <p data-bbox="164 891 1222 965"><b>Central Bank regulations</b> requiring first time buyers to have 20% of the purchase price saved is making it harder to afford a house.</p> <p data-bbox="172 1010 1233 1084">(ii) State and explain <b>two</b> economic measures that could be taken by the Irish government to help reduce the number of homeless people in Ireland.</p> <p data-bbox="164 1128 1331 1202"><b>Increase supply of (social) housing</b> / suitable housing acquired by NAMA could be sold to local authorities to provide affordable housing.</p> <p data-bbox="164 1223 932 1256"><b>Provision of modular housing</b> such as in Dublin at present.</p> <p data-bbox="164 1276 1219 1310"><b>Repair to and supply of boarded-up houses</b> and apartments by local authorities.</p> <p data-bbox="164 1330 1251 1364"><b>Increased provision of emergency short term accommodation</b> by local authorities.</p> <p data-bbox="164 1384 1243 1458"><b>More subsidies for people on low incomes</b> / increase rent allowances to people in receipt of social welfare to make renting more affordable.</p> <p data-bbox="164 1478 1310 1552"><b>Reduce taxation on construction / rental income</b> to encourage an increase in supply of houses / rental properties.</p> <p data-bbox="164 1559 1350 1632">New regulations introduced in December 2015 to protect security of tenure of tenants and regulation with regard to rent increases.</p> <p data-bbox="164 1653 1185 1686"><b>Introduce legislation</b> to reduce interest rates charged by banks for borrowers.</p> <p data-bbox="164 1706 440 1740"><b>Incentivise investors</b></p> <p data-bbox="164 1747 1358 1821">A reduction in tax on rental income would encourage more investors into the rental market and increase supply.</p>	<p data-bbox="1430 383 1497 416">1 x 7</p> <p data-bbox="1406 1084 1481 1158">2 x 7 (4+3)</p> <p data-bbox="1430 1895 1497 1928">21</p>

