Coimisiún na Scrúduithe Stáit

State Examinations Commission

Leaving Certificate 2026

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.

3	2	1	0
Excellent	**Good**	**Fair**	**Weak**
In-depth knowledge Relates to question Concise /logical	Some knowledge Limited Development	Vague knowledge	No knowledge Repetition of statement

4	3	2	1	0
Excellent	**Good**	**Fair**	**Poor**	**Weak**
In-depth knowledge Relates to question Concise/Logical	Some knowledge Limited development	Vague knowledge	Confusing or Contradictory knowledge	No knowledge Repetition of statement

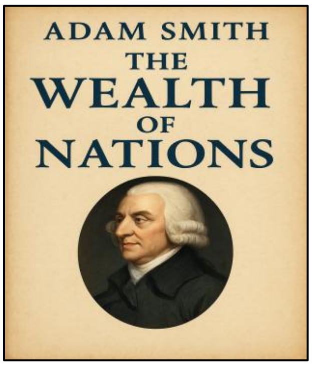
6	5	4	3	2	1	0
Excellent	**Very Good**	**Good**	**Fair**	**Poor**	**Weak**	**Zero**
In-depth knowledge Relates to question Concise /Logical	Very good knowledge May not relate to specific Q asked	Some knowledge Limited development	Vague knowledge	Confusing or Contradictory knowledge	Very little knowledge	No knowledge Repetition of statement

INDEX TO QUESTIONS

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 (100 marks)

Q		Possible Responses	Max Mark
1		9th March 2026 marked the 250th anniversary of the publication of classical economist, Adam Smith's book, '*The Wealth of Nations*'.  	
	(a)	Outline **two** possible benefits **for a firm which specialises its labour**. **Increased output / labour productivity** – workers become quicker and more efficient when focusing on a single task. This increases output per worker, which leads to the firm producing more goods in a given period of time. **Lower average costs of production** – increased productivity reduces the cost per unit of output. As output rises, the firm can benefit from economies of scale, which leads to lower average costs. **Reduced time lost in the production process** – workers do not need to switch between tasks or tools. This reduces downtime and interruptions and improves the firm's overall flow of production. **More efficient use of machinery / capital goods** – specialisation of labour allows firms to introduce machinery or capital goods to help workers with repetitive tasks. This further increases the firms' efficiency and output. **Improved quality and consistency of output** – repetition of tasks allows workers to refine their skills in one task. This leads to fewer errors and more consistent product quality from the firm. **Reduced training costs** – training workers for a single task is quicker and cheaper for a firm than training them to complete the entire production process. New workers can become productive sooner. **Increased competitiveness and profitability** – reduced costs and higher output may allow firms to reduce prices or increase profits, which strengthens their competitiveness in the market.	2 @ 3

(b) Compare **one** main economic characteristic of Ireland's international trade in the early 1950s *with* **one** main economic characteristic of Ireland's international trade in the present day. **6**

Types of goods and services exported	
Early 1950s – *Ireland's exports were dominated by agricultural output* such as live cattle and other farm produce. There were very limited exports of manufactured goods.	**Present day** – *Ireland's exports are dominated by high-value manufactured goods and services*, such as pharmaceuticals, ICT etc. This highlights Ireland's highly industrialised and knowledge-based economy.
Trading partners / Foreign market concentration	
Early 1950s – *Ireland was heavily dependent on the UK for most of its trade* (exports and imports). Trade was vulnerable to shocks in the UK economy.	**Present day** – *Ireland's exports are no longer dominated by one market. Trade is spread across the world.* The US and EU members states are now Ireland's largest export destinations for goods.
Ireland's trade policy / EU membership	
Early 1950s – *Ireland followed a mostly protectionist trade policy* and operated outside any European free-trade bloc. Tariffs and trade barriers were designed to protect domestic industries. This restricted imports and limited international trade.	**Present day** – *Ireland trades as a member of the EU and its Single Market.* This reduces trade barriers and allows the free movement of goods and services, and access to EU trade agreements.
Role of multinational corporations (MNCs)	
Early 1950s – *MNCs played little or no role in Ireland's international trade.* Exports were mainly produced by domestic firms in the agricultural sector.	**Present day** – *MNCs play a central role in Ireland's trade*, especially in pharmaceuticals, ICT, medical devices. The vast majority of Irish exports are produced by foreign-owned companies operating in Ireland.
Size of international trade	
Early 1950s – *Ireland's international trade was small compared to the size of its economy*. Exports made up a low share of national income, and Ireland had limited involvement in international markets.	**Present day** – *Ireland's international trade is very large relative to its national income*. Exports and imports form a major part of economic activity and link Ireland closely to global supply chains.
Trade balances	
Early 1950s – *Ireland suffered from large, persistent trade deficits.* The economy relied on a narrow range of exports, which limited Ireland's ability to earn foreign income through trade.	**Present day** – *since the 1980s, Ireland has consistently recorded a trade surplus.* This reflects its strong export performance and integration into international trade/global supply chains.

2

	**€172** is the average annual spend by adults on **music streaming**.		**€757** is the average annual spend by adults on **music events**.

Adapted from IMRO Music Report 2025: The Cultural and Economic Value of Music

(a) The data above shows consumers spend different amounts on music events and on music streaming. Which of these two types of spending is likely to have the more **price elastic demand**? Indicate your choice below by ticking (✓) the relevant box and justify your choice.

Spending on music events	✓

Higher proportion of income spent – spending on music events represents a much larger share (€757) of consumers' income than music streaming (€172). Apart from the ticket price, attending a music event may involve other costs, such as accommodation / transport / food / drink. As a result, higher ticket prices in general increase the overall financial burden on households and lead to a larger fall in quantity demanded. This makes demand for music events more price elastic. **6**

Availability of close substitutes – *[If spending on music events is viewed as spending on concerts in general, rather than one specific must-see act].* Music events have many close substitutes available if ticket prices increase in general, such as watching performances online, listening to lower-cost recorded music, or spending on other forms of live entertainment / leisure. The greater the availability of close substitutes, the more price elastic demand becomes. Thus, demand for music events is likely to be more price elastic.

Discretionary / luxury spending on music events – attendance at music events may be seen as discretionary spending, which consumers can choose to reduce, cancel, or postpone when ticket prices increase in general. Music streaming is often treated as a regular part of everyday consumption and is therefore less price sensitive. As a result, demand for music events is more price elastic – as it may be considered a luxury good.

Streaming has subscription pricing / automatic renewal – music streaming is usually purchased through a relatively low-cost monthly subscription which renews automatically. As consumers do not make an active purchase decision each month, small price increases are less likely to lead to cancellation. This makes demand for music streaming more price inelastic compared with music events.

Fixed time of music events – music events take place at specific times and dates. If ticket prices increase in general, consumers can easily choose not to attend. Music streaming can be consumed at any time, which gives consumers more flexibility, and makes their demand less responsive to price changes. As a result, demand for music events is more price elastic.

If candidate states spending on streaming is more price elastic:

Availability of close substitutes for music streaming – there are substitutes to spending on music streaming because some apps offer free ad-supported tiers, while free video platforms (YouTube) provide access to a wide library of music at no direct monetary cost. If prices increase to stream music, the free options are unaffected. As a result, more price-sensitive consumers may switch to free alternatives while still accessing similar content. Demand for paid music streaming is responsive to price, which makes it more price elastic.

No close substitute for a specific live act – *[If spending on music events is viewed as spending on a must-see specific performer].* A huge fan of a particular artist, such as Taylor Swift or Zach Bryan, may view the artist as unique and not easily replaceable by another act. As a result, an increase in event ticket prices is likely to cause a proportionately smaller fall in quantity demanded for these consumers. Therefore, demand for tickets to a specific live music event is likely to be more price inelastic than demand for music streaming.

	(b)	**Answer either (b) or (c)** Outline two reasons why streaming companies, like Spotify, may pursue objectives ***other than profit maximisation***. **To increase market share** – streaming companies may prioritise increasing their user base by keeping subscription prices low or by offering free ad-supported services. By attracting many users, firms can strengthen their position in the market and reduce competition, even if this limits profits in the short run. **To build brand loyalty / user retention** – firms may offer discounted student plans or free versions of their service to encourage long-term use. By keeping users on their platform, streaming companies aim to reduce consumers switching to rival services i.e. Apple. They accept reduced short-term profits in return for greater long-term stability. **To invest in innovation and service quality** – streaming platforms may invest heavily in personalised recommendations, new features, or exclusive content. While this increases costs and reduces short-term profits, it can improve user experience and engagement. This helps the firm to remain competitive in the long run. **To ensure long-run survival and growth** – streaming companies often operate in a highly competitive market with high fixed costs. So, they may accept low profits in the short run to remain in business / grow their operations / secure their long-term future. **To discourage the entry of new firms / barrier to entry / limit pricing** – streaming companies may keep subscription prices low, even if profits are reduced. This is to make the market less attractive to potential new competitors. By doing so, firms aim to protect their position and future profits. **To prevent government intervention** – a firm focused only on profit maximisation may take actions that could increase the risk of government intervention. To avoid this government intervention, the business may choose to balance profit maximisation with compliance and responsible business practices. **To uphold ethical and social responsibility** – a steaming company 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.	**2 @ 3**
	(c)	**OR** Outline one reason **why** large online streaming companies, such as Spotify, can operate at almost zero marginal cost every time a new user subscribes. **Digital nature of streaming** – music streaming is a digital service. Once the platform and music catalogue are created and licensed, supplying the same digital music to a new user does not need the production or distribution of another physical product. As a result, the cost of serving one extra subscriber is close to zero. **High fixed costs but very low marginal costs** – streaming companies face high fixed costs, such as developing the platform / licensing music / maintaining servers. These costs do not increase significantly when a new user subscribes, which means the cost of serving a new user is almost zero. **Automated delivery of the service** – the streaming service is delivered automatically through software and algorithms. Once the system is in place, no extra labour is required when a new user subscribes. Labour costs do not rise with each extra user. **Scalable technology and infrastructure** – streaming platforms use scalable digital infrastructure that can handle large numbers of users at very low additional cost. This means the marginal cost of serving one more user remains minimal.	**6**

3

The graphic below shows the average cost for Cork and Tipperary fans in following their team through to the 2025 All-Ireland Senior Hurling Championship final.

Cork		Tipperary
€350	Match Tickets	€400
€38	Match Programmes	€43
€200	Petrol	€200
€23	Tolls	€27
€50	Parking in Dublin	€50
€334	Food and drink	€350
€995	**TOTAL**	**€1,070**

Adapted from the Irish Examiner

(a) Due to rising costs some fans called for the government to subsidise public transport for those travelling to the All-Ireland Senior Hurling and Football Championship finals. **6**

Do you agree or disagree with this proposal?
Indicate your answer below by ticking (✓) the relevant box and justify your answer.

AGREE – Reasons in favour of subsidising public transport:

Reduces financial burden on households – travelling to All-Ireland finals involves very high costs (tickets, fuel, parking, food), as shown in the data. A public transport subsidy would reduce travel costs for fans. This would make attendance more affordable, especially for lower-income households.

Positive externalities from increased public transport use – greater use of buses and trains reduce traffic congestion / carbon emissions / air pollution around Dublin on match days. These are benefits for society in general, not just for those using the subsidised transport.

Supports social inclusion and access – subsidised transport would allow supporters, without a car, to attend national sporting events. This promotes equality of access to sporting and cultural occasions.

Increases spending in the local economy – increased attendance in turn increases spending on food, accommodation and retail in Dublin. This benefits local businesses and generates additional VAT revenue for the Exchequer.

Reduces pressure on public services – reduced traffic on roads would reduce the need for traffic management measures / policing / emergency services. As a result, the government may face reduced short-term public service and road management costs, which are associated with large sporting events.

Encourages greater future use of public transport – such subsidies may increase familiarity with public transport services and lead to higher use in future. Over time, this may support government objectives on sustainable transport and reducing the use of private cars.

DISAGREE – Reasons against subsidising public transport:

Opportunity cost of government spending – subsidising public transport for All-Ireland finals would require public funds that could instead be used for essential services such as healthcare, housing, education etc. These areas may deliver greater long-term economic and social benefits. This means the subsidy may not represent the most efficient use of scarce government resources.

Regressive use of taxpayers' money – attendance at All-Ireland finals involves high ticket prices and associated costs, which are more easily afforded by higher-income households. Subsidising public transport may therefore disproportionately benefit supporters who can already afford to attend, while being funded from general tax revenue paid by all citizens.

Unequal benefit for taxpayers – not all counties reach All-Ireland finals regularly, which means many taxpayers would never benefit from the subsidy. As it is funded through general taxation, some taxpayers would be paying for a policy that gives them little or no direct benefit.

Unnecessary subsidy / Deadweight loss – subsidising public transport may benefit many supporters who would have travelled to the match anyway, even without the subsidy. This means government spending does not significantly change behaviour and results in a deadweight loss, where public funds are spent without creating any additional economic benefit.

Capacity constraints and overcrowding – public transport services may struggle to meet the sharp increase in demand on match days. Without sufficient additional capacity, subsidies could lead to overcrowding / reduced service quality / inconvenience for regular commuters who rely on public transport for work or essential travel.

Limited impact on overall attendance decisions – travel costs may represent only a small proportion of the total cost of attending an All-Ireland final when ticket prices, accommodation and food are considered. As a result, subsidised transport may have little effect on actual attendances, which would reduce the effectiveness of the policy.

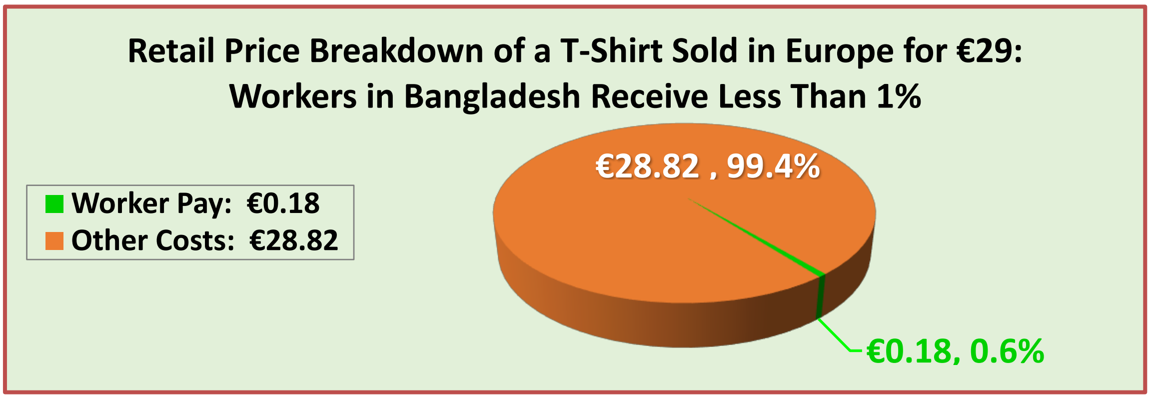
It sets a risky precedent – subsidising transport for major sporting events could create pressure for similar subsidies to be paid for concerts, festivals or other large events. This may make it difficult for the government to apply a consistent / economically sustainable public transport subsidy policy.

Lack of fairness across sports – taxpayers would fund transport subsidies for one sporting event, while supporters of other sports would not receive similar support. This may raise concerns about the fair use of public funds.

3		**Answer either (b) or (c)**	
	(b)	Irish Rail has imposed €100 fines for passengers who play videos or music without headphones on its trains. Outline one reason **why** this passenger behaviour is an example of market failure. **Negative externality for other passengers** – playing loud audio is a negative externality as it annoys other passengers. The ticket price for the passenger causing the noise does not include the full social cost of the loud audio. As a result, the behaviour occurs more often than is socially desirable, and it leads to market failure. **Hard to exclude disruptive behaviour** – a reasonably quiet carriage is a shared benefit for everyone on a train. When one passenger plays loud audio, they reduce this benefit for others. As no one passenger owns the sound environment, passengers cannot easily exclude the disruptive user / charge them for the cost they are imposing. This means the market fails to allocate the quiet environment efficiently. **Information failure / underestimated costs** – some passengers playing loud audio may underestimate or ignore the disruption they cause to others. If a passenger does not fully recognise the negative impact of their behaviour, decision-making is not fully informed. This contributes to the overuse of loud audio and leads to market failure.	6

		OR	
3	(c)	Outline two ways the Connecting Ireland Rural Mobility Plan **can help reduce inequality** between urban and rural households. **Improved access to employment** – better transport services allow rural residents to travel to a wider range of jobs, including work in urban areas. This increases labour force participation among rural residents and may increase their household incomes, which helps to narrow the income gap between urban and rural areas. **Reduced transport costs for rural households** – the plan reduces the need to use private cars, which have high costs such as fuel, insurance, and servicing. Reduced transport costs increase real disposable incomes for rural households, especially those on lower incomes. This helps reduce income inequality, as transport costs make up a large proportion of income for rural households. **Support for balanced regional economic development** – improved transport links make rural areas more attractive for business activity, tourism and local enterprise. This can lead to job creation in rural communities rather than requiring residents to commute long distances. Increased local employment supports a more balanced regional distribution of income. **Improved access to education and skills development** – better bus links allow rural residents to attend schools, colleges, apprenticeships and training centres that are often located in urban areas. This improves skills and qualifications among rural households, which increases their long-term employment prospects and earning potential. Over time, this helps narrow the income gap between rural and urban households. **Improved access to essential services** – rural households often face poorer access to essential services such as healthcare, childcare, social welfare offices, and banking. Improved bus services make it easier for rural residents to attend GP appointments, hospitals and public services that are often concentrated in towns. **Reduced social and economic exclusion** – the plan improves mobility for rural residents without use of a car. By improving access to work, education and essential services, the plan reduces economic and social exclusion in rural areas, which helps to narrow inequality. **Improved rural wellbeing / quality of life** – better public transport in rural areas improves access to social, cultural and sporting activities. This enhances the quality of life for rural households and narrows wellbeing gaps between urban and rural households. **Improved access to digital services** – many public services, education opportunities and job applications require in-person attendance because broadband access is weaker in rural areas. Improved transport allows rural residents to access these services.	**2 @ 3**

4 The chart below shows that workers in Bangladesh, who make T-shirts, earn on average 18c of the final €29 retail price charged in Europe.



(a) Outline one reason why workers in less developed countries (LDCs) tend to earn lower wages than workers in Europe for similar work. **6**

Lower labour productivity – workers in LDCs often produce less output per worker due to limited access to capital, modern technology, education, and training.
Wages tend to reflect labour productivity, so lower productivity leads to lower wages compared to Europe, even when the work is similar.

High supply of labour / surplus labour – many LDCs have large populations with high levels of unemployment or underemployment. The excess supply of labour reduces workers' bargaining power and places downward pressure on wages, as employers can easily replace workers.

Weaker labour protections and collective bargaining – trade unions are often weaker in LDCs and labour laws, such as minimum wage legislation and workplace protections, may be poorly enforced. As a result, workers have less protection and limited ability to negotiate higher wages compared to workers in Europe.

Lower cost of living – the cost of housing, food and basic services is generally lower in LDCs. Therefore, employers pay lower wages that reflect local living costs rather than European wage levels.

Informal employment and weak regulation – a large proportion of workers in LDCs are employed in the informal sector, where jobs are unregulated and often untaxed. Informal employment provides little job security and places further downward pressure on wages.

Competition between countries for foreign direct investment (FDI) – LDCs may compete to attract foreign MNCs by offering low labour costs and flexible labour regulations. To remain attractive, wages are kept low, especially in labour-intensive industries. This limits wage growth compared to Europe.

Lower Marginal Revenue Product (MRP) of labour –firms in many LDCs operate with low levels of capital and produce goods with lower value added. This reduces the MRP of labour. As wages are influenced by the MRP of labour, firms in LDCs are unable to pay the same level of wages as firms in Europe for similar work.

	(b)	Suggest two possible measures the Irish government could introduce to increase demand for second-hand clothing. **Reduce / Remove VAT on second-hand clothing** – reducing or removing VAT on second-hand clothing would reduce the price for consumers. This would make second-hand items even cheaper compared to new clothes and would directly increase quantity demanded. **Introduce environmental taxes** – environmental taxes on fast-fashion items would raise the price of such new clothing. This would make second-hand clothing relatively cheaper and increase demand through the substitution effect. **Launch public awareness / information campaigns** – government campaigns could highlight the environmental and financial benefits of buying second-hand clothing. Such information may change consumer preferences and reduce any stigma with second-hand clothes. **Increased regulation on fast-fashion clothing** – stricter government regulation on fast-fashion clothing, such as limits on waste, durability requirements, or environmental standards, may reduce the availability of fast-fashion clothing. Reduced availability of new clothing may encourage consumers to switch to second-hand clothing, which would increase its demand. **Government-supported school uniform swap schemes** – if the government promoted or mandated school uniform swap days, it may normalise the use of second-hand clothing from a young age. Increased familiarity and social acceptance may reduce any stigma and change consumer preferences towards second-hand clothing over time. **Subsidies or grants for second-hand shops and repair services** – the government could offer financial support to improve the quality, reliability, and presentation of second-hand clothing / to improve access to repair services. Greater confidence in the quality and durability of second-hand clothing may encourage more consumers to purchase them. **Financial support for online second-hand platforms** – the government could support digital second-hand marketplaces through grants or training schemes. Improved accessibility and convenience may encourage more consumers to purchase second-hand clothing. **Government procurement of second-hand clothing** – the government could increase the use of second-hand or recycled clothing in public services, such as uniforms / workwear. This would directly increase demand for second-hand clothing and help normalise its use. **Introduce green labelling or certification** – the government could create an official eco-label for second-hand clothing. It would highlight the positive environmental impact of wearing used clothing and may make consumers more confident and willing to buy these products.	**2 @ 3**

	(c)	Outline two ways the use of online second-hand clothing apps, like Vinted and Depop, may benefit consumers of second-hand clothing. **Lower prices and better value** – online second-hand apps increase competition between sellers and reduce overhead costs compared to physical shops. This often results in lower prices, which allows consumers to purchase clothing at better value than new items. **Greater choice and variety** – the apps give consumers access to many sellers across Ireland and internationally. This significantly increases the range of brands, styles, sizes, and unique items available compared to local second-hand shops, e.g. vintage /retro / niche items. **Increased convenience and accessibility** – consumers can browse, compare and purchase second-hand clothing at any time online. This removes the need to travel to physical shops and makes second-hand shopping more accessible. **Improved price transparency and comparison** – the apps allow consumers to compare prices for similar items easily. This helps consumers make more informed purchasing decisions and avoid overpaying. Some apps allow buyers to message sellers to negotiate prices or bundle items, which helps consumers benefit from better value. **Access to detailed information and reviews** – listings on apps typically include photos, descriptions, and seller ratings. This reduces uncertainty about quality and reliability, which increases consumer confidence when buying second-hand clothing. **Reduced search time and effort** – search filters for size, brand, price, and condition allow consumers to find suitable items quickly. This reduces the time and effort involved in finding suitable second-hand clothing. **Environmental benefits passed on to consumers** – by extending the life of clothing, online second-hand apps reduce textile waste / the environmental damage of fast fashion. Consumers benefit by making more environmentally sustainable choices without sacrificing affordability or style.	**2 @ 3**
5		Some financial companies, such as Klarna, offer buy now, pay later (BNPL) agreements for some online purchases in Ireland. These agreements allow consumers to either pay upfront or to spread the cost over time, sometimes with excessive added interest.  Adapted from droidvenue.com	

<table>
<tr><td>5</td><td>(a)</td><td>Do you think BNPL (buy now pay later) companies, such as Klarna, encourage rational consumer behaviour or irrational consumer behaviour?
Indicate your answer below by ticking (✓) the relevant box and justify your answer.

Answer: Rational behaviour

Justification:

Improved cash-flow management – BNPL allows consumers to spread the cost of purchases over time rather than paying the full amount upfront. This helps consumers to manage their monthly budgets more effectively.

Increased flexibility / choice – BNPL means consumers can choose between paying upfront or spreading payments over time. This flexibility allows consumers to select the option that best suits their financial situation. This is consistent with rational decision-making.

Access to interest-free credit – some BNPL agreements offer short repayment periods without interest if payments are made on time. Rational consumers who understand the terms may use this as a low-cost alternative to other forms of credit, such as credit cards or overdrafts.

Answer: Irrational behaviour

Justification:

Small instalments make purchases appear cheaper – BNPL agreements can make purchases appear cheaper by highlighting small monthly payments rather than the total price. This may cause consumers to focus on the instalment amount and underestimate the overall cost of the purchase. As a result, they may buy items they would not have purchased if they had to pay the full amount upfront.

Increased impulse purchases / Present bias – the delayed payment aspect of BNPL allows some consumers to make unplanned / impulsive / emotional purchases now without careful consideration rather than purchasing based on need or affordability. This reflects present bias, where immediate benefits are prioritised over future costs. Cognitive biases like this lead to irrational consumer behaviour.

Overborrowing / Increased debt – if a consumer uses multiple BNPL agreements at the one time, they may take on more debt than they can afford. This represents irrational decision-making and may lead to missed payments or financial difficulties.

Poor understanding of terms and conditions / Low levels of financial literacy – some consumers may not fully understand repayment conditions, penalties, or fees associated with BNPL agreements. Limited financial knowledge may lead consumers to enter borrowing arrangements without fully understanding the financial commitments involved, which lead to irrational financial decisions.

Social media influence / Peer pressure / Herd behaviour– BNPL is widely promoted on social media and used by influencers and possibly one's peers. This may encourage consumers, especially younger ones, to copy others' behaviour without carefully considering affordability or need. This may lead to irrational purchasing decisions.</td><td>6</td></tr>
</table>

(b) Rational consumer behaviour is one assumption used in economics.

Outline two **other** key assumptions about consumer behaviour used in economics. **2 @ 3**

Consumers seek to get maximum utility from that income /
Consumers obey the equi-marginal principle of consumer behaviour - in order to enjoy maximum utility (satisfaction), a consumer will spend their income so that the ratio of marginal utility to price is the same for each product they purchase.
A consumer will spend their limited income in such a way that they will try to achieve the most satisfaction from the products they purchase and receive the best value for money.

Consumers are subject to the Law of Diminishing Marginal Utility - the Law of Diminishing Marginal Utility states that as more units of a good are consumed, a point will be reached where marginal (extra) utility (satisfaction) eventually begins to decline.

Consumers have limited incomes – a consumer does not have unlimited income and therefore, cannot buy everything they want. As a result, they must choose how to allocate their limited income between different products. Every choice made involves an opportunity cost in terms of the next best foregone alternative.

6

China's first Legoland theme park opened in Shanghai in July 2025. The park is home to 75 rides across eight areas and structures built from millions of plastic bricks.

Adapted from the BBC

Source: The South China Morning Post

(a) Theme parks, such as Disney, Lego and Universal, are part of the services industry, as they provide entertainment and experiences.
The spread of such theme parks around the world shows the concept of **globalisation.** **3**

Explain the term **globalisation**.

Globalisation is the process by which the world is becoming increasing interconnected as a result of massively increased trade and cultural exchange.

Globalisation is the increasing internationalisation of markets for goods and services, the means of production, financial systems competition, technology, and industries.

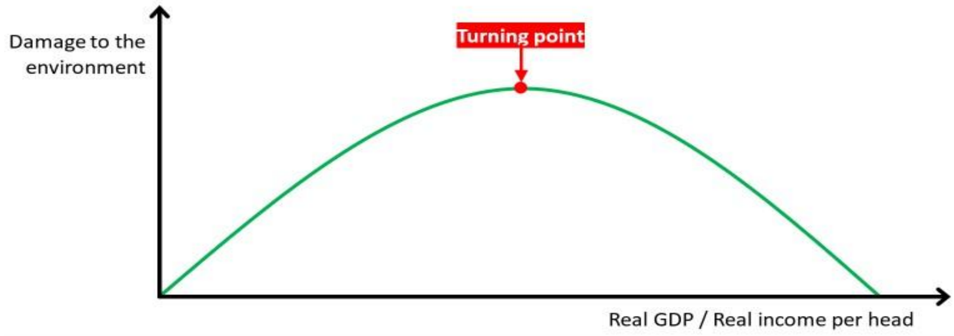
Globalisation is the ability to produce any good or service anywhere in the world, using raw materials etc from anywhere, sell the resulting output anywhere, and place profits anywhere.

		Outline one economic benefit to a company of investing in theme parks. **Increased revenue possible from multiple income streams** – theme parks generate income from ticket sales, food / beverages, merchandise, accommodation, parking, and licensing. Such diversification increases total revenue and reduces a reliance on a single source of income. **Economies of scale** – very significant visitor numbers allow firms to spread high fixed costs, such as land, infrastructure and rides, over millions of customers. This reduces average costs and increases the profitability of the theme park over time. **Ability to charge premium prices** – theme parks provide rides and attractions that are different from other leisure activities available. This allows firms to charge higher admission prices and extra charges, which increase profits. **Long-term profits** – theme parks incur high initial capital costs, but they may operate for decades. Once established, they can generate steady long-term profits. **High barriers to entry** – theme parks require very large capital investment, land and planning permission. These barriers make it difficult for new firms to enter the market. Therefore, theme parks may maintain strong market power and stable profits. **Complementary business opportunities** – theme parks create opportunities to develop hotels, resorts, restaurants, and retail outlets. This may increase the company's total revenue. **Merchandise and licensing income** – theme parks can sell branded goods in the park and license characters or attractions for external products. This generates additional revenue beyond ticket sales. **Tourist-driven demand** – theme parks attract both domestic and international tourists. High tourist numbers increase the number of visitors to the park, which help increase revenue. **Improved customer experience and repeat business** – theme parks employ large numbers of staff and regularly introduce new rides and events. High quality of service and ongoing innovation encourages repeat visits, which provide a stable source of revenue. **Opportunities for price discrimination** – theme parks can charge different prices based on age, season, demand levels, or bundled packages. This allows firms to maximise revenue from different consumer groups. **Improved brand development** – successful theme parks improve brand recognition and customer loyalty. This can increase sales of branded merchandise and fund future expansion of parks based on popular films and characters owned by the company. **International market expansion** – investing in theme parks abroad allows companies to operate in new countries, and attract more customers, which increases revenue / reduces the reliance on one location (diversifying risk). **Corporate partnerships / sponsorship** – firms may partner with external brands to sponsor rides, attractions or restaurants within the park. This provides an additional income stream.	3

		Ireland's main theme park is Emerald Park in Co. Meath.	
	(b)	Outline two economic benefits of the operation of theme parks within a country. **Creates employment** – theme parks create direct employment through ride operations, maintenance, administration, catering, entertainment etc. They also create indirect employment in hotels, transport and retail services linked to visitor demand. **Increases invisible exports / spending by tourists** – overseas tourists who visit theme parks, spend money on rides, food, and accommodation. Such spending by foreign tourists is treated as an invisible export, which increases national income / improves the balance of payments. **Increases tax revenues** – theme parks generate tax revenue through VAT on ticket sales and purchases, PAYE from employees, and corporation tax on company profits. **Increases regional economic development** – theme parks located outside major cities can stimulate economic activity in surrounding areas by attracting visitors and encouraging local business growth. **Multiplier effect** – spending by visitors and employees circulates through the economy, creating further income within the economy. **Develops infrastructure** – the establishment of theme parks may lead to improvements in roads, transport links and public services in the surrounding region. **Supports local businesses** – nearby hotels, restaurants, shops and transport providers benefit from increased visitor numbers. **Attracts foreign direct investment if foreign-owned** – international firms investing in theme parks bring capital investment into the country and may transfer skills and expertise from abroad.	**2 @ 3**

7	**(a)**	In your opinion, which of the following fiscal policy tools should the Irish government use to reduce plastic packaging waste: • a subsidy for firms using biodegradable packaging? • a tax on firms using plastic packaging? Indicate your answer below by ticking (✓) the relevant box and justify your answer. Answer: Subsidy for firms Justification: **Encourages positive behaviour** – a subsidy reduces the cost of producing biodegradable packaging. This encourages firms to switch voluntarily from plastic to environmentally friendly alternatives. **Reduces production costs for firms** – biodegradable materials are often more expensive than plastic. A subsidy helps cover these higher costs, which makes sustainable packaging more financially viable. **Maintains firm competitiveness** – without subsidies, firms using biodegradable packaging may face higher costs than competing firms using plastic packaging. Subsidies level the playing field and prevent loss of competitiveness. **Reduced prices for consumers** – if firms receive subsidies, production costs decrease. This may lead to firms charging consumers lower prices than if they had to absorb the full cost of switching to sustainable packaging. **Encourages innovation and investment** – financial support may encourage firms to invest in research and development of new biodegradable materials and packaging technologies. **Creates employment** – increased growth in biodegradable packaging industries may create employment in manufacturing, recycling, and other environmental services. Answer: Tax on firms Justification: **Makes firms pay for environmental damage / Polluter pays** – plastic packaging creates pollution and waste disposal problems. A tax on plastic packaging would force firms to pay for these environmental costs rather than society paying for them. Market failure is corrected by internalising the negative externality. **Discourages plastic usage** – the increased cost of plastic packaging may encourage firms to reduce their use of it or to switch to biodegradable alternatives. **Increases government revenue** – a tax on firms using plastic packaging would generate tax revenue, which could be used to fund recycling / environmental projects. **Reduces unnecessary packaging** – to avoid paying higher taxes, firms may reduce excess packaging on their products. This would reduce plastic waste and environmental damage. **Encourages long-term industry change** – a tax on plastic packaging would show firms that continued plastic use will be penalised / that the government is serious about reducing environmental damage. This may encourage firms to plan for long-term investment in environmentally sustainable alternatives.	6

(b) The diagram below shows the Environmental Kuznet's Curve (EKC). It suggests that **as real income per capita rises, environmental damage initially increases, reaches a turning point, and then declines.**



In your opinion, is the above curve relevant in today's world in explaining the relationship between economic growth per capita and environmental damage? **6**

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

Answer: Yes (relevant)

Justification:

Structural economic change – as economies develop and grow, they may shift from manufacturing towards services, which is often less damaging to the environment.

Stronger environmental regulation – developed economies often introduce stricter environmental standards, carbon taxes and emissions targets which help reduce pollution levels.

Greater ability to fund green technology – wealthier economies can afford to invest in renewable energy, pollution control technology and sustainable infrastructure, which may reduce environmental damage.

Improved energy efficiency – higher income economies may adopt more energy-efficient methods of production methods, which reduce emissions per unit of output.

Higher incomes increase environmental awareness – as incomes rise, citizens may place greater value on cleaner air, water and living conditions and put more pressure on governments and firms to reduce pollution levels.

Evidence from some developed economies – Ireland and many other EU member states have grown economically while reducing certain local air pollutants (e.g. sulphur dioxide). This supports the EKC turning point theory.

Access to cleaner technology from abroad – as incomes rise, countries can import and use cleaner technologies developed in wealthier economies, such as renewable energy systems like wind turbines. This may reduce environmental damage without needing to develop the technology domestically.

Improved urban planning and public transport – developed economies invest heavily in public transport, waste management, and environmentally sustainable urban design, which reduces per capita emissions.

Answer: No (not relevant)

Justification:

Global pollution is still high – economic growth has not led to a consistent fall in global greenhouse gas emissions. This suggests environmental damage does not automatically decline as income rises.

Outsourcing of pollution – high-income countries often relocate polluting industries to developing economies. This results in environmental damage decreasing domestically but increasing globally.

Rapid industrial growth in emerging economies – large emerging economies, such as China and India, continue to prioritise manufacturing, exports, and employment growth. This often uses high levels of energy and a dependence on fossil fuels, which increases global emissions. Therefore, environmental damage does not automatically decline as incomes increase.

Consumption levels rise with income – citizens on higher incomes demand more travel, vehicles and energy, which can increase environmental damage rather than reduce it.

Climate change is cumulative – environmental damage such as global warming is long-lasting and may not fall quickly even if emissions decline later.

Some pollutants do not follow the EKC pattern – the EKC may apply to certain local pollutants, but global pollutants such as greenhouse gases are linked to worldwide production and consumption and may continue rising with economic growth.

Population growth effect – rapid population growth in developing economies can increase total environmental damage even if emissions per person begin to fall. A larger population increases overall demand for housing, transport, energy and food, which raises total emissions. This suggests environmental damage may continue to rise despite economic growth, limiting the relevance of the EKC.

Technological progress may be too slow – the development of green technology may not keep pace with the scale of environmental damage caused by rapid global growth.

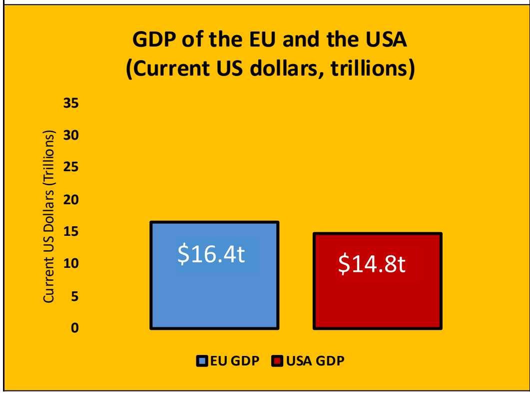
Depletion of resources – economic growth often increases the extraction and use of non-renewable resources such as oil, gas and minerals. As incomes rise, production and consumption expand, which places greater pressure on finite natural resources.

8	**(a)**	Farming may be seen as an unattractive career choice for many younger people in Ireland today. Outline two factors which may discourage younger people from becoming farmers. **Low and unstable farm income** – farm income can vary greatly from year to year. Prices received for milk, beef, or crops may decrease, while costs such as feed, fertiliser, and fuel may increase. This makes earnings unpredictable and discourages younger people who want financial security. **High land / start-up costs** – purchasing land in Ireland is very expensive. In addition, young farmers must invest in machinery, livestock, and buildings. The high level of capital required creates a major barrier to entering farming. Returns may take years to materialise, e.g. building up a dairy herd or improving land productivity is a long-term process. Younger people may prefer careers where growth in income is faster. **Access to credit and borrowing difficulties** – young farmers may find it difficult to get loans to start farming. Banks may see farming as risky due to unstable incomes and the large loans required to buy land, livestock and machinery. This can prevent young people from entering the industry. **Long working hours and poor work–life balance** – farming involves early mornings, late evenings and weekend work, especially on dairy and livestock farms. There is limited time off compared to many other careers, making the lifestyle less attractive. **Higher and more stable incomes in other careers** – younger people may earn more in sectors such as construction, technology, education, or the public service. These jobs often provide regular wages and clearer career progression. **Farm succession / inheritance barriers** – many farms are passed down within families. Younger people without access to a family farm may find it very difficult to enter the industry. In some cases, older farmers delay transferring ownership, which limits opportunities for younger entrants to the sector. **Heavy regulations / paperwork** – farmers must comply with EU and Irish rules on nitrates, animal welfare, environmental protection, and food safety. The level of paperwork, inspections, & compliance requirements may discourage younger people. **Market power of large processors and retailers** – farmers are price takers and often have limited bargaining power when selling to large processors or supermarkets. This may keep farmgate prices low and reduce profit margins. **Uncertainty about future agricultural supports** – farm incomes are supported by schemes under the EU CAP (Common Agricultural Policy). Possible changes to payments, environmental schemes, or emissions targets create uncertainty about the long-term profitability of farming as a career. **Physical demands / safety risks** / **unpredictable weather** – farming involves manual labour, the use of heavy machinery, and working with animals. The job is physically demanding and carries a higher risk of workplace accidents than many other professions. Unpredictable weather may reduce yields and reduce farm income, which increase the risk associated with the career. **Rural isolation / Location factors** – farms are often located in remote rural areas. Limited access to social activities, services, and employment opportunities for partners may make farming less appealing to younger people.	**2 @ 3**

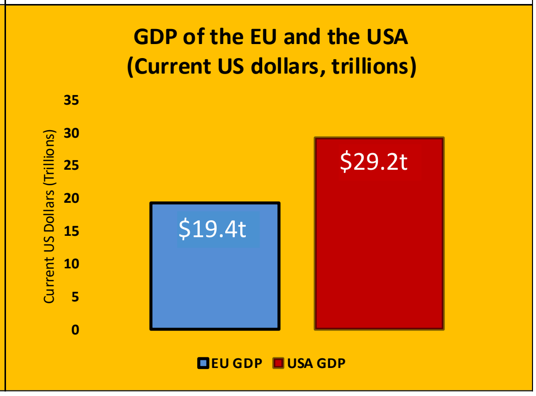
	(b)	Cattle input costs have surged recently due to significant increases in the cost of feed, fertiliser, fuel, and veterinary medicines. Adapted from the Irish Independent Outline two ways in which this development may affect **other businesses in the local economy**. **Increased beef prices** – surging cattle input costs increase the cost of producing beef. Meat processors and retailers may pass these higher costs on through the supply chain, resulting in more expensive beef prices in butchers and supermarkets. **Reduced profit margins for meat processors** – increased costs for cattle farmers may increase the prices which processors have to pay farmers for livestock. If these cost increases cannot be fully passed on to retailers, processors will see their profit margins diminish. This places meat processing firms under financial pressure. **Reduced economic activity in the local economy** – increases in cattle input costs are likely to lead to reduced incomes for cattle farmers. Reduced farm incomes may result in less spending on local goods and services. It may also weaken demand for labour in farm-linked sectors such as meat processing and machinery services. **Reduced demand for agricultural inputs** – farmers may respond to increased input costs by using fewer inputs. This would result in a reduction in demand for goods and services from agricultural suppliers. **Increased demand for credit and financial services** – farmers facing increased input costs may require overdrafts, loans or financial restructuring. This increases demand for services provided by banks, credit unions and accountants. **Increased demand for farm advisory services** – surging input costs may encourage farmers to seek advice on controlling costs / improving efficiency. This may increase demand for services provided by agricultural advisors and consultants.	**2 @ 3**

9 The charts below show the total Gross Domestic Product (GDP) of the European Union (EU) and the United States (USA) in 2008 and 2024, measured in current US dollars (trillions).

2008



2024



(a) The increase in GDP for the EU between 2008 and 2024 is **18.3%**.
Calculate the percentage change in GDP for the USA between 2008 and 2024. **6**
Show all your workings.
Comment on **the change** in economic growth between both regions.

Workings:

Change = \$29.2 – \$14.8 = \$14.4 trillion

Percentage change = $\frac{\$14.4 \text{ trillion}}{\$14.8 \text{ trillion}} \times 100 = 97.3\,\%$

Comment:

- The USA experienced a much greater percentage increase in GDP than the EU between 2008 and 2024.
- US GDP increased by 97.3% between 2008 and 2024, compared to an increase of only 18.3% in EU GDP during the same timeframe.
- The USA overtook the EU in terms of overall GDP by 2024.
  The USA economy experienced a much faster rate of growth than the EU between 2008 and 2024.

(b) The data in the charts above create economic concerns for EU governments.
What in your opinion are two economic concerns presented by the above data for EU governments. **2 @ 3**

Slower economic growth relative to the USA – the data shows that EU GDP increased at a much slower rate than US GDP over the period. This raises concerns about the EU's long-term economic performance and its capacity to generate sustained economic expansion.

Reduced global economic influence – as the USA economy grows more rapidly and becomes significantly larger, the EU's relative influence in global trade, financial markets and international economic decision-making may weaken.

Reduced attractiveness for foreign direct investment (FDI) – stronger economic growth in the USA may make it a more attractive location for multinational firms. Slower growth in the EU could reduce inward investment, affecting employment and tax revenues.

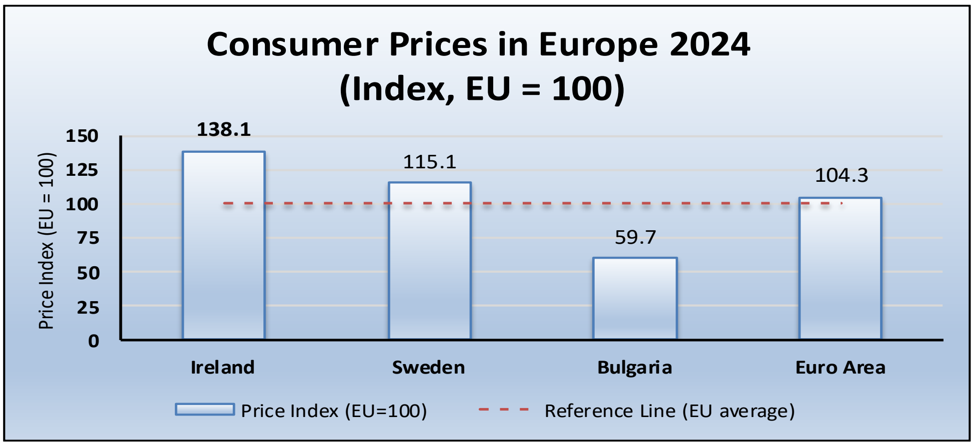
Labour market and living standards concerns – slower economic growth may limit job creation across the EU. This can slow income growth and improvements in living standards for households.

Pressure on public finances and debt sustainability – weaker GDP growth can reduce tax revenues for EU governments while demand for public spending remains. Slower growth also makes it more difficult to manage and service national debt levels.

Innovation and technology gap concerns – faster US economic growth may reflect stronger performance in high-growth sectors such as technology and digital industries. This raises concerns that the EU could fall behind in innovation and productivity growth.

Growing economic gaps between EU member states – slower overall EU growth may hide uneven performance across countries. Some member states experienced significant economic growth in 2025 (e.g. Ireland and Poland) while other economies stagnated (e.g. Germany). Such differences may lead to widening gaps in incomes, employment, and living standards within the EU.

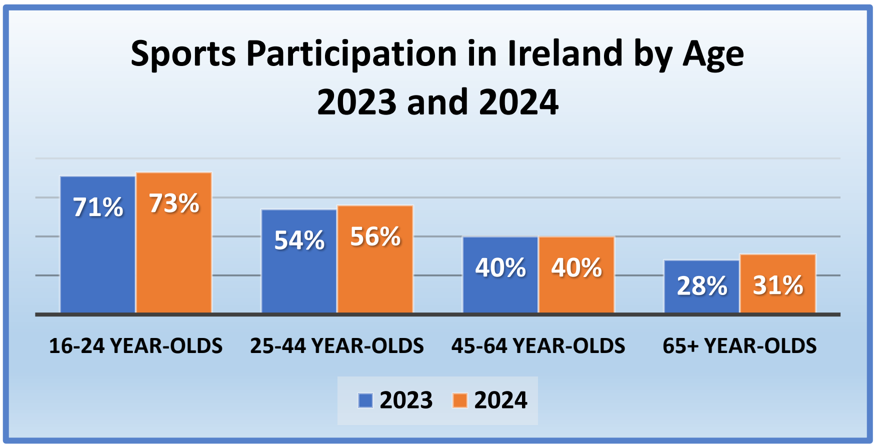
10 The diagram compares the prices of consumer goods and services across Europe in 2024. Prices are presented as an index with the EU average = 100.
The chart above shows that the average price of goods and services in Ireland was **over** 38% higher than the EU average in 2024.



	(a)	Outline two economic effects of higher prices on the Irish economy. **Reduces consumer purchasing power** – higher prices reduce the real value of household incomes. Consumers can afford fewer goods and services, which reduces consumer demand in the Irish economy. **Reduces real value of savings** – higher prices erode the purchasing power of money held in savings when the inflation rate exceeds interest rates. This discourages saving and reduces household financial wealth. **Reduces real burden of debt** – inflation reduces the real value of loan repayments when interest rates are fixed (e.g. fixed rate mortgages). This makes debt easier to repay. **Increases wage demands / labour costs** – rising prices may lead workers to seek compensatory wage increases to maintain living standards. This increases labour costs for firms and may reduce profit levels. **Weakens international competitiveness** – higher domestic prices may make Irish goods and services more expensive relative to those produced in other countries. This reduces Ireland's export competitiveness / weakens Ireland's balance of payments position. **Reduces levels of tourism** – Ireland becomes a more expensive destination for foreign visitors. Higher accommodation, food and service prices may reduce tourism inflows and associated revenue. **Increases government expenditure** – higher prices may lead to greater government spending on indexed social welfare payments, public sector wages, and wider social supports. **Increases pressure on business profit margins** – firms may face higher operating costs (e.g. energy, rent). If these cannot be fully passed on to consumers, profit margins decline. **Increases inflation expectations** – persistent higher prices may lead households and firms to expect further inflation. This influences wage negotiations and price-setting behaviour. **Reduced domestic investment** – higher costs and economic uncertainty may discourage firms from expansion / capital investment. **Increases income inequality** – inflation disproportionately affects lower-income households who tend to spend a higher share of their income on essential / necessity goods and services. As a result, their real living standards decrease by more than higher-income households. **Increased administrative / pricing costs for firms** – persistent inflation may require firms to change their prices more frequently. This creates additional costs such as reprinting menus, updating price lists, and changing labels.	**2 @ 3**

	(b)	Outline two ways in which rising food prices **do not affect all consumers equally**. **Share of income spent on food differs / Engel's Law** – lower-income households spend a higher proportion of their income on food. Rising food prices therefore place a greater financial burden on them compared to higher-income households. **Fixed income vulnerability** – consumers reliant on fixed incomes, such as pensioners, may see no immediate increase in income as food prices increase. This reduces their purchasing power more severely. **Household size differences** – larger households purchase greater quantities of food. Therefore, higher food prices lead to a larger overall increase in spending by larger households. **Ability to substitute to cheaper food options** – some consumers can switch to own-brand goods or cheaper food substitutes when prices rise. However, others may have less flexibility due to preferences, availability, or nutritional needs. **Access to bulk buying and discount retailers** – higher-income households may be better able to buy in bulk or travel to lower-cost supermarkets. Lower-income consumers may lack transport or cash flow to avail of such savings. **Urban versus rural price differences** – consumers in rural or remote areas may face higher food prices due to transport costs and fewer retail outlets. Price increases may therefore affect them more severely. **Dietary and medical requirements** – consumers with allergies, intolerances, or medical dietary needs may have a limited ability to switch to cheaper food options. This leaves them more exposed to price increases. **Reliance on food assistance or subsidies** – households receiving supports such as school meals programmes may be partially protected from rising food prices, however consumers not eligible must bear the full impact of cost increases.	**2 @ 3**

SECTION B (300 marks)

Question 11			
		Possible Responses	**Marks**
(a)		The chart below shows the percentage of people in Ireland who participated in sport during the previous seven days in 2023 and in 2024. 	
	(i)	Suggest one measure which **local authorities in Ireland** could take to help increase the sports participation rate of those aged 45 and over. **Subsidise access to leisure centres** – reduced membership fees, off-peak discounts or free entry schemes for those aged 45+ to reduce the financial cost of participation. **Invest in age-friendly sports / recreation infrastructure –** local authorities could develop well-lit walking tracks, outdoor gyms, swimming pools, low-impact exercise spaces, greenways, footpaths, and cycle lanes. Expanding safe and accessible environments may reduce injury concerns. **Organise structured community programmes** – local authorities could run initiatives such as walking groups, couch-to-5k programmes or aqua-aerobics classes. Structured and social settings may improve motivation and reduce barriers to entry. **Grant funding for local sports clubs** – financial supports may help clubs to establish recreational sections for older participants. Funding could be used for coaching, equipment and facility hire to increase participation. **Improve transport links to sports facilities** – community transport schemes or improved rural bus routes would make leisure centres and sports grounds more accessible. Easier access would reduce geographic barriers to participation. **Run public health promotion campaigns** – awareness initiatives could highlight the physical and mental health benefits of sport in later life. Targeted messaging may encourage behavioural change among inactive adults. **Offer flexible scheduling of activities** – offering daytime or early-evening programmes would accommodate those with work and / or caring responsibilities. Such flexibility would likely increase sustained participation. **Partner with workplace / community groups** – collaboration with employers and community groups could promote mid-life fitness initiatives, e.g. organised sport leagues, wellness programmes, Men's Sheds' physical activities. **Provide specialised / skilled coaches** – trained instructors in active ageing and injury prevention would help ensure activities are inclusive and safe.	6

	(ii)	Outline two ways in which **increasing participation in sports** across all age-groups benefits society in Ireland. **Reduces pressure on the healthcare system** – higher participation in sport may improve physical health / fitness levels across the population. This may reduce the incidence of illnesses such as obesity and heart disease, which eases pressure on public health services in Ireland. **Possible reduction in government healthcare expenditure** – reduced demand for medical treatment may lead to a reduction in government spending on hospitals, medication, and long-term care, which would allow the government to reallocate those funds to other areas such as housing, infrastructure, education. **Increases labour productivity** – healthier workers tend to take fewer sick days and maintain higher energy levels at work. This may improve efficiency and output across the Irish economy, which benefits employers and national income levels. **Improves mental health and wellbeing** – regular physical activity may reduce stress, anxiety, and depression. This may lead to less reliance on mental health services in Ireland and improve the overall quality of life of citizens. **Reduces anti-social behaviour** – sport may provide a structured outlet for young people, which reduces the likelihood of being involved in crime or anti-social activities. This may reduce policing and justice costs for the State. **Strengthens social cohesion** – participation in team sports and community activities may build friendships and strengthen community ties across different age-groups, particularly through organisations such as the GAA and other local sports clubs. **Supports the sports industry** – increased participation may increase demand for local gyms, sports clubs, coaching services, and equipment. This supports employment and business activity in Ireland's sports and leisure sector. **Promotes active ageing** – sport participation among older age-groups may improve their mobility and independence and reduce the need for care services and nursing home provision. **Improves national sporting performance** – broader participation in sport may increase the talent pool available for elite sport and improve Ireland's performance in international competitions such as in the Olympics or World Cup tournaments.	**2 @ 6**

(b) There are approximately 1,100 gyms and fitness centres operating in Ireland, with 750,000 members. Adapted from irelandactive.ie

(i) Explain, with the aid of a clearly labelled diagram (including axes), the **short-run equilibrium** position of a gym operating under monopolistic competition in Ireland.

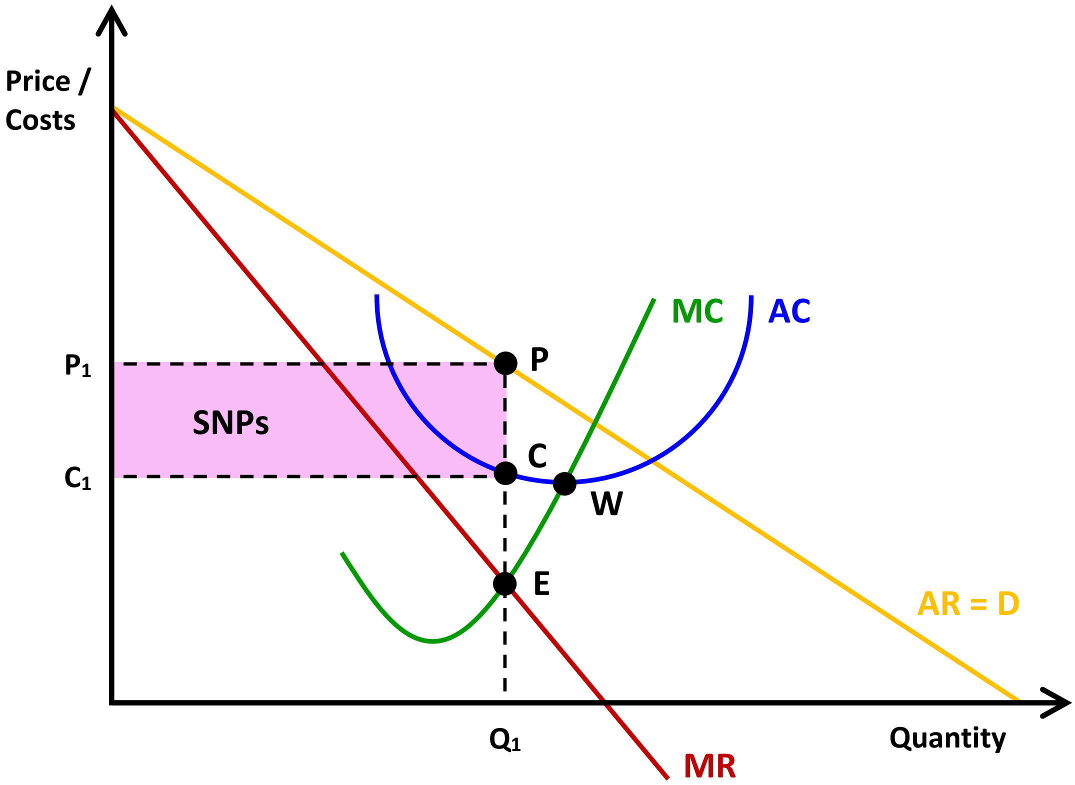


Diagram: **12**

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

Explanation: **9**

- Equilibrium occurs at point E *or* this represents the profit-maximising level of gym memberships. MC = MR. MC is rising and cuts MR from below.
- The gym supplies Q_1.
- Memberships are sold at a price of P_1.
- The average cost of supplying Q_1 memberships is shown at point C_1.
- The gym does not supply at the lowest point of the AC curve (W), so it wastes scarce resources.
- The gym earns SNPs (supernormal profits) because AR (point P) exceeds AC (point C).

	(ii)	Some gyms in Ireland operate under oligopolistic competition. Outline how conditions for gym members may differ between **oligopolistic competition** and **monopolistic competition** under each of the following headings: • Choice of gyms • Cost of gym membership Choice of gyms: **Fewer gym providers in oligopolies**– a small number of dominant gyms operate in oligopolistic competition. This gives members fewer gyms to choose from. Many independently owned gyms exist under monopolistic competition, which gives members a wider choice of gym providers. **Less variety of gym facilities available in oligopolies** – gyms operating under oligopolistic competition may offer similar equipment and training spaces. This means members have less variety in the facilities on offer. Gyms in monopolistic competition may increase the choice of equipment, classes, and training environments they provide to members. Cost of gym membership: **Increased cost of membership under oligopoly** – the small number of dominant gym providers operating in oligopolistic competition are likely to avoid aggressive price wars. This may result in gyms keeping their membership fees relatively high. Whereas the presence of many providers under monopolistic competition may place downward pressure on prices to attract cost sensitive members. **Increased non-price competition under oligopoly** – gyms in oligopolistic competition may compete through advertising, branding, improved facilities, 24/7 access rather than reducing prices. The cost of these added features may be passed on to gym members through higher membership fees. Under monopolistic competition, gyms may rely more on price competition to attract members, which may help keep costs lower. **Increased price rigidity under oligopoly** – gym prices in oligopolistic competition may change less frequently because firms are mutually interdependent and cautious about the reaction of competing gyms. This means gym members may have fewer opportunities to benefit from price reductions / special offers. Gyms operating in monopolistic competition may adjust prices more freely in response to market conditions. This may result in more frequent price reductions for members.	**2 @ 4**

(c)	**(i)**	When Cian's weekly income is **€400**, he goes to the gym **twice a week**. When his income increases to **€500**, he goes **three times a week**. Assuming Cian pays per gym visit, calculate Cian's income elasticity of demand (YED). **Show all your workings** and explain your answer. Workings: $\frac{\Delta Q}{\Delta Y} \times \frac{Y1 + Y2}{Q1 + Q2}$ $\frac{+1}{+100} \times \frac{400 + 500}{2 + 3}$ Answer: +1.8 Explanation: The sign is plus therefore the good is a normal good. There is a positive relationship between the income of the consumer and quantity demanded. The absolute value is 1.8. The demand is income elastic as its YED is greater than 1. The percentage change in the quantity demanded is greater than the percentage change in the consumer's income. This is a luxury good.	7 5

	(ii)	Recently, some politicians proposed that gym memberships should qualify for tax relief. Do you agree or disagree, that gym memberships should receive tax relief? Indicate your opinion below by ticking (✓) the relevant box and justify your choice. AGREE (Gym memberships should receive tax relief) **Reduces pressure on the healthcare system / Reduces future government healthcare expenditure** – the reduced cost of gym memberships would encourage greater participation in physical activity, which may reduce the incidence of lifestyle-related illnesses such as obesity and heart disease. This would ease demand for HSE services. / According to the World Health Organisation, physical inactivity costs Ireland approx. €1.5 billion annually, so increased participation in exercise may reduce future government healthcare spending. **Increases labour productivity** – improved physical health of employees may reduce absenteeism and increase efficiency. This may increase output and efficiency across the Irish economy. **Supports the domestic sports and leisure industry / Encourages efficient use of spare capacity in gyms / improves access to gyms** – reduced after-tax membership costs may increase demand for gyms and fitness services. This may increase employment and investment in Ireland's fitness industry. // Gyms often have unused capacity at off-peak times. Reduced membership prices may increase the use of existing facilities without needing new government investment. This would make more efficient use of resources in the economy **Improves mental health outcomes** – increased participation in exercise may reduce stress, anxiety and depression and reduce reliance on mental health services. **Encourages active ageing** – tax relief may incentivise older age groups to remain physically active, which improves their mobility and independence and may reduce their need for care services and nursing home provision. **Supports national physical activity targets** – the tax relief proposal would help the government meet its national physical activity targets, such as increasing participation levels under the National Sports Policy. **Corrects market failure caused by positive externalities** – gym participation creates positive externalities as it benefits not only the gymgoer but also society through improved public health. As the social benefits are not reflected in the gym membership price, participation may be underprovided. Tax relief would act like a (Pigouvian) subsidy in that it reduces the cost of gym membership and encourages greater participation where positive externalities exist.	6

		DISAGREE (Gym memberships should not receive tax relief) **Reduces government tax revenue / Creates opportunity cost** – tax relief would reduce income tax receipts for the Irish exchequer. This would create opportunity costs by reducing available funding for public services such as healthcare, education and infrastructure. **Creates inequity in the tax system** – higher-income workers are more likely to afford gym memberships and pay sufficient tax to benefit from relief. Lower-income groups may gain little despite facing greater barriers to participation. This makes the proposed policy regressive. **Limited impact on increasing participation** – many existing gym members may receive relief without increasing their participation (a deadweight loss). Reduced membership prices do not guarantee regular gym attendance, which means the policy may not significantly improve health levels or reduce demand for healthcare services. **Direct funding more effective than tax relief** – the tax relief supports private gym use on a broad basis rather than targeting government funds toward inactive or at-risk groups. Increasing funding to public health programmes or community sports initiatives may encourage more citizens to be active. Gym memberships already benefit from a reduced VAT rate of 9%, so further tax relief may only duplicate existing State supports rather than increasing participation. **May increase gym membership prices** – gyms may increase membership prices if tax relief increases demand, as they would know consumers are receiving financial support. This would reduce the benefit passed on to members and limit the policy's effectiveness. Some of the financial benefit from tax relief may accrue to gym operators rather than members. **Limited impact in rural areas with poor gym access** – citizens in rural areas with fewer gyms may benefit less from the tax relief. This limits the national effectiveness of the policy. **Discriminates against other forms of exercise** – citizens who participate in free or low-cost physical activity, such as running, walking, or community sport, would receive no tax benefit despite also contributing to improved public health. **May crowd out participation in community sport** – subsidising gym memberships may encourage some citizens to move away from voluntary or community-based sport, i.e. weakening participation in local clubs. **Creates new administrative costs** – implementing the tax relief would require checks on gym eligibility / verification of claims, which would increase administrative costs for Revenue and the government. **May create pressure for relief on other lifestyle activities** – tax relief for gym memberships may lead to demands for similar supports for other leisure or wellness activities (e.g. yoga studios, golf clubs, wellness retreats etc.), which increases pressure on public finances.	**OR** **6**

	(iii)	A knowledge of price elasticity of demand (PED) may help gym operators maximise their total revenue from clients. Explain the term price elasticity of demand and discuss one measure a gym operator, using this knowledge of PED, could take to maximise revenue from clients. **Price elasticity of demand:** Price elasticity of demand refers to the percentage change in the quantity demanded for a product caused by the percentage change in the price of that product **Discuss measure:** **Charge higher prices if demand is price inelastic** – if demand is price inelastic, gym operators should increase prices (to the point where demand becomes unitary elastic). The percentage decrease in quantity demanded would be smaller than the percentage increase in price, which would maximise total revenue. **Reduce prices if demand is price elastic** – if demand is price elastic, reducing membership fees would attract proportionately more clients. The increase in quantity demanded would outweigh the decrease in price, which would maximise TR. **Be aware of the availability of local competition / local substitutes** – if many gyms operate nearby, demand for the gym is more price elastic, which means the gym operator should reduce prices to maximise revenue. In areas with fewer alternatives, demand may be more price inelastic, which means the gym operators should increase prices (to the point where demand becomes unitary elastic) to maximise revenue. **Introduce peak /dynamic / surge pricing** – demand may be more price inelastic at peak times and more price elastic during quieter periods. Increasing peak prices and reducing off-peak prices would allow gym operators to maximise revenue across different time segments. **Segment the market through price discrimination** – different groups of members may have different PED values, e.g. students and the elderly may have more price elastic demand while professionals may have more price inelastic demand. Reducing prices for groups with more price elastic demand and increasing prices for groups with more price inelastic demand would allow gym operators to maximise revenue across different groups of members. **Introduce short-term promotions** – introductory offers or reduced joining fees may attract price-sensitive consumers whose demand is more price elastic. The percentage increase in membership numbers may be greater than the percentage fall in price, which increases total revenue. Some new members may remain once the promotion ends, which further increases long-run revenue. **Bundle services to reduce price sensitivity** – bundling gym access with classes or wellness services may make demand more price inelastic and allow gym operators to increase overall prices to maximise revenue. **Build brand loyalty through long-term membership contracts** – regular gym users may develop brand loyalty and have more price inelastic demand as they are less likely to switch gyms. Long-term contracts lock members into guaranteed payments, which makes their demand less responsive to price changes & helps to maximise total revenue.	**10**

Question 12

		Possible Responses	Marks

(a)

The chart below shows the value of Ireland’s total goods imports and total goods exports for May 2024 and May 2025.

(i) Outline the overall trend in the value of Ireland’s total goods imports **or** total goods exports for May 2024 and May 2025, **using data from the chart above**. **4**

Trend – Total goods imports:

The value of Ireland’s total goods imports decreased from €11,041m in May 2024 to €10,745m in May 2025.
This represents an annual decrease of €296m / 2.7% in the value of total goods imports.
The data indicates a slight decline in the value of Ireland’s goods imports between the two reference points.

Trend – Total goods exports

The value of Ireland’s total goods exports increased from €18,039m in May 2024 to €23,333m in May 2025.
This represents an annual increase of €5,294m / 29.3% in the value of total goods exports.
The data indicates a significant increase in Ireland’s goods export performance between the two reference points.

Most of the increase in export values was due to pharmaceutical companies in Ireland accelerating goods exports to the US before expected new US tariffs on EU goods came into effect.

(ii) In your opinion, do the changes, shown in the chart above, bring benefits or challenges to the Irish economy? Indicate your opinion and justify your opinion. **8**

Economic benefit:

Increases national income / economic growth / GDP – exports are an injection into the circular flow of income. The surge in export values increases Ireland’s GDP and supports overall economic growth.

Increases the trade surplus (goods) – increased exports combined with decreased imports widened Ireland's trade surplus in goods. This improves Ireland's balance of trade in goods. Ireland is earning more from exports than it is spending on imports, which is positive for the Irish economy.

Creates employment and increases incomes – Ireland's improved export performance, particularly in pharmaceuticals, supports high-skilled employment in MNC manufacturing, R&D, logistics, increasing household incomes.

Increases government tax revenues – increased export sales by MNCs increase company profits, which result in increased corporation tax revenue for the State. They may boost income tax, VAT and PRSI revenues as employment and economic activity grow, which helps the government to better fund public services.

Increases Ireland's international reputation – increased export values indicate sustained global demand for goods from Ireland. This reinforces Ireland's reputation as a competitive, export-led economy.

Encourages further foreign direct investment – an improved export performance reinforces Ireland's attractiveness as a location for multinational investment, which supports future job creation and economic growth.

Import substitution – reduced imports may mean that more domestic firms are producing more goods / engaging in increased import substitution.

Economic challenge:

Over-reliance on pharmaceutical exports – much of the export surge was driven by one sector. This leaves Ireland economically vulnerable to sector-specific shocks such as patent cliffs, changes in regulation, or a decline in global demand.

Exposure to US trade policy – frontloading exports ahead of planned US tariffs highlights Ireland's dependence on the US market. Future tariffs may reduce Ireland's export demand and competitiveness.

Increases reliance on multinational tax revenues – Ireland's heavy reliance on corporation tax from a small number of exporting multinationals exposes government finances to risk if export profits decline.

MNC profits leave Ireland – the largest exporters in Ireland are foreign-owned MNCs. A share of the profits they earn is repatriated / sent back to their parent companies abroad, which means not all export earnings remain in the economy.

Exposes changes in exchange rates – a heavy reliance on exports makes Ireland more exposed to exchange rate fluctuations. If the euro strengthens against the US dollar, Irish exports become more expensive in US markets, which may reduce demand for Irish goods and make them less competitive - adding to the negative effects of US tariffs on Irish exports.

Decline in imports may signal weaker domestic demand – decreased goods import values may indicate reduced consumer or business spending in Ireland. Weaker domestic demand can slow economic growth / reduce business activity in Ireland.

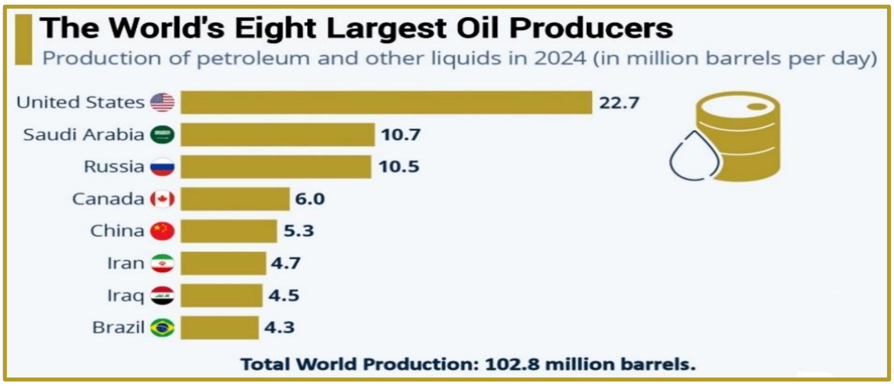
Volatile export figures – temporary surges in exports, such as tariff-related frontloading, may distort trade data and make Ireland's economic performance appear stronger than it is in the long term.

	(iii)	The European Commission has warned China that the European Union will not tolerate "dumping" of Chinese electric vehicles in the EU. Adapted from the Irish Times Explain what you understand by the economic term **dumping** in international trade. **Dumping:** Dumping refers to an exporting firm selling a product in a foreign market at a price lower than the price it is charging in its domestic market / below its cost of production.	**6**
(b)		A trade agreement between the European Union (EU) and the United States (US) came into force in August 2025, which introduced a 15% US tariff on most EU goods.	
	(i)	Explain what you understand by the economic term **tariff**. **Tariff:** A tariff refers to a tax / customs duty imposed by a government on imported goods when they enter the country. It increases the price of imports and makes them less competitive / attractive compared to domestically produced goods.	**6**
	(ii)	Outline two economic implications that Irish exporters may face in the US market following the introduction of the 15% US tariff on most EU goods. **Reduced profits / Reduced demand for exports / Loss of contracts** – the 15% tariff increases the price of Irish goods in the US, which makes them less competitive compared to US producers (and exporters from countries facing lower tariffs). This may reduce demand for Irish exports and lead to reduced export sales / reduced market share / the loss of longstanding contracts in the US market. **Increased cost pressures** / **Reduced price competitiveness** – exporters may absorb part of the tariff by reducing their pre-tariff export price to remain competitive. This reduces profit margins and may force firms to cut production costs. Cutting labour costs or sourcing cheaper inputs may reduce product quality. **Reduced investment / expansion by exporters** – reduced profitability and uncertainty in the US market may lead some exporting firms to delay or scale back capital investment, research and development, or plans for expansion. **Diversion away from the US market** – reduced demand in the US may force some Irish exporters to redirect goods to alternative international markets to maintain sales, which may involve additional marketing and distribution costs. **Incentives to relocate production / Nearshoring** – some multinational exporters may consider shifting production closer to the US market to avoid tariffs. This would reduce future export activity from Ireland.	**2 @ 6**

		At a tariff disadvantage relative to Northern Irish producers – firms exporting to the US from Northern Ireland have a price advantage as they face a lower US tariff (10%) than goods from the EU (15%). This makes exports from the Republic less competitive, especially given the proximity of producers on the island. The ease of cross-border trade may mean export activity or production may shift from the Republic to Northern Ireland to benefit from the lower tariff. **Increased administrative and compliance costs** – tariffs are often accompanied by customs procedures, documentation and regulatory requirements, which increase the cost and complexity of exporting to the US. **Increased cash flow pressures** – exporters must pay tariffs at US customs before receiving payment from buyers, which may create short-term financial strain. **Reduced economies of scale** – lower export volumes to the US may reduce firms' levels of output. This increases their average production costs as economies of scale decline.	
	(iii)	Outline one economic benefit and one economic challenge for a country when it engages in **trade protectionism**. One economic benefit: **Helps protect domestic employment** – tariffs or quotas reduce imports, which increases demand for domestically produced goods. This supports domestic output and helps protect jobs in local industries. **Protects infant industries** – new or developing domestic industries may struggle to compete with established foreign firms. Temporary protection allows them time to grow, achieve economies of scale, and become competitive. **Prevents dumping and unfair competition** – protectionist measures can prevent foreign firms from selling goods below cost price or below domestic prices, which protects domestic firms from being driven out of the market. **Improves the balance of trade** – reducing imports reduces the value of goods purchased from abroad, which improves the balance of trade. **Reduces leakages from the circular flow of income** – when consumers purchase imports, income leaves the domestic economy in favour of the economy purchased from. Trade protectionism reduces imports, which means more spending remains within the circular flow and supports domestic income. **Increases government revenue** – tariffs generate tax revenue for the government, which can be used to fund public services, reduce national debt etc. **Reduces reliance on imports / Protects security of supply** – protectionism may increase domestic production, which makes a country less dependent on foreign suppliers for essential goods such as food, energy, or medical supplies. This helps ensure continuity of supply during international crises, e.g. energy disruptions following the War in Ukraine / global shortages of medical supplies during *COVID19.* **May reduce environmental damage** – reducing imports may reduce transport emissions and pollution associated with international shipping and logistics.	6

		One economic challenge: **Higher prices for consumers** – tariffs increase the price of imported goods without any significant improvement in the products, while reduced competition allows domestic firms to increase prices. **Reduces consumer choice** – import restrictions limit the range of foreign goods available to consumers. This reduces consumer sentiment / satisfaction and living standards. **Increased input costs for domestic firms** – tariffs on imported raw materials or components increase production costs. This may reduce profitability or force firms to increase prices, which would make them less competitive. **Risk of retaliation (trade wars) / Reduces export competitiveness** – other countries may impose tariffs in response to protectionist measures. This makes domestic exports more expensive abroad, which reduces competitiveness, export demand, and may lead to increasing economic isolation. **Increases activities in the hidden economy** – high tariffs create incentives to bypass trade barriers illegally. This reduces government tariff revenue and creates unfair competition for legitimate domestic firms. **Reduces economic growth** – reduced levels of trade and efficiency may slow GDP growth and damage employment prospects. **Reduces innovation and efficiency** – protected domestic firms face less foreign competition, which reduces their incentives to innovate, invest in research and development, or improve efficiency. **Reduces economies of scale** – protectionism limits access to international markets and may reduce export opportunities. Decreased levels of output increase average production costs as firms lose the benefits of large-scale production / economies of scale. **Misallocates resources** – protectionism may keep inefficient domestic firms in operation and prevent labour and capital from moving to more productive industries.	6

(c)		The graphic below shows the eight leading oil-producing countries in the world in 2024.	



(i) Using the data above, calculate the **combined** percentage share of total world oil output (102.8m barrels) held by the **top three** producers in 2024.
Show all your workings.

Outline how this concentration of production may influence global oil prices.

Workings: **7**

- Total amount of barrels / day from top three producers
  22.7m (US) + 10.7m (Saudi Arabia) + 10.5m (Russia) = 43.9m barrels/day
- Total world production = 102.8m barrels/day
- Percentage share calculation

$$\frac{43.9\text{m}}{102.8\text{m}} \times 100$$

$$= 0.427 \times 100$$

Answer: 42.7 %

Influence on global oil prices **4**

Cartel coordination – some large producers may formally or informally coordinate their output to influence global oil supply and/or prices, e.g. OPEC+ members (which includes Saudi Arabia and Russia) agree on quotas or cuts to manage supply and this can influence price leading to higher / fluctuating prices.

Supply influence – with almost 43% of global output, the top three producers account for a large share of global oil production. This gives them significant influence over global oil prices, as even modest changes in their output can directly affect world supply and prices.

External shocks – geopolitical tensions, sanctions, or conflict involving major producers (e.g. in the Middle East or Russia) may disrupt global oil supply, often with limited immediate availability of alternative suppliers. This typically results in sharp increases in global oil prices, for example the US/Israel/Iran conflict in March 2026.

Spare capacity – major oil producers with spare capacity (especially Saudi Arabia) may increase output during global shortages, which can help stabilise or moderate global oil prices.

	(ii)	According to the Energy Institute, fossil fuels accounted for 81.4% of overall energy consumption in Ireland in 2024, an increase of 0.7% on the 2023 figure. In your opinion, which government intervention option would be more effective in reducing Ireland's use of fossil fuels? • **Option A** — A larger annual increase in the carbon tax • **Option B** — Subsidies for renewable energy alternatives (e.g. home insulation, heat pumps, solar panels, EVs etc) Indicate your opinion below by ticking (✓) the relevant box and justify your opinion. Option A (larger annual increase in the carbon tax) **Directly reduces demand for fossil fuels** – an increase in the carbon tax increases the price of fossil fuels such as petrol, diesel and home heating oil. Increased prices discourage consumption and lead to a contraction in quantity demanded. This leads to an immediate reduction in fossil fuel usage across households and firms. Demand may be relatively price inelastic in the short term as households cannot easily switch their source of energy. However, in the long run, consumers and firms can adapt by investing in renewable alternatives, which would increase the effectiveness of the carbon tax. **Reflects the true social cost / market failure** – fossil fuel consumption generates negative externalities such as carbon emissions and climate change. Pollution is not included in the price of products, so too much of the product is produced and consumed. A higher carbon tax would include such social costs into the market price and force consumers and firms to pay the true social cost of pollution. This encourages reduced fossil fuel use and more responsible behaviour. **Investment incentive for firms** – increased costs for fossil fuels may incentivise firms to invest in cleaner production methods and to become more energy efficient. Businesses may switch to renewable inputs or electrified machinery to remain competitive. **Economy-wide impact** – the carbon tax applies to transport, heating, electricity generation and industry in general. Its wide reach ensures less use of fossil fuels occurs across the entire economy rather than in isolated sectors. **Improves public health** – a larger annual increase in the carbon tax would reduce the burning of fossil fuels. This improves air quality, which leads to an improvement in public health. **Encourages behavioural change in daily consumption patterns** – increased fossil fuel prices encourage households to change their everyday behaviour, such as reducing car journeys, reducing home heating, or switching to public transport. These changes reduce fossil fuel use even before long-term investments are made. **Provides government revenue to fund decarbonisation** – carbon tax revenue provides the government with funds to invest in renewable infrastructure, improved public transport, and national retrofitting schemes. This investment is necessary to increase Ireland's supply of renewable energy, and to reduce its reliance on fossil fuels over time. The revenue could be redistributed to protect low-income households from higher energy costs. **Fairer for those families who can't afford renewable alternatives** – if they are compensated for the higher carbon tax paid through increases in social welfare.	6

		Option B (subsidies for renewable energy alternatives) **Reduces upfront costs for households and firms** – renewable technology such as heat pumps, insulation, solar panels, and electric vehicles involves high initial costs. Subsidies would reduce these costs and make adoption more affordable for low-income households. **Provides alternatives to fossil fuels** – subsidies make renewable energy options more accessible. This helps households and firms in Ireland to switch away from fossil fuels rather than simply reducing their usage. **Reduces use of fossil fuels in the long term** – subsidised home insulation or solar panels permanently reduces energy needs. This reduces fossil fuel consumption in Ireland over many years. **Creates employment in the renewable energy sector** – subsidies increase demand for renewable installation, retrofitting and energy services. This creates jobs in the green economy. **Encourages households to generate renewable electricity** – subsidies support households in installing solar panels. In Ireland, households can sell excess electricity back to the national grid. This allows households to become producers of renewable electricity and reduces their reliance on fossil-fuel-generated power. **Increases the supply of renewable energy at national level** – Irish government grants encourage the large-scale installation and generation of renewable energy. This increases the proportion of energy being used in Ireland from clean sources and helps reduce the country's heavy reliance on fossil fuels. **Reduces the dependence on imported fossil fuels** – subsidies encourage households and firms to generate renewable energy domestically through solar panels and heat pumps. This reduces Ireland's reliance on imported fossil fuels and its consumption of fossil fuels. **Reduces exposure to fossil fuel price volatility** – subsidies increase the use of renewable energy, which is not subject to fluctuations in global fuel prices. This helps to stabilise energy costs over time. **Cheaper renewable technology over time** – subsidies increase demand for renewable technology. As production and installation grow, firms can benefit from economies of scale, which reduces costs and encourages further movement away from fossil fuels. **May prevent public protests** – in March 2026 protesters requested a reduction in carbon tax. Using subsidies may prevent future protests and limit any further disruption to economic activity.	**OR** **6**

	(iii)	The Irish Government plans to end ESB Networks' monopoly on electricity lines and allow private firms to install lines between renewable generators and large business users. Adapted from the Irish Times, July 2025 Outline how this change may affect **each** of the following: • Employment levels in the electricity sector • Electricity prices for large businesses in the Irish economy Employment levels in the electricity sector: **Increases the demand for labour** – private firms installing electricity lines would require engineers, construction workers, and technical staff. This increases the demand for labour in the electricity sector. **Increases demand for maintenance roles** – when private electricity lines are installed, they will require ongoing maintenance and repair. This may increase long-term employment in servicing roles within the electricity sector. **Grows employment in renewable energy** – improved grid access makes renewable projects more viable. This increases employment opportunities in renewable energy generation and related services. **Increases employment in other services** – private electricity line projects may require planning permission, environmental assessments, and land agreements. This may increase employment in legal, environmental, and planning roles. **Increases the need for regulation** – allowing private firms to install electricity lines will require additional regulation by the CRU (Commission for Regulation of Utilities). This may increase employment in licensing, regulatory, and inspection within the electricity sector. **Increases competition for skilled workers** – the entry of private firms increases the number of employers in the sector. Greater competition for skilled labour may increase employment opportunities and wages. **Reduces employment within ESB Networks** – if private firms take over part of the installation work, ESB Networks may experience reduced demand for labour, which may lead to possible redeployment or job losses.	5

Electricity prices for large businesses in the Irish economy: 5

Increases renewable energy – improved grid connections allow more renewable energy to enter the market. An increase in supply may reduce wholesale electricity prices.

Enables access to renewable generators – private electricity lines allow large businesses to connect directly to renewable energy producers. This may allow firms to negotiate long-term supply agreements, which may reduce electricity costs and provide greater price certainty.

Increase competition – allowing private firms to install electricity lines increases competition. Competition may reduce connection and infrastructure costs for large businesses.

Significant investment in infrastructure – the construction of new private lines involves capital expenditure. Some of these costs may be passed on to large businesses in the short term.

Improved delivery of electricity may reduce costs – private firms installing additional electricity lines may make it easier to distribute electricity from generators to large businesses. This may reduce supply costs and reduce electricity prices.

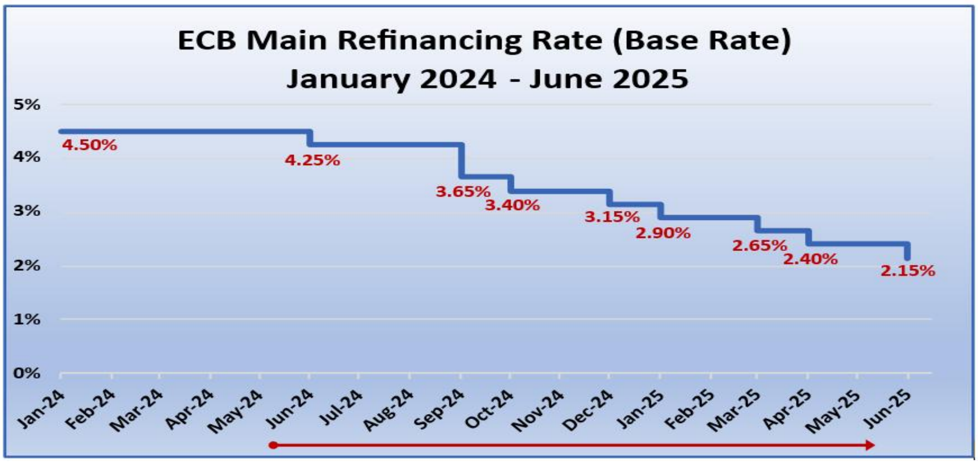
Reduced grid congestion – additional electricity lines may reduce pressure on the national electricity grid. This may make it easier and cheaper to supply electricity to large businesses, which may reduce electricity prices.

Price discrimination – private firms installing dedicated lines may charge different prices to different businesses depending on location or levels of demand. This may lead to unequal electricity costs across firms.

Question 13

		Possible Responses	Marks

(a) The chart below shows changes in the European Central Bank (ECB) Main Refinancing Rate (also known as the base rate) from January 2024 to June 2025.



(i) Outline one economic factor which may have influenced the ECB's decision to reduce the Refinancing Rate between June 2024 and June 2025. **6**

Decline in eurozone inflation – the Euro Area inflation rate had decreased significantly from earlier high levels and moved closer to the ECB's 2% target. As inflationary pressures eased, there was less need for a restrictive / contractionary monetary policy, which allowed the ECB to reduce its base interest rate.

Falling energy prices – oil and gas prices had decreased from earlier crisis levels. Lower energy costs reduced the risk of future inflation, which gave the ECB room to reduce the base rate.

Weak economic growth and labour market – economic growth remained sluggish in several Eurozone economies, with employment growth also slowing. This increased the risk of a broader economic slowdown & influenced the ECB to reduce the base rate.

Weak consumer demand – during 2024 and 2025 households across the Eurozone reduced their spending, which reduced consumer demand for goods and services. Weaker demand slowed down economic growth / increased the risk of a recession. To encourage households to spend more, the ECB reduced the base rate. A lower base rate made borrowing cheaper and discouraged saving, so households were more likely to spend than to save.

Easing of wage growth – wage growth in the Euro Area began to ease in 2025. This reduced the risk of persistent inflation and gave the ECB greater confidence to reduce the base rate.

Global economic uncertainty – geopolitical tensions and trade disputes, such as new US tariffs, made the global economy very unpredictable. In the face of this uncertainty, many firms delayed major investment or held off taking on new staff, which slowed economic activity in the Euro Area. The ECB reduced the base rate to make borrowing cheaper. This made investment more attractive and supported economic activity.

	(ii)	60,770 personal loans worth €683 million were drawn down in Ireland in Q1, 2025. This was an annual increase of over 20%. Adapted from the Banking & Payments Federation Ireland Outline two factors, other than interest rates, which may increase the demand for credit/loans in the Irish economy. **Economic growth** – when the Irish economy grows, incomes and business profits rise. Households borrow to finance major purchases such as cars or home improvements, while firms borrow to expand production. Increased economic activity leads to greater demand for credit. **Increased consumer confidence** – when households feel secure in their employment and optimistic about their future earnings, they are more willing to take on debt. Greater confidence leads to increased borrowing for goods and services. **Inflation / Cost of living pressure** – when prices increase, households may borrow to maintain their standard of living. Firms may also require larger loans because production costs increase. This can lead to an increased demand for credit. **Population growth** – an increase in population increases demand for housing, cars and household goods. This can lead to more borrowing, especially in a country like Ireland with a chronic shortage of housing. **Ease of access to credit** – online banking and simplified application processes, and faster approval make borrowing quicker and more convenient. This results in an increase in the demand for loans. **Increase in asset prices** – when house prices or share prices rise, homeowners may feel wealthier and more financially secure. This may encourage borrowing for investment, renovations, or consumption, which increases demand for credit. **Speculative motive –** due to an expected increase in asset prices people may demand credit/loans to buy an asset they don't own yet in the expectation of a higher future return. **Government policies / incentives** – tax reliefs, grants, or investment schemes introduced by the government may encourage households and firms to spend or invest, e.g. the Home Energy Upgrade Loan Scheme. This can increase the demand for credit to finance these activities. **Marginal efficiency of capital** – if firms expect good profits from investing in new equipment, technology, or expansion, they are more willing to borrow more to fund them. This positive outlook on returns increases the demand for credit. **Tax reductions** – a reduction in income tax or VAT increases disposable income. This may encourage additional spending which is partly financed through credit.	**2 @ 6**

(b) *Surfriders*, a surf school in Bundoran, Co. Donegal, operates during the summer season. The table below shows its daily output (number of lessons), total fixed costs, total variable costs, and total costs.

Daily Output (Number of Lessons)	Total Fixed Costs (€)	Total Variable Costs (€)	Total Costs (€)
0	300	0	300
10	300	120	420
20	300	210	510
30	300	360	660
40	300	600	900

(i) Explain the terms **fixed costs** and **variable costs** and provide one example of a fixed cost and one example of a variable cost **for the surf school**. **2 @ 6**

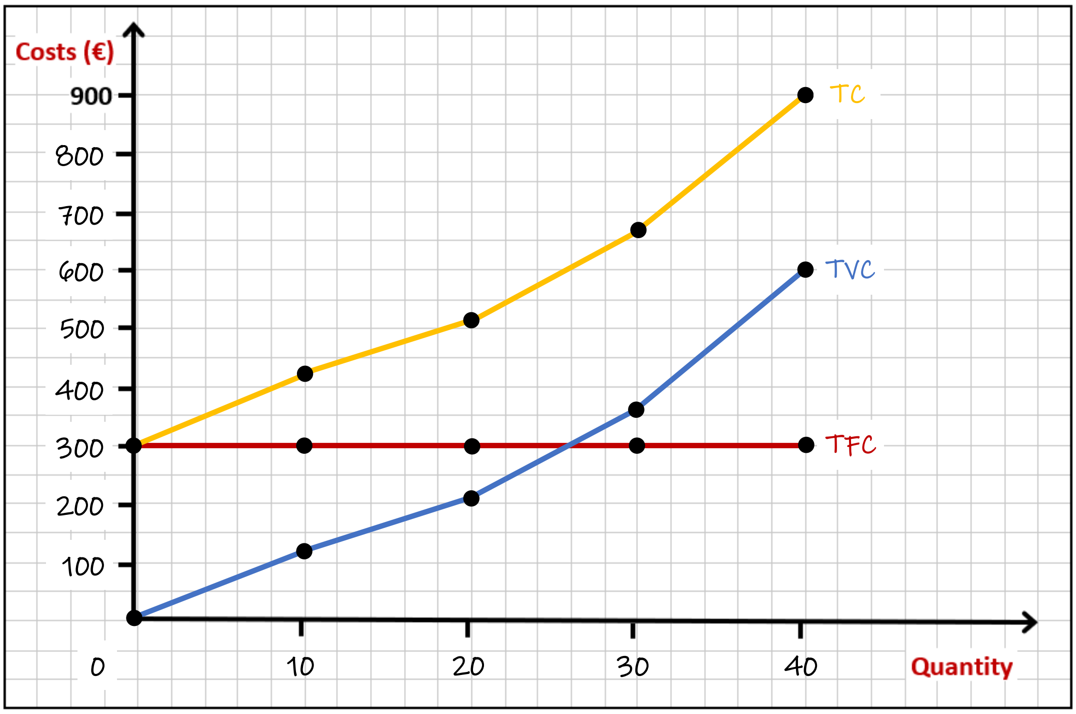
Fixed costs:
Fixed costs refer to costs of production which do not change with the level of output / Costs of production which must be paid even if no lessons are provided.

Example of a fixed cost for the surf school:
- Rent for the surf school premises (storage, office)
- Insurance premiums (public liability insurance)
- Loan repayments on equipment, van etc.
- Any annual fees or permits from Donegal County Council
- Depreciation of capital equipment (surfboards, wetsuits, van)

Variable costs:
Variable costs are costs of production that change directly with the level of output. As more lessons are provided, these costs increase.

Example of a variable cost for the surf school:
- Instructor wages per lesson
- Fuel used to transport equipment
- Payment processing fees per booking
- Replacement of damaged wetsuits or boards used during lessons

	(ii)	Using data from the table above draw a clearly labelled diagram below to show the total fixed cost (TFC) curve, the total variable cost (TVC) curve, and the total cost (TC) curve. **Note: You must complete/fill in the cost axis and the quantity axis.**	**16**



	(iii)	When the surf school provides 40 lessons per day, what is the minimum price the owner must charge per lesson, in order to earn profit of €100 per day? **Use data from the table on page 23 and show all your workings.**	**4**

Workings:

At 40 lessons per day total costs (TC) = €900

Profit = Total revenue (TR) − Total costs (TC)

Required profit = €100
€100 = TR − €900
TR = €1,000

Total revenue (TR)	=	Price per lesson (P)	×	Quantity of lessons (Q)
€1,000	=	P	×	40

P = €1,000 ÷ 40
P = €25

Answer: €25 (minimum price charged per lesson)

(c)		The government's new housing plan, "Delivering Homes, Building Communities 2025-2030", aims to tackle vacancy and dereliction in town centres.	
	(i)	Discuss one economic benefit and one economic challenge of revitalising town centres. One economic benefit: **Creates jobs** – renovating vacant and derelict properties creates employment in construction and related industries. Over time, new businesses opening in town centres also create permanent jobs. This increases household incomes, supports further spending in the local economy and may help to revitalise town centres. **Increases economic activity** – additional businesses operating in town centres increases trade and spending. This increases local income and can increase tax revenue for the government. Greater commercial activity can also strengthen the overall economic base of the town. **Increases property values** – improved town centres can increase demand for housing and commercial property. This may increase property values and household wealth. Increased property values can also improve business and investor confidence, which encourages further private investment. **Increases competition and consumer choice** – more businesses operating in the town centre increases competition. This may improve quality and reduce prices for consumers. **Reduces urban sprawl** – revitalising town centres reduces pressure to build on greenfield sites. This protects rural land and can shorten commuting distances, which may reduce transport costs for households and firms. **Better use of existing infrastructure** – town centres already have roads, water, electricity and public transport links. Reusing existing buildings reduces the need for costly new infrastructure on the outskirts of towns. This can reduce public expenditure, and make better use of existing land, buildings, and public infrastructure. **Increases tax revenue for local and central government** – revitalised town centres can increase commercial rates, VAT receipts, and income tax revenue from new employment. This can improve government finances and support further public investment. **Increases tourism** – improved town centres may attract more visitors. This increases external spending in local shops, restaurants, and accommodation, and supports employment. **Reduces social costs** – derelict buildings may attract anti-social behaviour and increase policing or maintenance costs. Revitalisation may reduce these costs and create a safer and more attractive environment for businesses and residents. **Improves labour mobility** – if more housing is available in town centres, workers may live closer to employment opportunities. This can reduce commuting costs and workers can access jobs more easily. **Increase housing supply / office spaces and /or shops spaces** – making derelict sites usable can help with providing accommodation for those who are homeless / provide increased shop/office spaces.	5

		One Economic challenge: **Significant redevelopment costs** – restoring derelict buildings can be expensive. Structural repairs, safety upgrades, and compliance with regulations increase costs for developers. Some derelict sites may require expensive environmental clean-up. If costs are too high, private investors may be unwilling to undertake projects without government support. **Risk of insufficient demand** – if population growth or business demand is weak, refurbished properties may remain vacant. This reduces the return on investment. Low occupancy levels can limit the overall success of regeneration efforts. **Lack of funding** – local authorities may face budget limitations. Large-scale regeneration projects require significant public funding. Limited financial resources may delay or reduce the size of planned developments. **Rising rents and house prices / Gentrification** – Property improvements may increase rents and house prices in the town centre. This can make it difficult for lower-income residents or small businesses to remain in the area. Such rising costs may reduce social and economic diversity in the town centre. **Planning and regulatory delays** – complex planning procedures or heritage protection requirements may delay some projects. Long approval times create uncertainty for developers and may discourage investment from the private sector. **Opportunity cost of public funds** – government spending on town-centre revitalisation means fewer funds are available for other priorities such as healthcare, education, climate action etc. **Disruption during construction** – construction work may temporarily reduce access to shops and services, which reduces the revenue of businesses in the short term. **Competition from online shopping** – even if town centres are improved, consumers may continue to shop online. This may limit the success of physical retail businesses. **Unequal distribution of benefits** – the gains from regeneration may mainly benefit property owners / property developers rather than local residents. This may reduce public support for the policy. **Shifting businesses from other areas / Displacement effects** – new development may shift businesses from other areas rather than create entirely new economic activity. This means that economic gains in one location may result in less activity elsewhere.	5

	(ii)	Outline two possible implications of Ireland's EU membership when addressing labour shortages in the Irish housing construction sector. **Free movement of skilled labour** – as an EU member, Ireland allows workers from other member states to work in Ireland without work permits. This gives the Irish housing construction sector access to a larger pool of skilled tradespeople and can help reduce labour shortages. // The free movement of labour allows Irish construction workers to work in other EU countries. Some EU countries also face housing shortages and may offer attractive wages or working conditions. This may lead to Irish construction workers emigrating, which reduces the domestic supply of labour. This may reduce the number of construction workers available in Ireland and worsen labour shortages. **Pressure on wages** – if more EU workers enter the Irish labour market, this increases the supply of labour. This may moderate wage increases in the housing construction sector, which makes it easier for firms to recruit workers and address labour shortages. **Recognition of qualifications** – EU rules allow qualifications gained in one member state to be recognised in another. This makes it easier for skilled tradespeople trained in other EU countries to work legally in Ireland and helps ease labour shortages in the housing construction sector. **Competition from other EU countries** – other EU member states may also face labour shortages in housing construction. If wages or working conditions are more attractive in other countries, skilled construction workers may choose to work there rather than in Ireland. This may make it more difficult to attract and retain workers in Ireland's housing construction sector. **EU migration increases the demand for housing** – the free movement of labour may increase Ireland's population. A growing population increases demand for housing, which may require additional construction activity and limit the overall reduction in labour shortages. **Access to EU funding** – Ireland may receive EU funding, such as from the European Social Fund, to support training, apprenticeships, or housing-related infrastructure. This may help boost the domestic supply of skilled workers over time. **Competition from other sectors in Ireland** – EU migration increases the overall supply of labour in the Irish economy. However, construction firms may need to compete with other sectors, such as technology or manufacturing, to attract workers. Not all workers will choose construction. As a result, labour shortages in the housing construction sector may continue. **Encourages more modern building methods** – as an EU member, Ireland benefits from EU support for innovation in construction, including techniques such as modular house building / off-site building. These methods increase productivity and reduce the number of workers needed to build each house, which can help ease labour shortages in the housing construction sector.	**2 @ 5**

The Irish Government's new Housing Plan will allow local authorities to compulsorily (by law) buy properties which have become derelict.

Adapted from RTÉ News

(iii) Do you agree or disagree with local authorities being allowed to compulsorily buy derelict properties?

Indicate your answer below by ticking (✓) the relevant box and justify your answer. **5**

Agree:

Increases housing supply / deal with homelessness in Ireland – allowing local authorities to buy derelict properties means these buildings can be renovated or rebuilt. This increases the number of homes available and can help reduce housing shortages. The plan directly adds homes without requiring entirely new greenfield development. A greater supply of housing may also help reduce pressure on rents and house prices.

Makes more efficient use of existing buildings / land – derelict properties represent underused resources. Buying and redeveloping them ensures that scarce land and buildings are used more efficiently, especially during Ireland's chronic housing crisis.

Improves town centres / Reduces vacancies (urban decay) – derelict buildings can make an area look neglected and unattractive. If local authorities bring these buildings back into use, it may improve the appearance and economic vitality of towns and encourage more people and businesses to move into the area.

Reduces social costs / anti-social behaviour – vacant and derelict buildings can attract vandalism / anti-social behaviour. Redeveloping the properties can improve safety and reduce policing and clean-up costs.

Addresses negative externalities caused by market failure – derelict properties can reduce nearby property values and contribute to anti-social behaviour. As the owner does not bear these wider social costs, many properties may be left vacant. Government intervention through compulsory purchase may help reduce these negative externalities and bring properties back into productive use.

		Disagree: **Opportunity cost of public funds** – funds used to purchase and renovate derelict properties could instead be spent on other housing supports or public services. If compulsory purchase is expensive, it may reduce funding available for alternative housing solutions. **High cost to taxpayers** – Local authorities must pay compensation to property owners and then fund the renovation or rebuilding of the property. This requires significant public spending, which increases the burden on taxpayers. **Interferes with property rights** – compulsory purchase forces the sale of private property to the state. This may be viewed as unfair and a violation of property rights. It may erode trust among property owners and investors. **Legal disputes and delays** – owners may challenge compulsory purchase orders in court. Legal challenges can delay redevelopment and increase costs. **May not address the root causes of dereliction** – some properties are vacant due to structural damage, legal disputes, or lack of local demand. Compulsory purchase alone may not solve these underlying problems. **Deters private investment** – if investors fear their properties could be compulsorily purchased, they may be less willing to invest in certain areas. This could reduce private development in the long term. **Risks moral hazard** – if owners expect the State to eventually purchase neglected properties, they may have less incentive to renovate or maintain older buildings themselves.	**OR** **5**

Question 14			
		Possible Responses	**Marks**
(a)	**(i)**	Ireland's GDP was €153.4 billion in Q1, 2025. In the same period Ireland's GNP was €107 billion. Calculate Ireland's net factor income from abroad (NFIA). **Show all your workings.** **Workings:** NFIA = GNP – GDP NFIA = €107.0bn – €153.4bn = - €46.4 billion	6
	(ii)	Outline two limitations of gross domestic product (GDP) **as a measure of Ireland's economic welfare**. **Fails to account for repatriated profits / profit outflows** – Ireland's GDP measures the total value of output produced in Ireland, including profits earned by foreign MNCs. However, a large proportion of these profits is sent abroad. This inflates Ireland's GDP figure and overstates the income available to Irish residents. This is why GNP or GNI* more accurately reflects Irish economic welfare. **Multinational activity distorts GDP** – Ireland's GDP is heavily influenced by foreign multinational corporations, especially in sectors such as pharmaceuticals and technology. Large exports or the relocation of intellectual property assets significantly increase Irish GDP figures. However, these increases may not result in proportional improvements in employment, public services, or domestic living standards. As a result, Ireland's GDP may overstate its true economic welfare. **Ignores income distribution** – Ireland's GDP measures total output but does not show how income is shared across the population. Even during periods of significant GDP growth in Ireland, many households may not experience the same improvement in living standards. If income inequality increases, the overall economic welfare of the broader population may not improve even if GDP increases. **Does not measure environmental damage** – Ireland's GDP grows with increased production, regardless of environmental costs like pollution, depletion of resources, or a loss of biodiversity. Environmental damage reduces quality of life, but it is not deducted from GDP. E.g. some activities in agriculture, industry, or data centres may boost Ireland's GDP but contribute to problems such as water pollution or carbon emissions. **Excludes unpaid work** – Ireland's GDP excludes unpaid activities such as childcare, care for the elderly, housework, and voluntary work. These activities contribute to wellbeing of Ireland's society but are not reflected in its GDP figures. This results in an underestimation of overall welfare.	2 @ 5

Excludes housing affordability / poor housing conditions – GDP may increase even if housing becomes less affordable or if many citizens live in poor housing conditions. In Ireland, increasingly high rents and house prices can reduce living standards even during periods of strong GDP growth.

Excludes social indicators – Ireland's GDP does not measure factors such as mental health, life satisfaction, crime levels, or social cohesion. Economic welfare depends on more than just the level of output produced in an economy.

Includes spending that does not improve welfare / Defensive expenditure – GDP increases when money is spent on repairing damage or treating illness caused by pollution. Although this spending raises GDP, it is simply restoring previous living standards rather than improving them. This means GDP may overstate improvements in economic welfare. E.g. expenditure on flood damage repairs in Co. Wexford in 2026 inflated GDP but it did not genuinely improve economic welfare.

Does not account for leisure time – if people work longer hours, GDP may increase because more output is produced. However, longer working hours may reduce leisure time / work-life balance for citizens. Economic welfare may decline even though GDP is increasing.

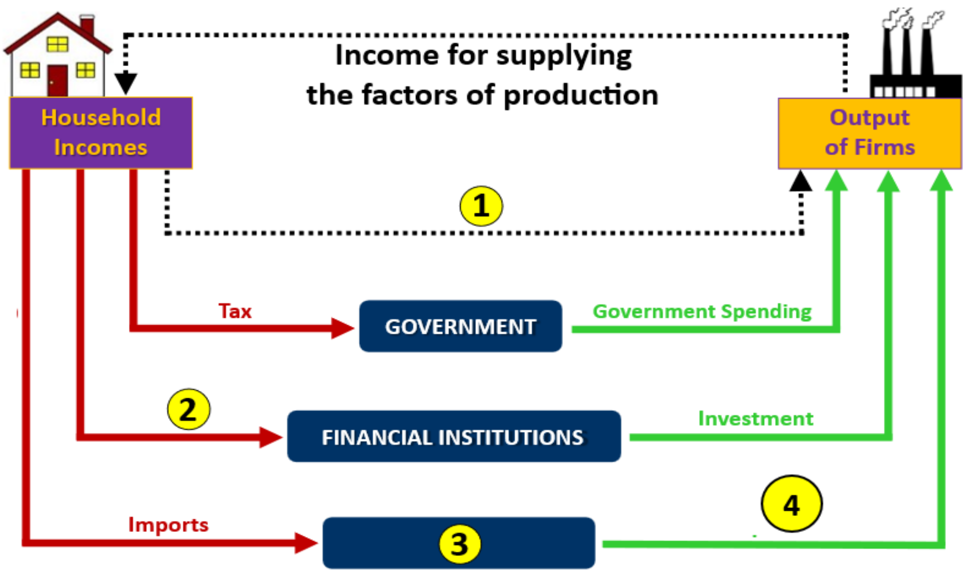
Excludes the hidden economy – economic activity that is not officially recorded in Ireland's national accounts, such as barter or cash-in-hand work / 'nixers', are not included in GDP. This means Ireland's GDP may underestimate actual economic activity.

Excludes improvements in product quality – Ireland's GDP measures the value of output but does not fully capture improvements in the quality of goods and services. E.g. improvements in technology may greatly improve living standards without a proportional increase in GDP figures.

Excludes population changes – Ireland's GDP measures the total value of output produced but it does not take account of the size of the population. If Ireland's population increases faster than GDP, GDP per capita will decrease and average living standards may decline, even though total GDP has increased. As a result, an increasing GDP may overstate improvements in Ireland's economic welfare.

	(iii)	National income accounts do not record economic activities in the hidden economy. Outline one *economic impact* **and** one *social impact* of hidden economic activities. One economic impact: **Reduces government tax revenue** – when income is not declared, the government does not receive income tax, VAT, or PRSI. This reduces annual government revenue and may lead to increased taxes on compliant taxpayers or reduced spending on public services such as healthcare and education. **Increases national debt / Increases long-term fiscal pressure** – if hidden economic activity significantly reduces government revenue over time, the state may need to borrow to maintain public spending levels. This increases the national debt and leads to higher interest payments in future budgets. Over time, a growing debt burden can reduce fiscal sustainability and limit the government's ability to invest in infrastructure, education, and healthcare. **Distorts national income statistics** – activities in the hidden economy are not recorded in GDP or GNP. As a result, official figures underestimate the true level of economic activity. This makes it harder for the government to design accurate fiscal policies and economic forecasts. **Creates unfair competition for legitimate firms** – businesses operating legally must pay taxes, minimum wages and comply with regulations. Hidden economy firms evade these costs, which allows them to charge reduced prices. This creates unfair competition and may force legitimate businesses out of the market…unemployment. **Misallocates resources** – firms in the hidden economy avoid taxes and regulations, which allows them to operate at artificially reduced costs. This means prices and wages in these sectors do not reflect the true economic cost of production. As a result, labour and capital may move into hidden activities rather than into formal sectors where they would be more efficiently used. This leads to an inefficient allocation of scarce resources within the economy. **Reduces access to credit and finance** – income earned in the hidden economy is not officially recorded. This means citizens and businesses cannot show formal proof of earnings when applying for loans or mortgages. As a result, they may be denied access to bank credit or government grants, which limits investment and business expansion in the economy. **Reduces consumer protection** – businesses in the hidden economy often operate without regulation or insurance. If consumers receive faulty goods or services, they have little legal protection. This weakens market confidence and may reduce overall economic activity.	**5**

		One social impact: **Reduces quality of and access to public services** – reduced government revenue may result in underfunding healthcare, education, and housing. This may lead to longer waiting times, overcrowding, and a reduced quality of life for citizens. **Weakens labour and social protection** – workers in the hidden economy often have no contracts, no sick pay, or protection from redundancy, and they may not make PRSI contributions. As a result, they lack both workplace rights and access to contributory pensions or unemployment benefits. This increases their risk of exploitation and long-term financial insecurity. **Risks involvement in criminal activity** – some hidden economic activities are linked to illegal activities such as drug trafficking or human trafficking. This increases crime levels and may threaten community safety. **Erodes trust and respect / Normalises tax evasion** – widespread participation in hidden economic activity may reduce trust in the tax system and public institutions. When tax evasion becomes common, it may also appear socially acceptable. Over time, this can weaken respect for laws and regulations and reduce citizens' willingness to comply voluntarily. **Increases social exclusion** – citizens working in the hidden economy may struggle to access mortgages, rental agreements, or financial services due to lack of documented income. This may limit participation in regular social life and may increase social exclusion. **Reduces incentives for education** – if activities in the hidden economy do not reward qualifications, young people may see less benefit in completing education or training courses. In time, this may weaken educational attainment in some communities.	5
(b)		The diagram below shows the circular flow of income in an open economy	



(b)	**(i)**	Complete the diagram above by inserting the correct terms for the missing components numbered 1 to 4 in the table below.	**8**

1	Expenditure / Spending on goods and services
2	Savings
3	Foreign markets / Foreign sector / Rest of the world
4	Exports

(ii) Explain the term **imports** in the circular flow of income diagram and outline two factors which currently influence the level of imports in the Irish economy.

Imports: **4**

Imports refer to goods and services produced abroad and purchased by residents of the domestic economy. Imports represent a leakage in the circular flow of income as spending leaves the domestic economy.

Two factors which currently influence the level of imports in the Irish economy: **2 @ 4**

Level of national income – when national income increases in Ireland, households and firms have greater purchasing power. This increases demand for goods and services, including foreign-produced goods such as cars, electronics, and fuel. This leads to increased import levels. During periods of economic growth, the value of imported goods and services tends to increase.

Consumer preferences – Irish consumers often demand imported products such as vehicles, clothing, technology, and certain food products, as they are not produced domestically. Changes in tastes and preferences towards foreign brands increase the demand for imports.

Growth in online shopping – The expansion of online shopping allows Irish consumers to purchase goods directly from foreign suppliers. Greater access to international online retailers increases the volume of imported consumer goods entering the Irish economy.

Population changes – Ireland's population is increasing, which increases overall demand for goods and services. When domestic producers cannot meet this increased demand, imports increase to fill the gap.

High dependence on imported raw materials and energy – Ireland has limited domestic supplies of fuel and raw materials and therefore relies heavily on imports to meet energy and production needs. As demand for these essential imports is relatively price inelastic, import levels remain high even when prices rise.

Marginal Propensity to Import – the larger the value of MPM the greater the proportion of income that will be spent on imports.

Exchange rate movements – the value of the euro affects the price of imported goods. A strong euro reduces import prices for Irish consumers and firms, which makes imports more attractive. However, a weaker euro makes imports more expensive and may reduce import levels.

Trade openness / International trade policy – Ireland's membership of the European Union and international trade agreements reduce tariffs and other trade barriers. Reduced trade barriers make importing goods easier and cheaper, which increases the level of imports into the Irish economy.

Inflation differences between Ireland and trading partners – if inflation in Ireland is higher than in other countries, domestically produced goods become relatively more expensive. Consumers and firms may shift their demand to cheaper imported alternatives, which increases import levels.

Changes in global energy and commodity prices – Changes in international prices for oil, gas, and raw materials affect the cost of imports. Increasing global prices result in the value of Ireland's imports rising, whereas decreasing prices reduce the import bill.

Global supply chains / Investment by MNCs – many multinational companies operating in Ireland are part of global supply chains and import intermediate goods, components and specialised machinery from abroad before exporting finished products. Expansion of multinational activity therefore increases the level of imports independently of domestic consumption levels.

Government investment projects – large scale government projects such as housing or transport infrastructure often require machinery, technology, and construction materials that are imported. Increased government investment may increase the level of imports.

Capacity constraints / labour shortages in Ireland – shortages of skilled labour and limited production capacity in certain sectors such as construction and manufacturing may limit output in Ireland. As a result, firms, and government projects may rely more heavily on imported goods, materials, and equipment to meet demand, which increases import levels.

Relative interest rates / borrowing conditions – lower interest rates or easier access to credit may boost levels of borrowing by consumers and businesses. This may result in greater spending on imported durable goods such as cars, machinery, and technology.

New regulatory standards – stricter environmental or product regulations may increase the cost of importing certain goods. Increased compliance costs may reduce the level of imports entering the Irish economy, for example, new EU environmental or sustainability standards for packaging or emissions.

Transfers of MNC intellectual property assets – some large multinational firms in the technology and pharmaceutical sectors in Ireland import intellectual property such as patents, software licences, and copyrights from abroad. These transactions are recorded as services imports in Ireland's balance of payments. In recent years they have significantly increased Ireland's level of imports even though they are not linked to domestic consumer demand.

	(iii)	301,000 households in Ireland owed arrears to electricity companies totalling €142 million in May 2025. Adapted from the Irish Independent The Government should pay €142m to these companies and clear these arrears. Do you agree or disagree with this proposal? Indicate your answer below by ticking (✓) the relevant box and justify your answer. Agree: **Prevents energy poverty / Protects living standards** – electricity is a necessity for daily life. Clearing arrears would prevent vulnerable households from disconnection or financial hardship, or health risks like hypothermia in winter. It would also safeguard basic human rights and maintains a minimum quality of life, especially for elderly citizens or families with children. **Supports vulnerable households during cost-of-living pressures** – many arrears arose due to a surge in energy prices and inflation rather than financial mismanagement by consumers. Government intervention may protect low-income households who experienced a reduction in real incomes during periods of high inflation. **Reduces financial stress and social problems** – large utility debts can cause stress, anxiety, and reduced wellbeing. Clearing arrears may improve mental health outcomes and reduce social problems linked to financial insecurity. **Supports consumer spending in the economy** – households facing large debt repayments may reduce spending on goods and services to repay arrears. This dampens consumer demand and slows economic growth. Writing off arrears would increase disposable income and may help maintain consumer spending in the economy. **Protects stability of energy suppliers** – electricity companies facing large unpaid bills may experience cash-flow difficulties, which may force them to increase prices for all customers or cut back on maintenance and investments in infrastructure. Government payment ensures such firms can continue operations smoothly. **Administrative efficiency** – a once-off payment would be simpler and faster for electricity providers than managing long repayment schemes, legal enforcement, or disconnection processes.	5

		Disagree: **Opportunity cost of government spending** – €142 million is a substantial sum, which could instead fund critical areas like healthcare, housing, or education. Using public funds for private debt relief may not represent the best allocation of scarce resources. **Unfair to compliant households** – households who paid their electricity bills despite financial difficulty receive no benefit, while those in arrears are supported. This may reduce perceptions of fairness and trust in public policy and weaken compliance with taxation and bill payments. **Creates moral hazard / Weakens incentives** – if the government clears electricity arrears, households may expect similar debts to be written off in the future. It may create a culture of dependency, which may reduce the incentive to pay bills on time. It may also weaken incentives to manage energy consumption, which leads to inefficient use of resources **Does not address underlying causes** – clearing arrears treats the symptom rather than the problem. Issues such as inadequate wages, energy-inefficient homes, monopolistic pricing in the energy sector, or a lack of financial literacy in society may persist and lead to future arrears. This a band-aid solution that wastes resources on symptoms rather than prevention. **Places burden on taxpayers and public finances** – funding the payment would require increased taxation, increased government borrowing, or reduced spending elsewhere. This places a financial burden on taxpayers and may increase national debt. **Targeting concerns** – not all households in arrears are equally vulnerable, as some may have the ability to repay the debts over time, which would make a blanket government payment inefficient. Targeted / means-tested supports would ensure assistance is directed towards households most in need. **Sets a dangerous precedent for other sectors** – if energy arrears are cleared, why not do the same for rent, mortgages, or credit card debts? This could open the floodgates to broader expectations of government rescues and straining fiscal sustainability.	**OR** **5**

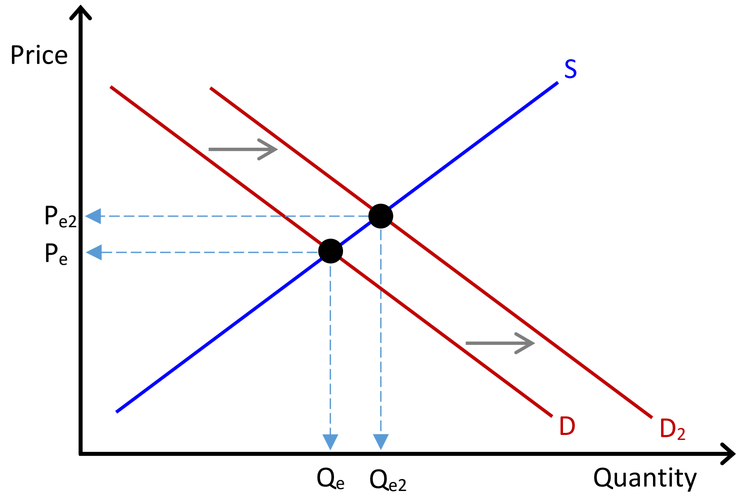
(c)

Complete each diagram below to show how each of the following events will most likely change the market equilibrium for Sony PlayStation 5 (PS5) consoles in Ireland.

Explain your answer in **each** case.

(i) A viral TikTok clip features influencers playing a new game exclusive to PlayStation. **8**

Diagram

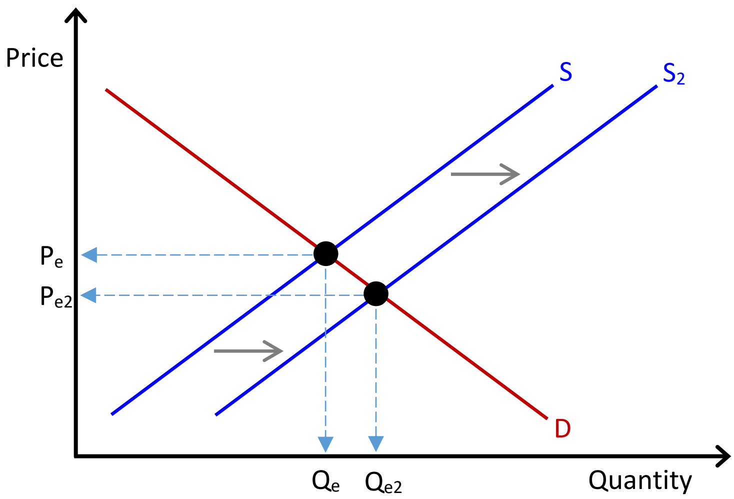


Explanation

- This causes the demand curve for PS5 consoles to shift to the right, D to D_2.
- The game is a complementary good to the PS5 console and is exclusive to PlayStation. / The viral TikTok clip will change the consumer's taste in favour of the good / increase the popularity of the game.
- The increased popularity of the game increases demand for PS5 consoles in Ireland.
- Excess demand occurs at the original equilibrium price, which drives the price up to a new higher equilibrium price, P_{e2}.
- A new higher equilibrium quantity is established at Q_{e2}.

(ii) Sony shifts more PS5 production to Vietnam, where wages are lower than in China. **8**

Diagram

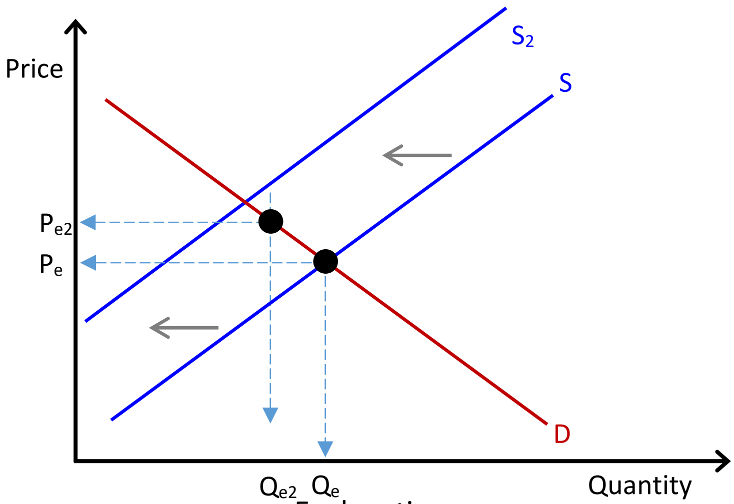


Explanation

- This causes the supply curve to shift to the right, S to S_2.
- PS5 production being shifted to Vietnam will reduce the cost of production, as the cost of labour is lower.
- Reduced cost of production increases the supply of PS5 consoles.
- Excess supply occurs at the original equilibrium price, which reduces the price to a new lower equilibrium price, P_{e2}.
- A new higher equilibrium quantity is established at Q_{e2}.

(iii) Global shipping insurance premiums rise due to increased piracy attacks in the Red Sea. **8**

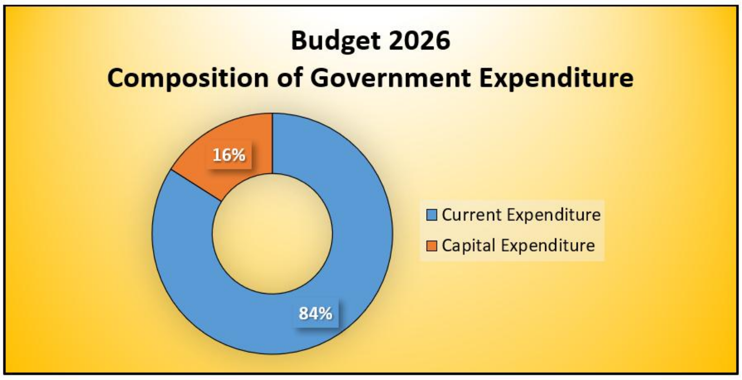
Diagram



Explanation

- This causes the supply curve to shift left from S to S_2.
- Increased premiums for global shipping insurance will increase transport / delivery costs for Sony / costs of production.
- Increased transport / delivery costs increase the total cost of supplying PS5 consoles to the Irish market.
- Excess demand / Shortage of supply occurs at the original equilibrium price, which drives the price up to a new higher equilibrium price, P_{e2}.
- A new lower equilibrium quantity is established at Q_{e2}.

Question 15

		Possible Responses	Marks
(a)		The chart below shows the Irish exchequer's current expenditure and capital expenditure in Budget 2026. 	
	(i)	Explain the difference between current government expenditure and capital government expenditure and state one example for each type of expenditure. **Current government expenditure:** Current government expenditure refers to government spending on the day-to-day running of the country - public services. // Government spending that does not create physical assets. // Recurring government expenditure used to maintain public services and support household incomes. Example: Public sector wages and salaries (for teachers, nurses, Gardaí) Social welfare payments such as pensions, unemployment benefits, child benefit Spending on healthcare services and medicines (GP visits, medicines, hospital running costs) Interest payments on the national debt Routine maintenance of public services (school lighting / heating) **Capital expenditure:** Capital expenditure refers to spending by the government on items that will last a long period of time // government spending on public infrastructure // government spending that provides benefits over the long-term // government spending that creates or improves long-term physical assets that increase the productive capacity of the economy. Example: Construction of schools and hospitals (National Children's Hospital) Government investment in roads, trains and train stations, and airports. Building social housing Government investment in renewable energy projects (offshore wind farms, EV charging infrastructure)	**2 @ 6**

		In Budget 2026, capital spending made up a larger proportion of total government expenditure than in Budget 2025.	
	(ii)	Why, in your opinion, is the government planning to increase the proportion of its spending on capital expenditure? **To efficiently use budget surpluses** – the government has had big budget surpluses in recent years, and this has allowed the government to focus more spending on capital expenditure. **To address housing shortages** – increased capital spending allows the government to increase the supply of social and affordable housing. Increasing the supply of housing helps reduce shortages and eases pressure on rents and house prices. **To prepare for population growth / To reduce capacity pressures** – Ireland's growing population increases demand for schools, hospitals, housing, and transport networks. Increased capital expenditure helps ensure sufficient capacity to meet future demand and reduces bottlenecks such as congestion and pressure on public services that limit economic activity. **To improve infrastructure, productivity, and long-term economic growth** – increased capital spending on transport, energy, housing, education, and healthcare improves the productive capacity of the economy. Improved infrastructure and public investment reduce business costs, increase efficiency, and support sustainable long-term economic growth. Increasing capital expenditure helps close infrastructure gaps / underfunding that had developed from reduced public investment during previous economic downturns. **To improve international competitiveness / attract foreign direct investment** – Increasing capital expenditure on infrastructure reduces business costs and improves efficiency in the economy. This makes Ireland more competitive compared to other countries and more attractive to multinational companies which are considering long-term investment. This supports inward investment, job creation, and economic development. **To meet climate targets / improve energy security** – increased capital expenditure on renewable energy and public transport helps Ireland meet its climate targets, reduces its dependence on fossil fuels and builds resilience against global energy shocks. **To reduce regional economic inequality / To increase balanced regional development** – increased capital spending by the government outside major cities promotes balanced regional development and creates employment across different regions.	6

	(iii)	In Budget 2026, the Irish government ended general once-off payments for the cost-of-living crisis. Instead, it announced more **targeted supports** for citizens. Outline one reason why the government took the step to introduce more targeted supports for citizens. **Inflation had eased** – universal once-off payments were introduced during a period of surging price increases, however inflation had fallen to more stable levels. Therefore, broad emergency supports were no longer deemed essential. **To protect public finances / help ensure economic sustainability** – repeated once-off payments are expensive and may not be economically sustainable in the long term. Targeted measures help control government spending and maintain fiscal discipline. **To make government spending more efficient** – universal once-off payments provided support to all households, including citizens who did not need financial assistance. Targeted supports reduce unnecessary expenditure and ensure scarce public funds are directed towards those most in need. This is a more efficient use of limited state resources (allocative efficiency). **To reduce income inequality** – targeted supports concentrate resources on lower-income households. This redistributes income towards those on lower earnings and may reduce income inequality and improve living standards in society. **To provide more permanent financial support** – replacing temporary once-off bonuses with structural increases in welfare payments or tax credits provides ongoing support. This allows households to plan their finances with greater certainty rather than relying on temporary emergency payments. **To reduce a disincentive to work** – universal supports are paid regardless of income or employment status. They may reduce the incentive for some low-income citizens to seek work or increase their working hours. Targeted supports reduce this risk by limiting payments to those most in need. **To avoid further political pressure** – when the universal supports were introduced the government was heavily criticised for wasting taxpayer's money and not directing the support on those who most needed it within society.	6

(b)		The Irish government has a narrow tax base and has essentially sat on its hands in the face of calls to broaden it. Adapted from the Irish Times, September 2025	
	(i)	Explain what you understand by the term **to broaden the tax base**. **To broaden the tax base:** To broaden the tax base is to increase the range of citizens, incomes, assets, or economic activities that are subject to taxation. // Broadening the tax base spreads taxation across a wider group rather than relying heavily on a small number of taxpayers or sources of revenue. // It involves reducing exemptions, reliefs or allowances so that a larger proportion of income, profits, or spending is included in the tax system.	**6**
	(ii)	Outline two possible benefits to the Irish economy of broadening the tax base. **Greater revenue stability / certainty** – broadening the tax base reduces Ireland's reliance on a small number of volatile / windfall sources of revenue such as corporation tax. This makes government revenue less vulnerable to sudden economic shocks and enables the government to plan future spending and investment with greater certainty. **Improves fiscal sustainability** – a broader tax base helps ensure that the government can continue funding public services in the long term without excessive borrowing or deficits. This strengthens the overall long-term sustainability of public finances. **Greater fairness / equity in the tax system** – broadening the tax base spreads the tax burden across a wider group of taxpayers. This may improve perceptions of fairness in how taxation is shared across society in Ireland. **Improves economic efficiency** – when there are fewer tax exemptions and reliefs, citizens and firms are less likely to change their behaviour simply to reduce their tax liability. This means decisions on investment and work will be based more on real economic benefits rather than tax advantages, which can improve overall efficiency in the Irish economy. **Greater flexibility in tax policy** – broadening the tax base may allow the government to reduce income tax rates while still raising sufficient revenue. Reduced income tax rates would increase take-home pay. This may encourage greater participation in the labour market, which can support economic growth.	**2 @ 6**

	(iii)	The government plans to reduce value-added tax (VAT) for some of the hospitality sector from 13.5% to 9% in July 2026, at a cost of €681 million over a full year. Do you agree or disagree with this VAT reduction for some of the hospitality sector? Indicate your answer below by ticking (✓) the relevant box and justify your answer. Agree: **Supports employment in a labour-intensive sector** – hospitality is labour-intensive. The reduction in VAT will reduce operating costs and may increase demand for services such as accommodation and restaurants. Increased demand may help to maintain or create jobs, especially in tourism-dependent areas. **Improves competitiveness of Irish tourism** – the reduced VAT rate may help to reduce prices for tourists. This makes Ireland more competitive relative to other destinations and may increase visitor numbers and tourism revenue. **Eases cost pressures** – many hospitality firms are experiencing high costs for energy, wages, and insurance. The VAT reduction will improve cash flow and profitability, which helps to prevent insolvencies / closures. **May reduce prices for consumers / tourists** – if firms pass on the VAT reduction to consumers, prices for hospitality services such as meals, accommodation and hairdressing may fall. Lower prices increase purchasing power for domestic consumers and may also make Ireland a more competitive destination for tourists. This may increase visitor numbers and tourism revenue. **Supports regional economies** – many hospitality businesses are located in rural and coastal areas. Supporting the sector may protect employment and income in regions with fewer alternative industries. **Stimulates economic activity in related sectors** – increased tourism and hospitality activity may generate additional income and employment in other parts of the Irish economy, e.g. food producers, transport services, and entertainment businesses.	**6**

		Disagree: **High opportunity cost** – €681 million per annum could instead fund healthcare waiting lists, housing shortages, school extensions, or public infrastructure. The government must consider whether supporting one sector is the best use of limited public funds. **Uncertain benefit for consumers** – there is no guarantee that businesses will reduce prices. Firms may retain the benefit as higher profit rather than passing it on to consumers. This would limit the intended demand stimulus. **Poor targeting** – the VAT reduction applies to all customers, including high-income earners and foreign tourists, which means much of its benefit may go to groups that do not need financial support. It may not specifically support low-income households, who may benefit more from direct supports, such as welfare increases or targeted credits. **Creates unfair advantages between sectors** – reducing VAT for hospitality but not for other sectors that may also be under pressure, such as retail or small manufacturing, will give hospitality businesses a tax advantage. This may distort competition between sectors and encourage resources to move towards hospitality rather than to other parts of the economy. **May increase government borrowing / deficits** – reducing VAT for hospitality decreases government tax revenue. If such a loss is not replaced by other taxes or spending cuts, the government may need to borrow more, which could increase Ireland's national debt. **Narrows the tax base** – reducing VAT rates for hospitality means that fewer goods and services are taxed at the standard VAT rate. This narrows the tax base and may increase Ireland's reliance on other more volatile sources of tax revenue, such as corporation tax, which may make government finances more vulnerable. **May be inflationary** – the VAT reduction may increase demand for hospitality services. However, if the sector cannot increase supply quickly (inelastic supply) due to limited staff or capacity, businesses may increase prices instead, which reduces the benefit of the tax cut. **Increases complexity in the tax system** – introducing different VAT rates for different sectors can make the tax system more complicated for businesses and the Revenue Commissioners to administer.	**OR** **6**

(c)		The graphic below shows the levels of labour productivity in the foreign-dominated sector and in the domestic-dominated sector in Ireland for Quarter 4, 2024.  	
	(i)	Explain what you understand by the term **labour productivity**.	**5**
		State one example of a foreign-dominated sector and one example of a domestic-dominated sector in Ireland.	
		Labour productivity: Labour productivity refers to the value of output produced per hour worked in a sector or economy.	
		Foreign sector example: Pharmaceuticals and chemical manufacturing Information and communication technology (ICT) Financial services Aircraft leasing Medical devices manufacturing	**2**
		Domestic sector example: Wholesale and retail trade Construction Accommodation and food services (hospitality) Agriculture, forestry, and fishing Transport services Personal services (hairdressing, repairs etc.)	**2**

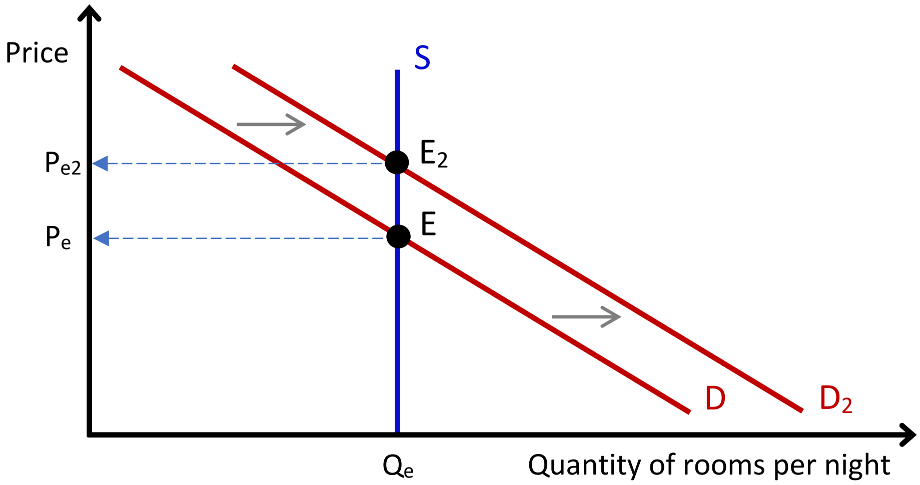
	(ii)	Increasing labour productivity is important for an economy. Outline one reason **why** increasing labour productivity is important for the Irish economy **and** outline one strategy an employer could take to increase labour productivity. One reason: **Increases economic growth** – when workers produce more output per hour, the total output of the economy increases. This contributes to higher economic growth and higher national income. Labour productivity is a key driver of economic growth in Ireland. **Increases wages and living standards** – workers tend to be paid in line with the value of the output they produce. Greater productivity allows firms to increase wages without significantly increasing production costs. This increases household incomes and improves living standards. **Improves international competitiveness** – increased productivity reduces the cost per unit of output. This allows Irish firms to compete more effectively in international markets and may increase exports / attract new foreign investment, which is especially relevant in the current era of deglobalisation. **Helps address labour shortages** – the Irish economy is currently operating at full employment, and labour shortages exist in some sectors such as construction, tech, and hospitality. Increasing labour productivity allows firms to produce more output with the same number of workers, which helps the economy grow even when it is difficult to find additional labour. **Reduces the productivity gap between domestic and foreign sectors** – Ireland has a large productivity gap between its multinational sector and domestic sector. Increasing productivity in domestic sectors such as retail, construction, and hospitality can help reduce this gap and strengthen the overall economy. **Increases government tax revenue** – greater productivity increases economic activity, profits, and wages. This may increase tax revenue for the government without having to increase tax rates. This helps to generate funds for public services such as social housing, public infrastructure, climate action.	6

		One strategy: **Invest in technology and capital equipment** – employers could invest in modern machinery, digital systems, artificial intelligence (AI), software or automation. When workers have better technology and equipment to work with, they can produce more output per hour. Technology can also improve the quality of production. **Increase human capital through training and upskilling employees** – training improves workers' skills and knowledge. Skilled workers can complete tasks more efficiently and produce higher-value output. This strategy would also directly help address skills mismatches in the Irish economy. **Improve working conditions** – a safe and comfortable working environment can increase employee motivation, reduce absenteeism and improve productivity. For example, better lighting, ventilation or ergonomic equipment can help workers improve concentration and efficiency. **Encourage specialisation / division of labour** – employers could organise production so that workers specialise in specific tasks rather than performing many different tasks. Specialisation enables workers to build expertise, i.e. become faster and more skilled at their activity, which increases the amount of output produced per hour. **Introduce performance incentives** – employers may offer bonuses, profit sharing or performance-related pay to motivate employees to increase effort and productivity. Financial incentives can encourage workers to work harder and focus on meeting performance targets. **Improve management practices** – better planning, supervision and organisation of tasks can reduce wasted time and improve efficiency. Clearer job roles, better scheduling, and improved communication can help ensure that workers spend more time on productive tasks.	**6**

	(iii)	Artificial Intelligence (AI) is expected to add €250 billion to Ireland's economy by 2035. Adapted from the Trinity Business School In your opinion, will AI narrow or widen the productivity gap between the domestic and foreign-dominated sectors in Ireland? Indicate your choice below by ticking (✓) the relevant box and justify your choice. Narrow the gap: **Greater productivity improvements in domestic sectors** – domestic sectors such as retail, construction, and hospitality currently have lower levels of labour productivity. AI-driven improvements in logistics or stock management could generate large proportional gains in these sectors and help them catch up with the foreign sector. **Reduced cost of AI tools / Greater accessibility of AI tools** – many AI tools are cloud-based and available on a relatively inexpensive subscription basis. This allows small and medium-sized domestic firms to adopt AI without needing large capital investment. As a result, workers in these firms may be able to produce more output per hour. **Government support for AI adoption in domestic firms** – government initiatives aimed at digitalisation, training, and innovation may support the adoption of AI by domestic firms, e.g. Ireland's updated National Digital & AI Strategy includes an AI and digital literacy campaign for SMEs and a sectoral AI adoption strategy. Such supports may accelerate productivity growth in Ireland's domestic sectors and help close the productivity gap. **AI may become cheaper / more widely available over time** – new technologies often become cheaper as they develop and are adopted more widely. While multinational firms may adopt AI first, domestic firms may later be able to afford and use the same technologies. This could increase productivity in domestic sectors and help reduce the productivity gap. Widen the gap: **Multinational companies have greater financial resources** – foreign-owned multinationals usually have better access to global capital and to advanced technology, which allows them to invest heavily in AI systems and increase productivity faster than many domestic firms. **Nature of Ireland's foreign and domestic sectors** – many foreign-dominated sectors in Ireland, such as ICT, pharmaceuticals, and finance, already use advanced technology and large amounts of digital data. These sectors are ideal for AI. Many domestic sectors such as retail, hospitality and construction may benefit less from current AI, which could widen the productivity gap. **Economies of scale** – large multinational companies can spread the high fixed costs of AI development across larger levels of output. Smaller domestic firms may find these costs more difficult to justify, which may slow their adoption of AI. **Greater tech skills in the foreign-dominated sector** – multinational companies employ large numbers of highly skilled workers in areas such as software development and other technology-related roles. These skills are essential for implementing and using AI effectively, which gives foreign firms an advantage.	6

Question 16

		Possible Responses	Marks
(a)		The diagram below shows the market equilibrium for hotel rooms per night in Irish *'coolcation'* destinations during the summer season. *'Coolcations'* are holidays taken in cooler climates, like in Ireland, rather than in warmer destinations.	
	(i)	Using the diagram, **show** how the increasing popularity of '*coolcations*' in Ireland among foreign tourists affects the market equilibrium for hotel rooms per night in the short run. **Clearly label all changes to the diagram**.	4



	(ii)	Prices for hotel rooms in Dublin rise sharply in the lead-up to large concerts / events. Explain **why** hotels can charge increased prices for their rooms during such concerts / events.	7

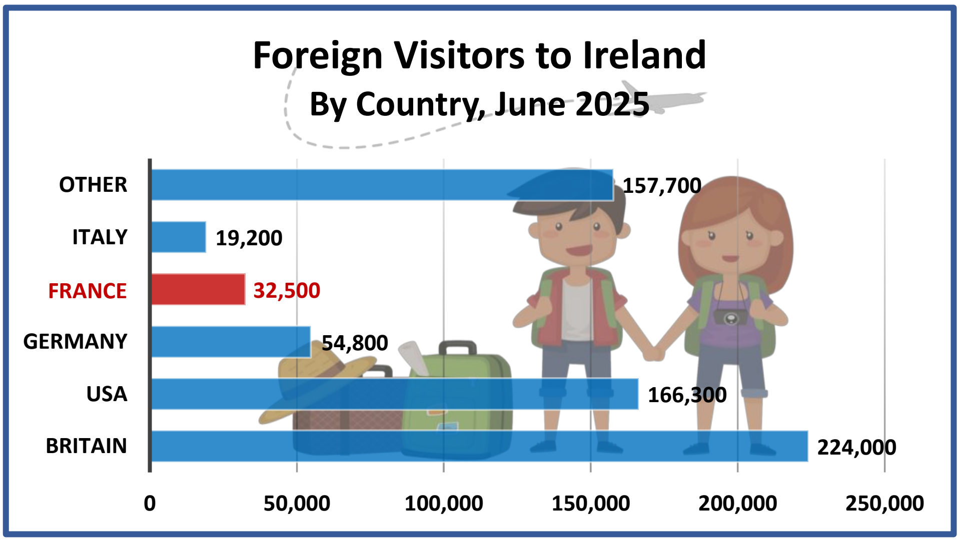
Increased demand for hotel rooms / Dynamic pricing / Surge pricing – large concerts or events bring thousands of additional visitors to Dublin. These visitors need accommodation, which increases the demand for hotel rooms on specific dates. Hotels recognise the sharp surge in demand and often use dynamic pricing, which means they increase room prices as demand increases in order to maximise profit from the limited number of rooms available.

Capacity constraints / Fixed supply of hotel rooms in the short run – hotels in Dublin cannot suddenly make more rooms available when a major concert or event occurs. This results in fixed supply in the short run. When demand increases but supply is fixed / is inelastic / cannot increase, the market price of hotel rooms rise.

Greater willingness for attendees to pay / Inelastic PED among attendees – visitors travelling specifically to attend a concert or event may be willing to pay higher prices for accommodation because attending the event is important to them. Their demand is relatively price inelastic as they are willing to pay much more for a hotel room rather than miss out or stay farther away. When customers are willing to pay more, hotels can increase room prices without losing many bookings.

	(iii)	Local authorities in County Dublin have discussed the possible introduction of a tourist tax on overnight stays in hotels, hostels, Airbnbs. Outline two ways the local authorities could use revenue from a possible tourist tax to improve the lives of citizens in Dublin. **Invest in social housing** – local authorities play a mandatory central role in providing social housing. They could use tourist tax revenue to contribute to social housing projects. This would improve living conditions for citizens and help address chronic housing shortages in Dublin. **Invest in public transport infrastructure** – the tax revenue could upgrade transport infrastructure, such as bus lanes, cycle lanes, pedestrian crossings, and traffic management systems. These improvements may reduce congestion and make it easier for citizens to travel around Dublin. **Invest in public infrastructure** – the tax revenue could improve public infrastructure in Dublin such as roads, public parks, public toilets / shower facilities and street lighting. This could benefit citizens by making Dublin safer, improve the overall quality of public spaces and facilities for those living in Dublin. **Invest in street cleaning / litter management** – the tax revenue could fund better street cleaning, litter collection, and the maintenance of public spaces in Dublin. Increased tourism places additional pressure on public areas, and additional funding would help keep the city clean and improve the environment for residents. **Invest in community facilities** – tourist tax revenue could fund community facilities such as libraries, sports facilities, youth facilities, and community centres. This would improve the quality of life for citizens and strengthen local communities. **Invest in environmental improvements** – the tax revenue could fund environmental initiatives such as tree planting or improving green spaces in Dublin. These measures could improve air quality and create a more pleasant living environment for citizens. **Invest in tourism management and infrastructure** – tax revenue could manage tourism more effectively by improving signage, tourist information services, and visitor facilities. Better management of tourism in Dublin may reduce overcrowding in certain areas and improve the experience of residents living in busier parts of the city. **Invest in preserving culture / heritage** – the tax revenue could help to better maintain historic buildings, museums, monuments, and cultural sites. Preserving Dublin's cultural heritage improves Dublin's environment for residents and helps maintain its local identity and pride. **Invest in improving safety / security within the city** – some citizens complain of living in fear. The revenue could increase street lighting; added security personnel; improving measures which allow people to feel safer within their communities.	**2 @ 7**

(b) The chart below shows the main countries of origin for the **654,500** foreign visitors who arrived in Ireland in June 2025.



(i) Using data from the chart above, calculate the percentage of total foreign visitors to Ireland in June 2025, which came from **France**. **Show all your workings.** **5**

Workings:

$$\frac{32{,}500}{654{,}500} \times \frac{100}{1}$$

Answer: 4.96 %

(ii) In the months leading up to June 2025, the dollar depreciated against the euro.
This means that one dollar bought less euro.

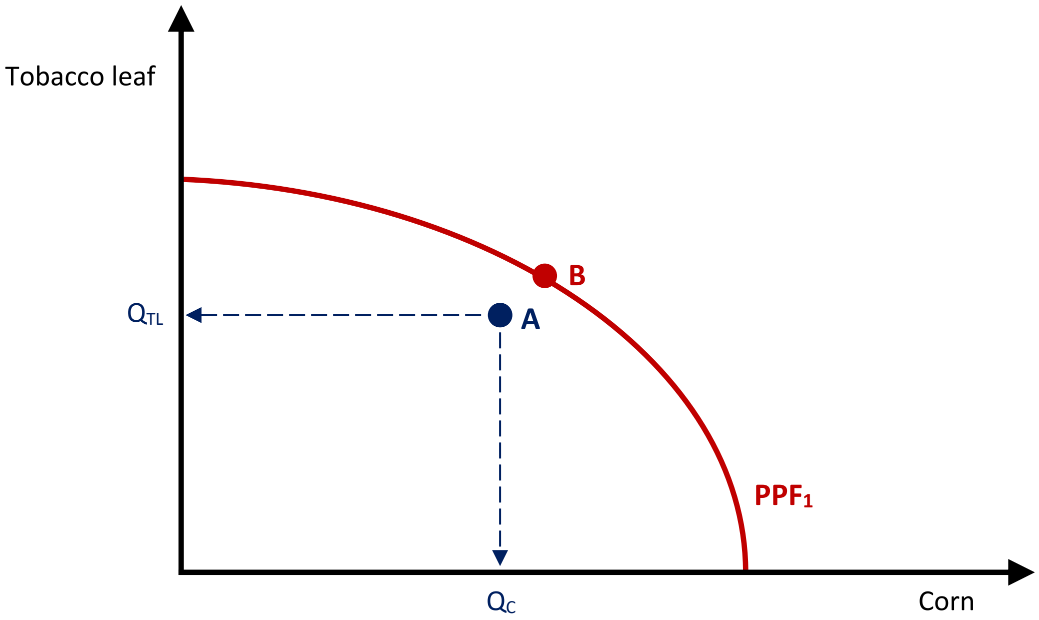
Outline one way this development may have influenced visitor numbers from the USA to Ireland in June. **7**

Higher cost of travelling to Ireland for US tourists / reduced visitor numbers – US tourists needed more dollars to buy the same amount of euro. This made expenses in Ireland such as hotels, food, transport, and attractions more expensive. As a result, some potential tourists from the USA may have decided not to travel to Ireland, which may have reduced visitor numbers.

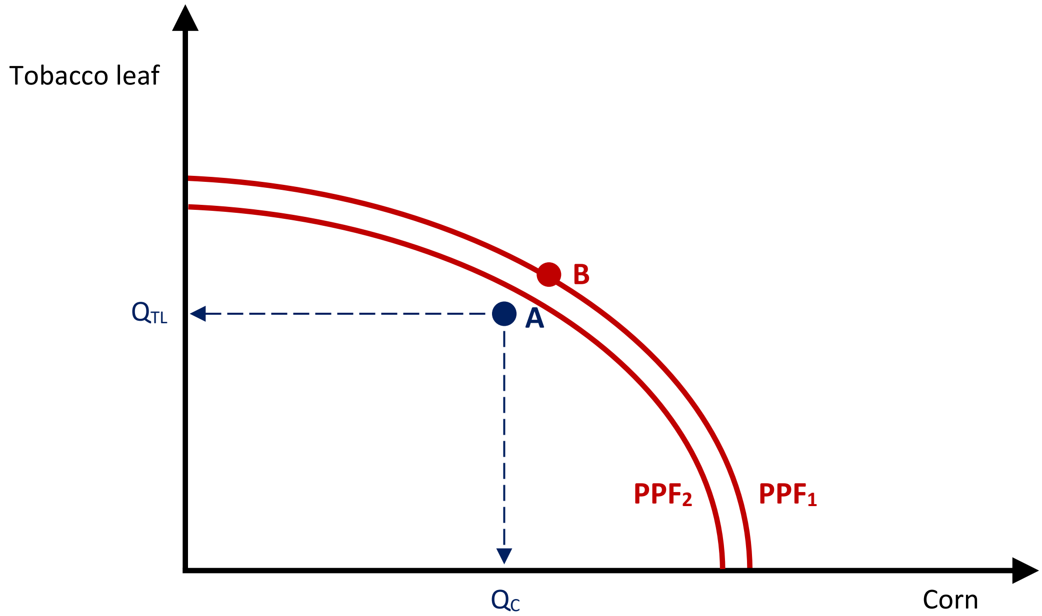
Substitution towards cheaper destinations – travelling to eurozone countries such as Ireland became more expensive for American tourists. Some US tourists may have substituted towards destinations where their currency would go further, such as countries with weaker currencies or destinations within the USA. This reduced Ireland's price competitiveness as a tourism destination.

Reduced discretionary spending – overseas holidays are discretionary spending. When international travel became more expensive due to the weaker dollar, some US households may have decided not to travel abroad at all, which could have reduced the number of Americans visiting Ireland.

	(iii)	About 40 million people used Irish airports in 2024, with 84% of the total passing through Dublin Airport. Adapted from the Sunday Independent, August 2025 Outline two ways the Irish government could use its ownership of Dublin, Shannon, and Cork airports to promote balanced regional development. **Upgrade regional airport infrastructure** – the government could invest in improving infrastructure at Shannon and Cork airports, such as upgrading terminals, runways, and passenger facilities. This would make these airports more attractive to airlines and passengers. If more flights arrive directly into regional airports, more tourists and business travellers would travel to regions outside Dublin, which supports economic activity and job creation in those areas. **Improve transport links from regional airports to nearby cities** – the government could invest in better road or rail links connecting regional airports to surrounding towns and cities. Improved access would make Shannon or Cork airports more attractive for airlines and passengers and encourage more travellers to enter Ireland through regional airports rather than Dublin. **Develop aviation and business activity at regional airports** – the government could encourage aircraft maintenance, training facilities, and logistics companies to locate at Shannon or Cork airports. The development of business parks or enterprise zones around the airports may attract investment and create skilled jobs in regions outside Dublin. **Pricing policy / Encourage routes from regional airports** – the government could offer incentives such as reduced landing charges or lower passenger fees at Shannon and Cork airports. Lower operating costs may encourage airlines to operate more direct international routes from these airports rather than concentrating flights in Dublin. This may increase passenger traffic and economic activity in regions outside Dublin. **Support cargo and logistics activity at regional airports** – regional airports such as Shannon could be developed as hubs for air cargo or logistics. Upgrading cargo facilities may attract investment, create jobs, and make it easier for regional businesses to export their goods to international markets. For example, improved cargo facilities at Cork Airport could help export industries in the region, such as pharmaceuticals, transport products more efficiently.	**2 @ 7**

(c)		The production possibility frontier (PPF) below shows the possible combinations of **tobacco leaf** and **corn** that Malawi could produce if it devoted all of its resources to producing only these two crops.  	
	(i)	Explain what the blue point (labelled A) in the diagram above shows about Malawi's current use of its resources. Point A lies inside the production possibility frontier (PPF_1). This shows that Malawi is not using its resources efficiently. Production occurring at point A means some resources such as labour, land, or capital are unemployed or underutilised. By moving towards the PPF / point B, Malawi could increase production of tobacco leaf and/or corn without needing to reduce production of the other. Malawi is underproducing output of both commodities based on current resources.	6

	(ii)	Severe flash floods in Malawi can affect the crops of tobacco leaf and corn. Show in the diagram above how this development in Malawi would affect the PPF. **Clearly label any changes you make**. Explain your answer.	6



Explain:

Flash floods can damage farmland, destroy crops, and reduce the productivity of resources used in agriculture.
As some resources become less productive or unusable, the maximum possible output of both tobacco leaf and corn decreases.
As a result, Malawi's production possibility frontier shifts inward from PPF_1 to PPF_2.
This shows a reduction in the country's productive capacity.

In January 2025 the United States (US) reduced its foreign aid programmes.
It is estimated that US assistance to Malawi a LDC (Least Developed Country) may **decline** by around 59% in 2025 relative to 2024.

Adapted from the International Food Policy Research Institute (IFPRI)

<table>
<tr><td></td><td>(iii)</td><td>Outline one economic challenge and one social challenge that Malawi may face as a result of this decline in US foreign aid.

Economic challenge:

Reduced government development spending – a decline in US foreign aid may mean fewer funds are available to the Malawian government for development projects such as infrastructure or agricultural programmes / reduced employment opportunities. This may slow economic development in Malawi.

Increased pressure on government finances – a significant reduction in US foreign aid may leave the Malawian government with fewer funds available in its budget. As a result, the government may need to increase borrowing or reduce spending. Increased borrowing may increase Malawi’s national debt and place further pressure on its public finances.

Reduced investment – foreign aid can help finance investment in infrastructure, agriculture, and industry in Malawi. A decline in US aid may reduce overall capital investment in the economy and limit future economic growth.

Reduced support for agriculture – foreign aid often funds fertiliser subsidies, irrigation schemes, or farming support programmes in developing countries like Malawi. A decline in US foreign aid may reduce support for farmers, which may reduce agricultural output and incomes in Malawi.

Reduced foreign exchange inflows – foreign aid provides foreign currency to LDCs such as Malawi. The large reduction in US aid may reduce the supply of foreign currency available in the country. This may make it harder for the country to pay for imports such as fuel, fertilisers, machinery, or medicines, which disrupts levels of production and trade.

Social challenge:

Increased poverty – less US foreign aid may lead to reduced government spending and fewer aid-funded programmes in Malawi. This may reduce employment opportunities and incomes and make it harder for households to afford essentials such as food, housing, and healthcare.

Reduced funding for healthcare – a decline in US foreign aid may reduce funding for healthcare programmes in Malawi. This may reduce access to medical treatment and disease prevention programmes such as those targeting HIV/AIDS or malaria.

Reduced funding for education – US foreign aid may help support schools, teacher training, or educational programmes in Malawi. A decline in aid may reduce the quality or availability of education.

Reduced access to clean water and sanitation – foreign aid often supports programmes that improve access to clean water and sanitation in developing countries such as Malawi. A reduction in US foreign aid may limit funding for these programmes and worsen living conditions.

Increased food insecurity – foreign aid may support food assistance programmes or agricultural supports in Malawi. A decline in US aid may increase the risk of food shortages / food insecurity for vulnerable households.</td><td>6

6</td></tr>
</table>

Each candidate is required to complete a Research Study and Report on one of the following research topics in the context of the research theme:

Research Topic 1

Candidates are required to pursue an individual line of inquiry analysing and evaluating the impact of one recent external economic shock (since 2020) on Ireland's economic resilience under the following two headings:

- Analyse and evaluate the economic implications of the external economic shock on a firm / firms in Ireland within one of: agrifood; energy; ICT; Pharma.
- Analyse and evaluate how your chosen external shock has exposed weaknesses in the economic resilience of Irish government economic policy.

Research Topic 2

Candidates are required to pursue an individual line of inquiry analysing and evaluating the impact of one recent external economic shock (since 2020) on consumer behaviour in Ireland and on Ireland's fiscal sustainability under the following two headings:

- Analyse and evaluate the economic implications of the external economic shock for consumer behaviour within one of: spending on energy; food; housing.
- Analyse and evaluate the implications of Irish government supports to households in the aftermath of the shock for Ireland's fiscal sustainability.

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 & 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.

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

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

Research Study Brief 2026

Ireland is a small, open economy and this has implications for our economic activity and performance, and for government policies and decisions. Students develop an understanding of how Ireland's economy is influenced by economic events and policy development at a European and international level.

Adapted from Economics Curriculum Specification, NCCA

A complex interplay between geopolitics and economics is now playing out. After decades of deepening economic integration, we are now navigating a markedly different environment, shaped by economic fragmentation and heightened geopolitical tensions. This shift has significant economic implications for Ireland's long-term economic resilience.

Minister for Finance, Paschal Donohoe, T.D., June 2025 (Adapted)

Economic resilience*: aims to better prepare countries to anticipate, withstand, and bounce back from any type of shock, disruption, or stress it may experience.*

US Economic Development Administration, 2025 (adapted)

Fiscal sustainability*: the ability of a government to maintain public finances at a credible and serviceable position over the long term. Fiscal sustainability implies governments can maintain policies and expenditures into the future, without major adjustments and excessive debt burdens for future generations.*

OECD, 202