

NAMIBIA SENIOR SECONDARY CERTIFICATE

ECONOMICS HIGHER LEVEL

8337/2

PAPER 2

2 hours

Marks 75

2017

Additional Materials: Answer Book

INSTRUCTIONS AND INFORMATION TO CANDIDATES

- Write your answers in the Answer Book provided.
- Write your Centre Number, Candidate Number and Name on all the work you hand in.
- Write in dark blue or black pen.
- You may use a soft pencil for any diagrams, graphs and rough working.
- Do not use correction fluid.

- Answer **all** questions.

- The number of marks is given in brackets [] at the end of each question or part question.
- You may use a non-programmable calculator.

This document consists of **5** printed pages and **3** blank pages.



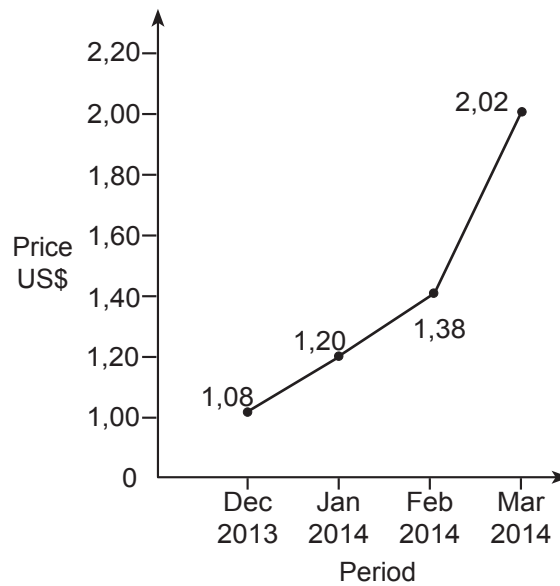
Republic of Namibia
MINISTRY OF EDUCATION, ARTS AND CULTURE

- 1 According to statistics released by the Business Insider in 2014, coffee is the second highest traded commodity in the world, apart from crude oil. The harvesting of raw coffee beans plays an important role in the economies of developing countries since they supply 90% of coffee beans globally.

Brazil, the biggest coffee bean producer and exporter of raw coffee beans in the world, experienced a severe drought in its coffee-producing regions in 2013. The effects of this on the importers (Graph 2), roasting and processing the beans, is uncertain.

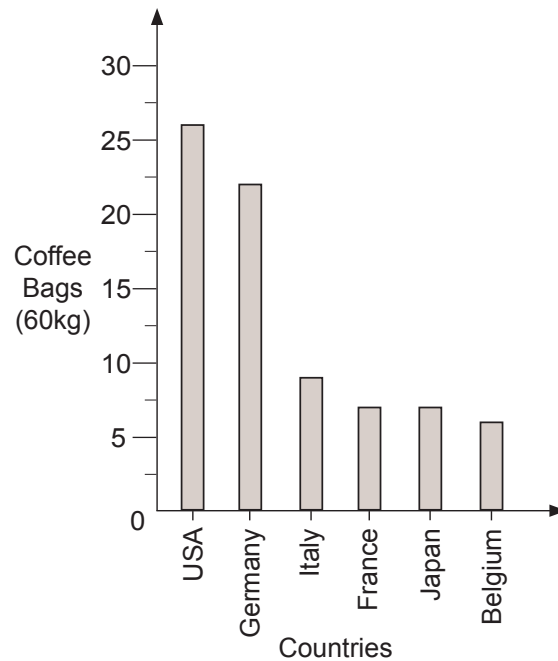
It takes, on average, five years for a newly planted coffee tree to mature before harvesting the beans. Coffee bean producers are, however, not too concerned about the poor harvests as their revenue might not be affected.

Price of one pound of coffee



Graph 1

Imports by the biggest coffee consuming countries in the world from December 2011 to December 2012



Graph 2

(Adapted from an article in Rapport, 9 March 2014)

- (a) Calculate the percentage change in the price of coffee from December 2013 to March 2014. [3]
- (b) Explain how the quantity and price of coffee in Brazil might have been affected. Use a demand and supply diagram to support your explanation. [6]
- (c) (i) Why do you think farmers might not be too concerned about the poor harvest and a possible fall in revenue? [4]
- (ii) Assess whether the supply of coffee might be price-elastic or price-inelastic. [3]
- (d) Explain possible reasons why some countries are mainly coffee producers, while other countries are mainly coffee consumers. [9]

[25]

- 2** The Namibian Government introduced strict measures to limit the consumption of tobacco products. Smoking in public areas and buildings has been banned. Cigarette packets have to inform smokers of the health hazards associated with smoking. All advertisements for and sponsorship of tobacco products were also banned. Fines of N\$60 000 or a three year jail sentence are imposed on public venue owners if smoking is allowed on their premises. Smokers in public places are fined N\$500 or given a one month jail sentence. Restaurant and bar owners feared the loss of regular customers due to this.

An increase in taxes on tobacco and alcohol products for all member countries of the South African Customs Union (SACU) resulted in an increase of 82 cents in the price of a packet of cigarettes in Namibia. The high cigarette prices led to an increase in the illegal trade of cigarettes. It is estimated that about one third of all cigarettes sold enter Namibia's borders illegally. A packet of smuggled cigarettes is sold at an average price of N\$14 compared with the average price of N\$33 paid for a packet of legally sold cigarettes.

(Adapted from an article in The Namibian Sun, 15 August 2014)

- (a) (i)** What are taxes on habitual products such as tobacco and alcohol called? [1]
(ii) Determine whether taxes on tobacco and alcohol products would be classified as a direct tax or an indirect tax. [4]
- (b)** How might income elasticity of demand be applicable to smokers? [4]
- (c)** Use the concepts of social costs and social benefits to explain the possible effects of introducing the new anti-tobacco policy. [8]
- (d)** Discuss how the Namibian Government might control business activities through
- (i)** consumer and worker protection. [4]
(ii) regional development. [2]
(iii) the production of other goods and services. [2]

[25]

- 3** Producers in the agricultural sector of South Africa are increasingly mechanising production due to higher labour costs. During 2013 the South African Government increased the minimum wage for farm workers by 52% after wide-spread labour unrest in this sector. Mainly unskilled and seasonal workers went on strike to demand higher minimum wages. Wage costs escalated further when the remuneration packages of higher skilled workers also had to be adjusted because of the sharp increase in the minimum wage rate.

In order to stay competitive in a price-taker market farmers were forced to retrench mainly their unskilled seasonal workers. In 1994, 2,1 million workers were employed in agriculture compared with 777 000 in 2014. During this period, however, output of agricultural products increased.

Farm workers earning higher wages were now able to qualify for credit schemes, such as buying more goods on hire-purchase.

(Adapted from an article in Rapport, 6 July 2014)

- (a) (i)** What is meant by the term *mechanisation*? [2]
(ii) Identify and explain **one** advantage of mechanisation from the article. [3]
- (b)** Examine the possible reasons why farmers mainly retrenched unskilled, seasonal workers. [4]
- (c)** Analyse the possible effects on the availability of increased credit on the spending patterns of farm workers. [5]
- (d) (i)** Which economic aim of the government might have been negatively affected with the introduction of the minimum wage? [2]
(ii) What type of government spending might have been influenced by the introduction of the minimum wage? [2]
- (e)** In which market structure would a price-taker operate? Justify your answer. [7]

[25]

