



ECONOMICS

9708/23

Paper 2 Data Response and Essay (Core)

October/November 2010

1 hour 30 minutes

Additional Materials: Answer Booklet/Paper

READ THESE INSTRUCTIONS FIRST

If you have been given an Answer Booklet, follow the instructions on the front cover of the Booklet.
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 or rough working.
Do not use staples, paper clips, highlighters, glue or correction fluid.

Section A

Answer this question.
Brief answers only are required.

Section B

Answer any **one** question.

You may answer with reference to your own economy or other economies that you have studied where relevant to the question.

At the end of the examination, fasten all your work securely together.
The number of marks is given in brackets [] at the end of each question or part question.



Section A

Answer this question.

1

Ghanaian Cocoa and Cadbury's Chocolate

In January 2008 Cadbury Schweppes, one of the largest multi-national confectionery producers, was facing problems. The price of its raw materials had reached record levels and consumers were being given government health warnings about the link between eating chocolate and being overweight.

Cocoa is one of the main ingredients in chocolate. Ghana provides Cadbury with 70% of its cocoa needs and Cadbury buys 10% of Ghana's total cocoa output. In January 2008, Ghana's cocoa sold at \$2557 per tonne, 10% above the average world price.

A study found that in 2008 the average production of a cocoa farmer in Ghana had dropped to 40% of potential yield and that the children of cocoa farmers did not want to work in the family business, where annual income was as little as \$850.

To improve matters Cadbury established the Cadbury Cocoa Partnership in 2008, providing \$87m over ten years to help cocoa farmers. The purpose of the partnership was to show cocoa farmers how to use fertilisers and work together. It also hoped to introduce new crops by encouraging the growing of red peppers, mangoes and coconuts, which can grow alongside cocoa trees. As well as this, Cadbury ordered the construction of 850 wells, each of which will provide water for about 200 people. This should enable women and children to reduce the time spent fetching water.

Table 1 World cocoa output showing the main producing countries

Producer	2002/3 (000 tonnes)	2006/7 (000 tonnes)
Cameroon	160	166
Cote d'Ivoire	1352	1229
Ghana	497	615
Indonesia	410	520
Nigeria	173	190
World	3169	3376

- (a) Suggest the likely opportunity cost to Ghanaian children of time spent fetching water. Explain your answer. [2]
- (b) Use Table 1 to compare the change in Ghana's cocoa output with that of the other main producers. [3]
- (c) With the use of a diagram, analyse the effect on the market for Cadbury's chocolate of the problems reported in the first paragraph. [6]
- (d) Explain how the Cadbury Cocoa Partnership hoped to affect the productivity of cocoa farmers. [3]
- (e) Discuss the consequences for countries such as Cote d'Ivoire and Ghana of relying heavily on the production of one crop. [6]

Section B

Answer **one** question.

- 2 (a) Explain the difficulties of carrying out a cost-benefit analysis. [8]
- (b) Discuss the economic consequences of externalities associated with production and consumption. [12]
- 3 (a) Explain why a low and stable rate of inflation may be beneficial to an economy. [8]
- (b) Discuss whether rapid inflation can be caused only by government actions. [12]
- 4 (a) Explain
- (i) the difference between trade creation and trade diversion, and
- (ii) the difference between expenditure-dampening and expenditure-switching trade policies. [8]
- (b) Discuss whether a balance of payments current account deficit necessarily indicates a weak economy. [12]

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Question 1 Table © *Quarterly Forecast of Product and Consumption 2012/13*; International Cocoa Organisation.

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