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# ECONOMICS

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# ECONOMICS

**Paper 2 2030/2**

**Wednesday 23 JUNE 2021 12:30 P.M. – 3:00 P.M.**

**Additional materials:**
**Graph Paper**

## MINISTRY OF EDUCATION NATIONAL EXAMINATIONS

**BAHAMAS GENERAL CERTIFICATE OF SECONDARY EDUCATION**

**INSTRUCTIONS TO CANDIDATES**

**Do not open this booklet until you are told to do so.**

Write your School Number, Candidate Number, Surname and Initials at the top of this booklet and on any additional sheets used (graph paper).

**Part I** consists of **THREE** questions. Candidates must attempt **ALL** questions.

**Part II** consists of **FIVE** questions. Candidates must choose **ONLY TWO** questions to answer.

Firmly attach the graph paper to the answer booklet.

Calculators are allowed.

**ALL your answers must be written in INK.**

| FOR EXAMINER'S USE ONLY | |
|---|---|
| **Part I: QUESTIONS 1 – 3 MUST BE ANSWERED** | |
| Question 1 | |
| Question 2 | |
| Question 3 | |
| **Part II: ONLY TWO OF FIVE TO BE ANSWERED** | |
| Question 4 | |
| Question 5 | |
| Question 6 | |
| Question 7 | |
| Question 8 | |
| **Total Marks 100** | |

**This question paper consists of 20 printed pages.**

**Part I – 60 Marks**

**Directions:** Candidates must attempt **ALL** questions in Part I.

1. The fisheries sector plays an important role in the Bahamian economy in terms of foreign currency earnings, food supply and employment. In recent years there has been an increase in the supply of fish to the population. The development of the fisheries sector in The Bahamas, however, has been hampered by the lack of a proper legal policy and planning framework.

**Adapted from a summary in the Fisheries and Aquaculture Review Document**

(a) What type of production does the fisheries sector fall under?

______________________________ [1]

(b) Define the term *supply*.

______________________________ [1]

(c) Identify and describe **two** factors that affect the supply of fish

______________________________

______________________________

______________________________

______________________________

______________________________ [4]

(d) The table below shows the supply schedule for a firm selling fish in the market:

| Price $ | Quantity Supplied |
|---|---|
| 50 | 800 |
| 45 | 700 |
| 40 | 600 |
| 35 | 500 |
| 25 | 300 |

Table 1

(i) Plot the *Supply Curve* on the graph paper provided. [5]

(ii) Calculate the *Elasticity of Supply* when the price falls from \$50 to \$35.

[3]

(iii) State whether elasticity of supply is **elastic, inelastic** or **unitary elastic.**

______________________________________________________________ [1]

Give **one** reason to support your response.

______________________________________________________________ [1]

(e) A weather report advised fishermen to stay in port for one week. This caused a decrease in the supply of fish by 50%.

(i) Calculate the new *Supply Curve* in the market:

| Price \$ | Quantity Supplied | New Quantity Supplied |
|---|---|---|
| 50 | 800 | |
| 45 | 700 | |
| 40 | 600 | |
| 35 | 500 | |
| 25 | 300 | |

[1]

Table 2

(ii) Plot and label the ***new*** curve on the same graph used in b (i). [3]

**TOTAL MARKS [20]**

2. Changes in the techniques of production will affect the costs of production. The use of more efficient machinery, better organisation of work and the introduction of new technology will tend to increase productivity and lower the costs of production. (Stanlake, 2000)

(a) Define the term *technology*.

______________________________________________

______________________________________________

______________________________________________ [1]

(b) Describe **three** ***advantages*** and **three** ***disadvantages*** of technology.

***ADVANTAGES:***

______________________________________________

______________________________________________

______________________________________________

______________________________________________

______________________________________________ [3]

***DISADVANTAGES:***

______________________________________________

______________________________________________

______________________________________________

______________________________________________

______________________________________________ [3]

(c) Suggest **three** things that can affect the *productivity of labour*.

______________________________________________

______________________________________________

______________________________________________

______________________________________________

______________________________________________ [3]

(d) In a 40 hour week two workers, **X** and **Y** are producing the same products with the same equipment. Worker **X** produces 120 straw hats and Worker **Y** produces 160 straw hats.

(i) Write the formula for productivity.

______________________________ [1]

(ii) Calculate the productivity of each worker.

[2]

(iii) Determine which worker is more productive in producing straw hats.

______________________________ [1]

(e) Discuss **three** effects that technical improvements in the banking industry have had on the employment of labour in The Bahamas.

______________________________

______________________________

______________________________

______________________________

______________________________

______________________________

______________________________ [6]

**TOTAL MARKS [20]**

3. High inflation and unemployment in an economy can stifle economic growth. All economies aim to achieve economic growth in their total output and income.

**Economics: A Complete Course & Revision Book**
**Third Edition**
**Moynihan, D. & Titley, B.**

(a) Define the following terms:

(i) 'economic growth'

[2]

(ii) 'real GDP'

[2]

(b) Differentiate between the terms short-run growth and long-run growth.

[4]

(c) List **two** economic benefits associated with economic growth in The Bahamas.

[2]

(d) Explain **three** causes of economic growth.

[6]

(e) When a country wishes to pursue economic growth there will always be social costs that accompany such growth.

Explain the term ‘social cost’ and provide **one** specific local example.

[4]

**TOTAL MARKS [20]**

**PART II – 40 Marks**

**Instructions:** You are to answer **ALL** parts of **ANY TWO** questions from this section.

4. The U.S. embargo of Cuba was first imposed in 1960. While The Bahamas has always maintained its opposition to the U.S. trade embargo, there were few Bahamians who did not experience concern when the U.S. government appeared set on restoring normal relations – diplomatic and economic – with Cuba. Uppermost in many minds was the impact that a revived Cuban tourism sector, with large scale U.S. participation as investors as well as visitors, could mean for Bahamian tourism.

**Source:** https://thenassauguardian.com/2019/06/06cuba-theu-s-embargo-and-bahamas-tourism/

(a) What does the term *economy* mean?

______________________________________________________________

______________________________________________________________ [2]

(b) What type of economy does Cuba have? What type does The Bahamas have?

______________________________________________________________

______________________________________________________________ [2]

(c) "In 2019, there were 7 million air and sea visitors to The Bahamas. Of that number, 1.78 million were stop over visitors. The most important component of your visitor arrivals are stop over visitors. They spend twenty times more than your cruise visitors."

**Dionisio D'Aguilar, Minister of Tourism,**
**23rd January 2020,**
**EyeWitness News**

(i) What percentage of visitor arrivals in 2019 were *stop over* visitors? Show working.

[1]

(ii) Stop over visitors spend twenty times more than cruise visitors. Suggest **three** areas of the economy where this *spending* may be seen.

______________________________________________________________

______________________________________________________________

______________________________________________________________ [3]

(d) Give and explain **two** reasons why the government of The Bahamas may seek to control its economy.

**REASON 1**

______________________________________________________________________

______________________________________________________________________

______________________________________________________________________ [2]

**REASON 2**

______________________________________________________________________

______________________________________________________________________

______________________________________________________________________ [2]

(e) Suggest **two** non-price competitive ways that Bahamians can use to maintain the number one tourist destination status in this region.

**METHOD 1**

______________________________________________________________________

______________________________________________________________________

______________________________________________________________________ [2]

**METHOD 2**

______________________________________________________________________

______________________________________________________________________

______________________________________________________________________ [2]

(f) Suggest **two** measures that the government and the private sector can use to offset the fall in tourist dollars if there is a decline in tourist arrivals as a result of competition from Cuba.

**METHOD 1**

_______________________________________________

_______________________________________________

_______________________________________________ [2]

**METHOD 2**

_______________________________________________

_______________________________________________

_______________________________________________ [2]

**TOTAL MARKS [20]**

5. In 2018 The Bahamas attracted some expansion of investment and fresh investment. There was the investor scramble for a foothold in South Eleuthera and control of the Nassau cruise port redevelopment. This shows that The Bahamas is still a viable option in the eyes of groups with substantial influence and capital.

**Source:** Joan Albury, President's Message
Bahamas Business Outlook 2019

(a) The Bahamas is considered a small, developing country. What does this mean?

_______________________________________________

_______________________________________________ [2]

(b) Give **two** features common to many developing countries.

_______________________________________________

_______________________________________________ [2]

(c) The following terms are usually associated with the major problems faced by developing countries that hinder economic growth.

Give **one** specific local example for ***each*** as it relates to The Bahamas.

Social Barriers

______________________________________________________________________

______________________________________________________________________

______________________________________________________________________ [2]

Poor Natural Resources

______________________________________________________________________

______________________________________________________________________

______________________________________________________________________ [2]

Inadequate Labour Force

______________________________________________________________________

______________________________________________________________________

______________________________________________________________________ [2]

(d) Many argue that rich countries assist poorer countries; either for humanitarian reasons or economic reasons.

Distinguish between the terms '*humanitarian motive*' and '*economic motive*'.

______________________________________________________________________

______________________________________________________________________

______________________________________________________________________

______________________________________________________________________ [4]

(e) Give **three** ways in which the International Bank for Reconstruction and Development (IBRD) serves and contributes to developing countries.

**SERVICES PROVIDED BY IBRD**

______________________________________________

______________________________________________

______________________________________________ [3]

**CONTRIBUTIONS TO COUNTRIES**

______________________________________________

______________________________________________

______________________________________________ [3]

**TOTAL MARKS [20]**

6. The May 2019 Labour Force Survey shows signs that the business sector is continuing to grow and strengthen. The national unemployment rate dropped to 9.5% from 10.7% in November, with private sector employment continuing to drive the improved performance. This is the lowest unemployment rate in 10 years.

**Source:** Ministry of Finance
August 9, 2019
Authored by Central Communication Unit

(a) What does *unemployment* mean?

______________________________________________

______________________________________________ [1]

(b) What is the difference between *frictional*, *cyclical* and *technological* unemployment?

______________________________________________

______________________________________________

______________________________________________

______________________________________________

______________________________________________

______________________________________________ [6]

(c) Give **two** *benefits* and **two** *problems* that unemployment can create for a government.

**BENEFITS:**

______________________________________________

______________________________________________

______________________________________________ [2]

**PROBLEMS:**

______________________________________________

______________________________________________

______________________________________________ [2]

(d) The figures below give information about employment.

| | |
|---|---|
| Unemployed | 15 275 |
| Self-Employed | 16 750 |
| Defence & Police Forces | 19 225 |
| Employees | 28 975 |

**NOTE:** Employees figure does **NOT** include Defence and Police Forces.

Calculate the following:

(i) size of the employed labour force

[2]

(ii) size of the working population

[2]

(iii) rate of unemployment

[2]

(e) Suggest **one** policy that the government may implement to cause a reduction in the unemployment rate. Give **two** reasons to support your suggestion.

---

---

---

--- [3]

**TOTAL MARKS [20]**

7. Very early in the history of the human race, people found that the output of a group could be greatly increased when people provided for their needs with the help of others.

**Source: G. F. Stanlake, 2002**

(a) This type of activity is useful at all levels of an economy. Give **one** specific example of this activity that is used daily in the home.

______________________________________________________________________

______________________________________________________________________ [1]

(b) Explain **two** types of specialisation.

______________________________________________________________________

______________________________________________________________________

______________________________________________________________________

______________________________________________________________________ [2]

(c) Suggest **two** reasons why a worker's level of efficiency may improve with an occasional change in the tasks assigned to him/her.

______________________________________________________________________

______________________________________________________________________

______________________________________________________________________

______________________________________________________________________

______________________________________________________________________ [4]

(d) Complete the table below by inserting the missing values.

| NUMBER OF WORKERS | TOTAL PRODUCT | AVERAGE PRODUCT | MARGINAL PRODUCT |
|---|---|---|---|
| 1 | 10 | | – |
| 2 | 26 | 13 | |
| 3 | 51 | 17 | 25 |
| 4 | | 20 | 29 |

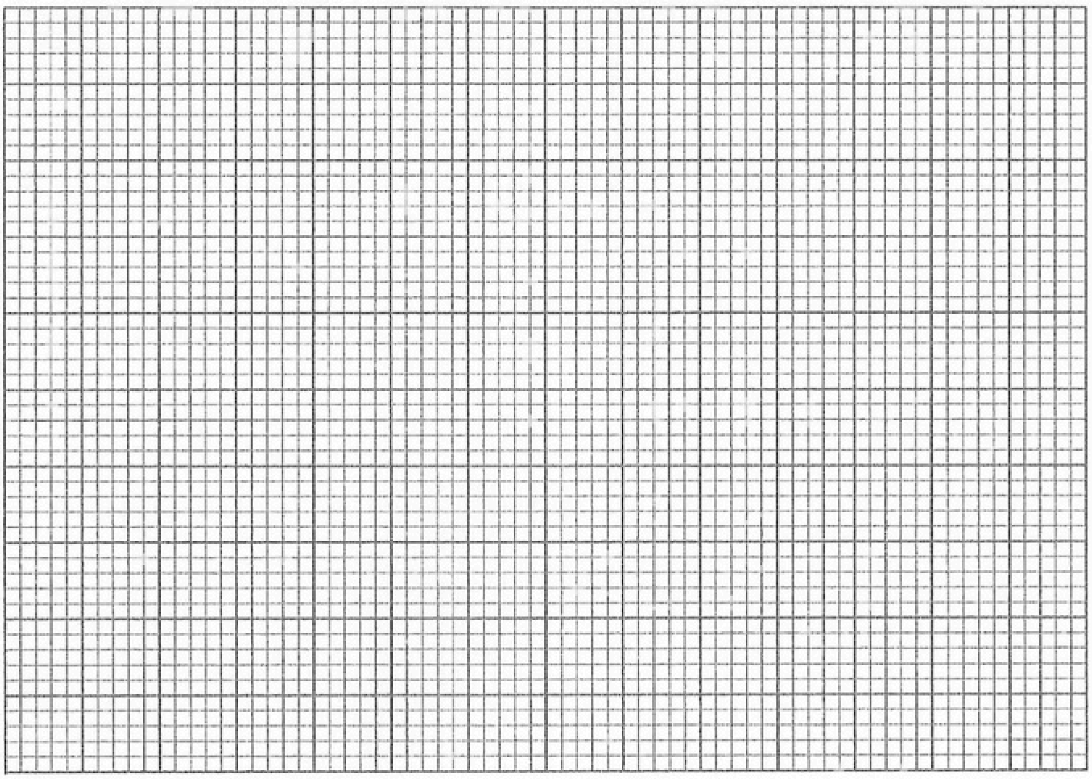
Table 3 [3]

(e) Chart 1 below provides information pertaining to production costs of a business.

| OUTPUT | FIXED COST | VARIABLE COST | TOTAL COST | MARGINAL COST |
|---|---|---|---|---|
| 0 | 600 | – | 600 | – |
| 1 | 600 | 500 | 1 100 | 500 |
| 2 | 600 | 1 300 | 1 900 | 800 |
| 3 | 600 | 1 900 | 2 500 | 600 |
| 4 | 600 | 2 000 | 2 600 | 200 |

Chart 1

(i) Use the graph form below to illustrate the Marginal Cost Curve from the information in Chart 1.



[3]

(ii) At which level of output is production no longer feasible?

______________________________________________________________

______________________________________________________________

______________________________________________________________ [1]

(f) A popular Cruise Line Resort is expected to open in 2022 or 2023 on a private island in the Caribbean.

Discuss **two** external economies of scale that may have attracted the Cruise Line to this island.

**ONE:**

______________________________________________________________________________

______________________________________________________________________________

______________________________________________________________________________

______________________________________________________________________________ [3]

**TWO:**

______________________________________________________________________________

______________________________________________________________________________

______________________________________________________________________________

______________________________________________________________________________ [3]

**TOTAL MARKS [20]**

8. With global oil prices creeping upwards since December 2018, there will be an effect on gas and electricity costs in The Bahamas though the cost at the pump and the price of utility costs have declined month-over-month.

In January, the Central Bank of The Bahamas noted that inflation rates increased for health care and transport but conversely decreased for housing, water, gas and electricity.

The cost of gas at Rubis has held at $4.24, Esso Stations has maintained its fuel at $4.10, meanwhile, the price of Shell gas increased in the last week by eight cents to $4.28.

**Taken from article by Royston Jones Jr.**
**March 6, 2019**

(a) In the study of Economics, what does the term *inflation* mean?

______________________________________________

______________________________________________ [2]

(b) Why is it that there will be an "effect on gas and electricity costs" in The Bahamas?

______________________________________________

______________________________________________

______________________________________________ [2]

(c) Should we consider the fluctuations in the prices of gas (gasoline) at the various retail outlets to be inflationary? Give **two** reasons to support your answer.

______________________________________________ [1]

**REASON 1**

______________________________________________

______________________________________________ [1]

**REASON 2**

______________________________________________

______________________________________________ [1]

(d) How is inflation measured?

______________________________________________

______________________________________________ [2]

(e) If the rate of inflation for 2019 was 190, and the rate for 2020 was 210, calculate the rate of inflation for 2020.

[3]

(f) There are many factors that affect the supply of gasoline. List and explain **two** such factors that affect the supply of gas (gasoline) in The Bahamas.

______________________________________________

______________________________________________

______________________________________________

______________________________________________

______________________________________________ [4]

(g) The demand for gasoline is ***inelastic***. Give **two** reasons to justify this statement.

**REASON 1**

______________________________________________

______________________________________________

______________________________________________ [2]

**REASON 2**

______________________________________________

______________________________________________

______________________________________________ [2]

**TOTAL MARKS [20]**

**End]**