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International General Certificate of Secondary Education

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ECONOMICS

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Paper 3 Analysis and Critical Evaluation

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1 hour 30 minutes

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READ THESE INSTRUCTIONS FIRST

This Insert contains extracts for Questions 1 and 2.

Anything written on this Insert will not be marked.

This document consists of **3** printed pages and **1** blank page.



Extracts for Question 1

Coffee is like gold for some people – but not for everybody

Two thousand feet up in the mountains of Jamaica the locals call it 'black gold'. It is the most expensive coffee in the world. Jamaican Blue Mountain coffee sells for an amazing US\$125 a kilogram, four times the average price of a good coffee blend. It earns Jamaica US\$38 million from trade, 70% of which comes from Japan.

However, not everybody benefits. More than 200 women sort the coffee beans for up to 14 hours a day, often 6 days a week. Only when the supervisor is convinced there are no faulty beans in the sack do they get paid, and then no more than US\$19 a day. The women complain about the working conditions, but the lack of other job opportunities and a trade union means they have to stay.

Starbucks to open fewer stores

Starbucks, the coffee shop chain, said, in 2007, that while they were still opening new stores, they would open 100 fewer stores in the United States than originally planned. They said that some customers were choosing to buy coffee from their cheaper competitors. The value of Starbucks' shares fell as it admitted that the number of American customers had fallen by 1%. The company still kept its overall aim of increasing the number of shops to 40 000 worldwide.

Starbucks had a bad year in 2007. Its raw material costs rose as milk prices increased, forcing the company to raise prices. The number of competitors increased and it found that its customers were coming from the lower income groups. These customers are more likely to reduce the purchases of expensive coffee than wealthier customers. However, for the third quarter of 2007 the company had profits of US\$158.5 million – a 35% increase on the same period in the previous year. Sales had increased 4% worldwide. Outside the United States, the number of customers rose by 5% and the average amount spent increased by 1%.

Extract for Question 2**Charging some cars extra to enter London may raise, not lower, pollution**

The use of cars causes pollution by the release of carbon dioxide into the air. For a number of years, people who travel into London during the day have had to pay a congestion charge. The Mayor of London proposed a scheme whereby users of large cars which cause the most carbon dioxide should be charged extra to travel into London, while those which cause less pollution should not have to pay the congestion charge.

Some local governments already charge owners of large cars more to buy a permit to park their cars. This creates extra revenue for the local government to spend.

A research report paid for by Land Rover, a manufacturer of some of the larger cars, said that the social benefit of the scheme would be £325 000 a year but the scheme would cost £6.5 million to establish and £2.5 million a year to run. It also said that 10 000 extra cars would enter London if the congestion charge were removed from some cars. Overall, the social cost would be much greater than the savings which the scheme would achieve.

A spokesperson for the Mayor said, 'it is not surprising that a report paid for by Land Rover has concluded against charging cars according to the amount of pollution they create'.

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