

Taxing Diamonds to Reduce Unemployment in Namibia: Would it Work?

Topic: CGE and Econometric Input-Output Analysis

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In this paper we evaluate the effects of raising tax rates on extractive industries (e.g., diamond and uranium mining) on employment rates for skilled and unskilled labor in Namibia. Using a Social Accounting Matrix for Namibia in 2000 kindly provided by Lange (2004), we built a Computable General Equilibrium (CGE) model that accounts for two types of labor and six types of households based on income level. We analyse several scenarios where tax rates on mining activities are increased in order to subsidize other industries to examine resultant effects on employment, GDP and household welfare. The preliminary results show that the mining sector has a significant impact on the whole economy and the negative effects of raising tax rates for these industries exceeds any positive employment-related effects of subsidizing other industries, even among the poorest households.