



education

Department:
Education
North West Provincial Government
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 12

ECONOMICS P2
SEPTEMBER 2023

MARKS: 150

TIME: 2 hours

Stanmorephysics

This question paper consists of 13 pages.

INSTRUCTIONS AND INFORMATION

1. Answer FOUR questions as follows in the ANSWER BOOK:

SECTION A: COMPULSORY

SECTION B: Answer TWO of the three questions.

SECTION C: Answer ONE of the two questions.

2. Answer only the required number of questions. Answers in excess of the required number will NOT be marked.
3. Number the answers correctly according to the numbering system used in this question paper.
4. Write the question number above each answer.
5. Read the questions carefully.
6. Start EACH question on a NEW page.
7. Leave 2–3 lines between subsections of questions.
8. Answer the questions in full sentences and ensure that the format, content and context of your responses comply with the cognitive requirements of the questions.
9. Use only black or blue ink.
10. You may use a non-programmable pocket calculator.
11. Write neatly and legibly.



SECTION A (COMPULSORY)**QUESTION 1****30 MARKS – 20 MINUTES**

1.1 Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A–D) next to the question numbers (1.1.1 to 1.1.8) in the ANSWER BOOK, e.g. 1.1.9 D.

1.1.1 The study of individual households in an economy is known as ... economics.

- A macro
- B micro
- C labour
- D international

1.1.2 In any market the average revenue curve is the same as the ... curve.

- A marginal cost
- B average cost
- C demand
- D supply

1.1.3 The assumption used by economists to describe a state where all other factors remain unchanged, is known as the ... rule.

- A shut-down
- B profit maximisation
- C ceteris paribus
- D revenue maximisation

1.1.4 Government intervention in the market ensures sufficient staple food for the poor by setting ... prices.

- A maximum
- B minimum
- C limited
- D market

1.1.5 The maximum number of tourists that an area can cope with in a way that does not destroy the attraction is called ...

- A conservation.
- B superstructure.
- C infrastructure.
- D carrying capacity.



1.1.6 The main purpose of South African Tourism (SAT) is to promote South Africa as a tourist destination to ... tourists.

- A domestic and international
- B only domestic
- C only international
- D only business

1.1.7 The international summit that commits industrialised countries to reduce greenhouse gas emissions is known as ...

- A Rotterdam Convention.
- B Basel Convention.
- C Cop 17.
- D Kyoto Protocol.

1.1.8 The government can prevent fauna and flora species from becoming extinct through ...

- A green tax.
- B granting of property rights.
- C environmental subsidy.
- D marketable permits.

(8 x 2) (16)



- 1.2 Choose a description from COLUMN B that matches the item in COLUMN A. Write only the letter (A–I) next to the question numbers (1.2.1 to 1.2.8) in the ANSWER BOOK, e.g. 1.2.9 J.

COLUMN A	COLUMN B
1.2.1 Short run	A existence of facilities and amenities, for example roads and bridges
1.2.2 Non-rivalry	B total revenue is equal to total cost
1.2.3 Opportunity cost	C the value of what you have to give up in order to choose something else
1.2.4 Firm	D meeting the needs of the present generation without compromising the needs of future generations
1.2.5 Infrastructure	E the emission of car gases that contribute to global warming
1.2.6 Sustainable development	F an act of visiting art galleries, museums, religious and sporting events
1.2.7 Cultural tourism	G consumption by one person does not reduce the consumption by another individual
1.2.8 Greenhouse effect	H smallest individual and independent producing unit I period where at least one factor of production is fixed

(8 x 1)

(8)



- 1.3 Give ONE term for each of the following descriptions. Write only the term next to the question numbers (1.3.1 to 1.3.6) in the ANSWER BOOK. Abbreviations, acronyms and examples will NOT be accepted.
- 1.3.1 A group of businesses that produce the same products.
- 1.3.2 A horizontal demand curve which represents changes in quantity demanded without a change in the price.
- 1.3.3 Financial grants by government to support the production of goods and services.
- 1.3.4 An economy that aims at ensuring sustainable development and reducing ecological scarcities without degrading the environment.
- 1.3.5 South Africans travelling within the borders of the country.
- 1.3.6 The large-scale removal of trees from an established forest. (6 x 1) (6)

TOTAL SECTION A: 30



SECTION B

Answer any TWO of the three questions in this section in the ANSWER BOOK.

QUESTION 2: MICROECONOMICS**40 MARKS – 30 MINUTES**

2.1 Answer the following questions.

2.1.1 Give any TWO examples of fixed cost. (2 x 1) (2)

2.1.2 How can producers benefit from minimum prices? (1 x 2) (2)

2.2 Study the extract below and answer the questions that follow.

**COMPETITION TRIBUNAL - HEARING ALERT
NU-AFRICA DUTY FREE SHOPS (PTY) LTD VERSUS DISTELL LTD**

In this matter, Nu-Africa Duty Free Shops (Pty) Ltd (“Nu-Africa”) accuses Distell Ltd (“Distell”) of abuse of dominance due to its market power.

This matter arose after Distell stopped supplying liquor products to Nu-Africa. Distell alleged that products supplied to Nu-Africa on a duty-free basis had made its way into the South African duty-paid market, a form of illicit alcohol trading known as 'tax leakage'. Nu-Africa denied Distell’s claims. They are now asking the Tribunal for an order declaring that Distell’s conduct amounts to an abuse of dominance, in contravention of the Competition Act.

The Competition Commission decided not to refer this matter. Nu-Africa subsequently self-referred the matter to the Tribunal.

[Adapted from The Competition Tribunal website]

2.2.1 Identify an institution that is responsible for investigating anti-competitive behaviour in the extract above. (1)

2.2.2 Which institution rules on cases submitted by businesses that are not satisfied with the rulings made by the Competition Tribunal? (1)

2.2.3 Briefly describe the term *implicit costs*. (2)

2.2.4 Explain the way in which dominant businesses can abuse their market powers. (2)

2.2.5 How can small, medium and microenterprises (SMME) contribute to the goals of the competition policy? (2 x 2) (4)

2.3 Study the table below and answer the questions that follow.

COSTS AND BENEFITS IN THE SUPPLY OF ELECTRICITY TO SCHOOLS		
SCHOOL	ECONOMIC COSTS R million	ECONOMIC BENEFITS R million
A	2	1
B	3,5	2
C	4	5

- 2.3.1 Identify institutions that are supplied with electricity in the table above. (1)
- 2.3.2 Name the sector which conducts a cost benefit analysis to determine whether a project is beneficial to the society or not. (1)
- 2.3.3 Briefly describe the term *externality*. (2)
- 2.3.4 Why are some projects undertaken although the financial cost is very high? (2)
- 2.3.5 Use the information in the table above to determine whether the project for school C is viable. Show ALL calculations. (4)
- 2.4 Briefly discuss *overt collusion and tacit collusion*. (2 x 4) (8)
- 2.5 Examine the conditions under which perfect competition successfully operates. (4 x 2) (8)
- [40]**



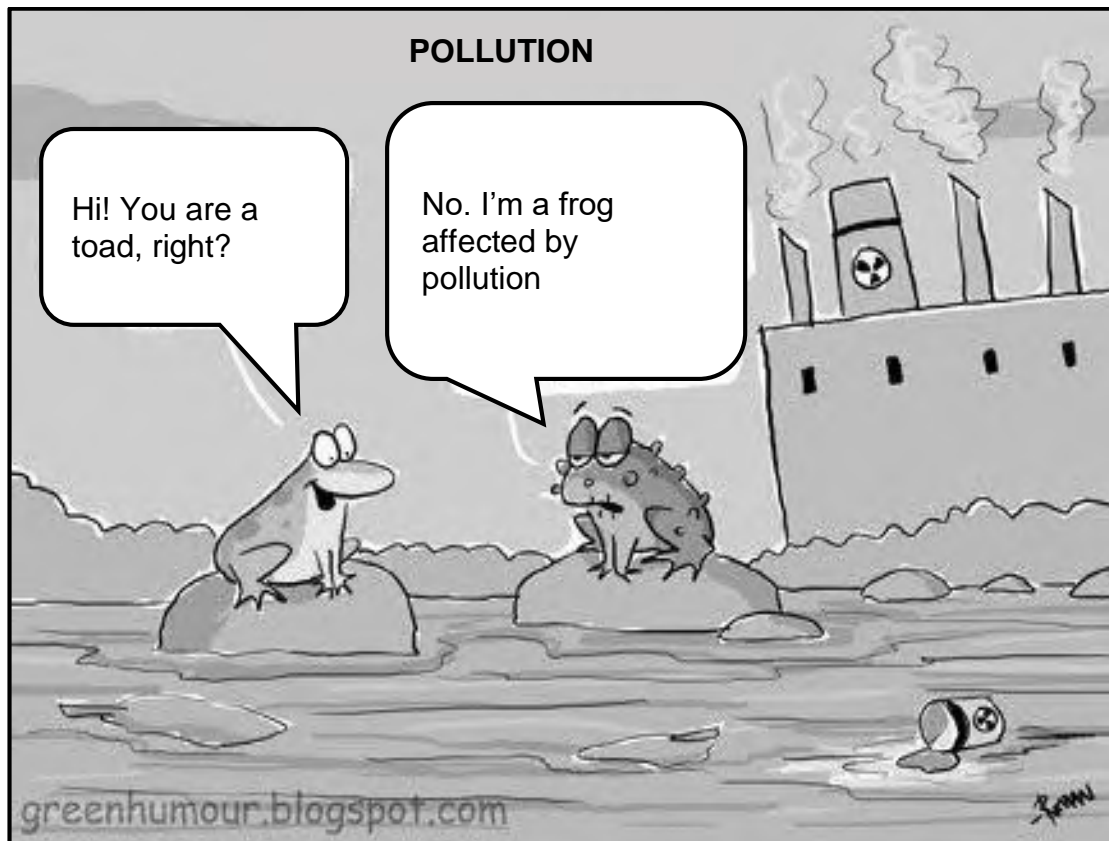
QUESTION 3: CONTEMPORARY ECONOMIC ISSUES**40 MARKS – 30 MINUTES**

3.1 Answer the following questions.

3.1.1 Name any TWO Millennium Development Goals. (2 x 1) (2)

3.1.2 How can indigenous knowledge systems (IKS) be used to promote tourism in South Africa? (1 x 2) (2)

3.2 Study the cartoon below and answer the questions that follow.



[Adapted from www.wikipedia.org]

3.2.1 Identify the type of pollution depicted in the cartoon above. (1)

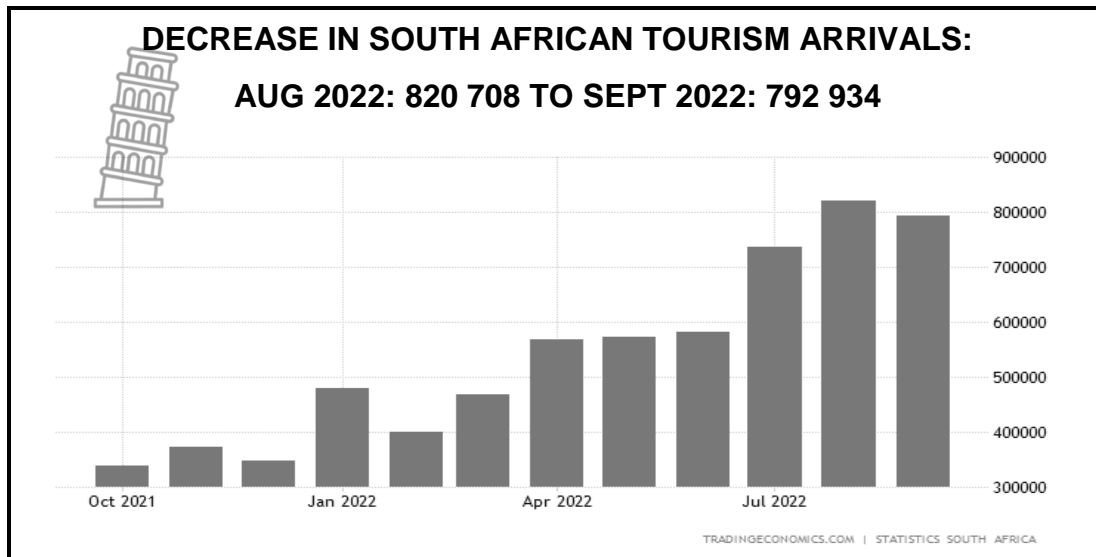
3.2.2 Which government department is responsible for issuing out marketable permits in South Africa? (1)

3.2.3 Briefly describe the term *biodiversity*. (2)

3.2.4 Explain the message depicted by the cartoon above. (2)

3.2.5 How can the government promote the preservation of endangered environmental species? (2 x 2) (4)

3.3 Study the graph below and answer the questions that follow.



- 3.3.1 Identify a period in which South Africa had the lowest number of tourist arrivals in the graph above. (1)
- 3.3.2 State any ONE criterion, that an activity should meet in order for it to be regarded as tourism. (1)
- 3.3.3 Briefly describe the term *inbound tourism*. (2)
- 3.3.4 Why is tourism regarded as a labour-intensive industry? (2)
- 3.3.5 Use the information in the graph above to calculate the percentage decline in the number of tourists arrivals between the months of August and September 2022. Show ALL calculations. (4)
- 3.4 Explain *voluntary agreements* and *command and control (CAC)* as government measures to ensure environmental sustainability. (2 x 4) (8)
- 3.5 Why is investment in tourism important for the economy? (4 x 2) (8)

[40]



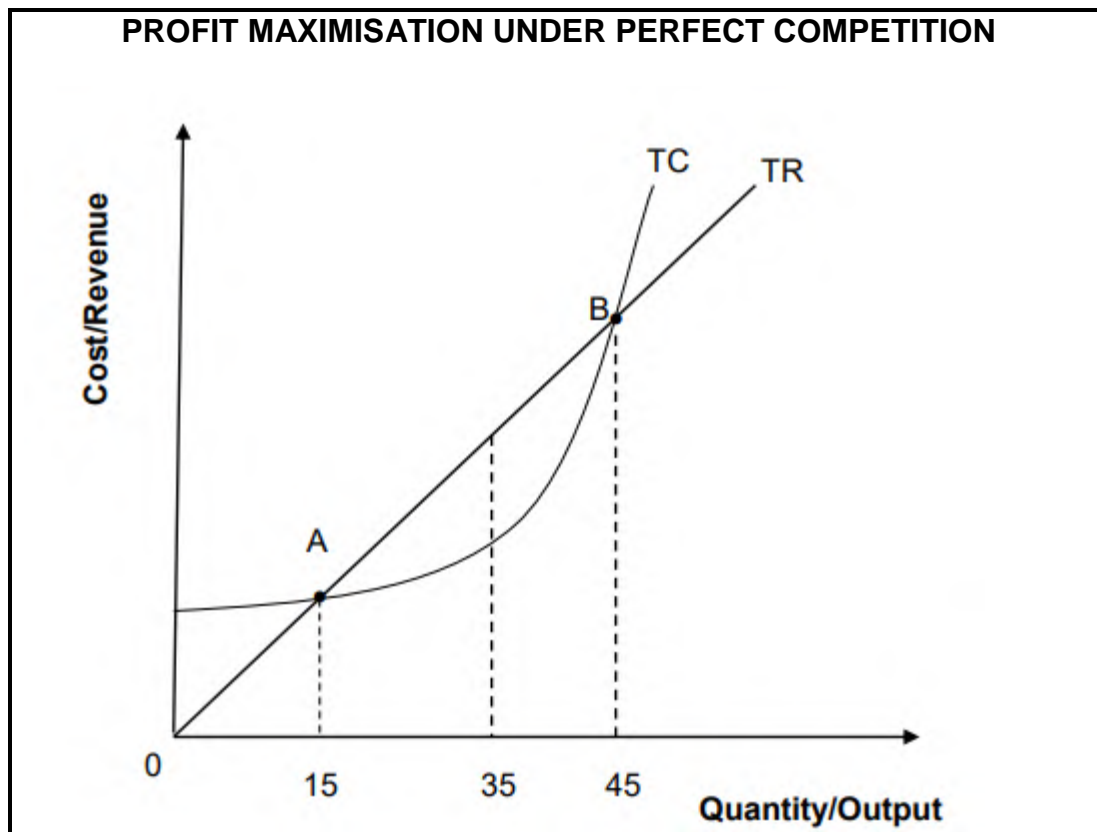
QUESTION 4: MICROECONOMICS AND CONTEMPORARY ECONOMIC ISSUES
40 MARKS – 30 MINUTES

4.1 Answer the following questions.

4.1.1 Give any TWO effects of tourism. (2 x 1) (2)

4.1.2 How would an increase in the number of suppliers in a perfect market influence the prices of goods and services? (1 x 2) (2)

4.2 Study the graph below and answer the questions that follow.



4.2.1 Identify a break-even point in the graph above. (1)

4.2.2 Which other TWO curves can be used to illustrate the profit maximisation point of a perfectly competitive firm? (1)

4.2.3 Briefly describe the term *profit maximisation*. (2)

4.2.4 Why is the firm above only maximising profit at the point where output produced is 35? (2)

4.2.5 How does the total revenue (TR) curve of a perfectly competitive firm differ from the one of an imperfectly competitive firm? (2 x 2) (4)

4.3 Study the cartoon below and answer the questions that follow.




[Adapted from [The Week.com](http://TheWeek.com)]

- 4.3.1 Identify an international agreement on sustainable development from the cartoon above. (1)
 - 4.3.2 Name the international organisation that initiated sustainable development summits. (1)
 - 4.3.3 Briefly describe the term *climate change*. (2)
 - 4.3.4 What was the purpose of the Rio Earth Summit? (2)
 - 4.3.5 How can environmental subsidies be used to reduce environmental damage? (2 x 2) (4)
 - 4.4 With the aid of a graph (Production Possibility Curve) explain how productive and allocative efficiencies can be achieved in the market. (8)
 - 4.5 Evaluate the effectiveness of new technology in sustaining the environment. (4 x 2) (8)
- [40]**
TOTAL SECTION B: 80

SECTION C

Answer any ONE of the two questions from this section in the ANSWER BOOK.

Your answer will be assessed as follows:

 STRUCTURE OF ESSAY	MARK ALLOCATION
Introduction The introduction is a lower order response: <ul style="list-style-type: none"> • A good starting point would be to define the main concept related to the question topic • Do NOT include any part of the question in the introduction • Do NOT repeat any part of the introduction in the body. • Avoid mentioning in the introduction what you are going to discuss in the body. 	Max.2
Body Main part: Discuss in detail/In-depth discussion/Examine/Critically discuss/Analyse/Evaluate/Distinguish/Differentiate/Draw a graph and explain/Use the graph given and explain/Complete the given graph/ Assess/Debate A maximum of 8 marks may be allocated for headings/examples. Additional part: Critically discuss/Evaluate/Critically evaluate/ Debate/ Deduce/Compare/Distinguish/Interpret/How/Suggest A maximum of 2 marks may be allocated for mere listing of facts.	Max.26 Max.10
Conclusion Any higher–order conclusion should include: <ul style="list-style-type: none"> • A brief summary of what has been discussed without repeating facts already mentioned • Any opinion or value judgement on the facts discussed • Additional support information to strengthen the discussion/analysis • A contradictory viewpoint with motivation, if required • Recommendations 	Max.2
TOTAL	40

QUESTION 5: MICROECONOMICS**40 MARKS – 30 INUTES**

- Compare and contrast in detail, the market structures of a monopoly and that of a monopolistic competition. (26 marks)
- Why would a monopoly always make economic profit in the long? (10 marks) **[40]**

QUESTION 6: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 30 MINUTES

- Discuss in detail the measures to combat inflation. (26 marks)
- How can inflationary expectations influence the behaviour of various participants in the economy? (10 marks) **[40]**

TOTAL SECTION C: 40
GRAND TOTAL: 150



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GRADE 12

**ECONOMICS P2
SEPTEMBER 2023
MARKING GUIDELINES**

MARKS: 150



These marking guidelines consist of 20 pages.

SECTION A (COMPULSORY)**QUESTION 1****1.1 MULTIPLE-CHOICE QUESTIONS**

- 1.1.1 B - micro ✓✓
- 1.1.2 C - demand ✓✓
- 1.1.3 C - ceteris paribus ✓✓
- 1.1.4 A - maximum ✓✓
- 1.1.5 D - carrying capacity ✓✓
- 1.1.6 A - to domestic and international ✓✓
- 1.1.7 D - Kyoto protocol ✓✓
- 1.1.8 B - granting of property rights ✓✓ (8 x 2) (16)

1.2 MATCHING ITEMS

- 1.2.1 I - period where at least one factor of production is fixed ✓
- 1.2.2 G - consumption by one person does not reduce the consumption by another individual ✓
- 1.2.3 C - the value of what you have to give up in order to choose something else ✓
- 1.2.4 H - smallest individual and independent producing unit ✓
- 1.2.5 A - existence of facilities and amenities, for example roads and bridges ✓
- 1.2.6 D - meeting the needs of the present generation without compromising the needs of future generations ✓
- 1.2.7 F - an act of visiting art galleries, museums, religious and sporting events ✓
- 1.2.8 E - the emission of car gases that contribute to global warming ✓ (8 x 1) (8)



1.3 GIVE THE TERM

- 1.3.1 Industry ✓
1.3.2 Perfectly/ infinitely elastic ✓
1.3.3 Subsidies/ Direct subsidy ✓
1.3.4 Green economy ✓
1.3.5 Domestic tourists ✓
1.3.6 Deforestation ✓

(6 x 1) (6)

TOTAL SECTION A: 30



SECTION B**QUESTION 2: MICROECONOMICS**

Answer any TWO of the three questions in this section in the ANSWER BOOK.

2.1.1 Answer the following questions:

2.1.1 Give any TWO examples of fixed cost.

- insurance✓
- rent / lease contracts / property taxes✓
- depreciation✓
- salaries✓

(Accept any other correct relevant response) (2 x 1) (2)

2.1.2 How can producers benefit from minimum prices?

Producers will be able to make comfortable profits, which will encourage them to produce more and give them more certainty for future planning✓✓

(Accept any other correct relevant response) (1 x 2) (2)

2.2 DATA RESPONSE

2.2.1 Identify an institution that is responsible for investigating anti-competitive behaviour in the extract above.

The Competition Commission✓ (1)

2.2.2 Which institution rules on cases submitted by businesses that are not satisfied with the rulings made by the Competition Tribunal?

The Competition Appeal Court/ CAC✓ (1)

2.2.3 Briefly describe the term *implicit costs*.

The value of skills owned by the entrepreneur and used in the production process✓✓

(Accept any other correct relevant response) (2)

2.2.4 Explain the way in which dominant businesses can abuse their market power.

Businesses can abuse their market power by:

- excessive pricing of goods or services, denying competitors access to an essential facility, price discrimination (unjustifiably charging customers different prices for the same goods or services) ✓✓
- other exclusionary acts such as
- refusal to supply scarce goods to a competitor ✓✓
- inducing suppliers or customers not to deal with a competitor ✓✓
- charging prices that are below cost so as to exclude rivals ✓✓

- bundling goods or services and buying up a scarce input required by a competitor. ✓✓
(Accept any other correct relevant response) (2)

2.2.5 **How can small, medium and microenterprises (SMME) contribute to the goals of the competition policy?**

- They provide more competition which will prevent monopolies from abusing their power / Prevent some firms from using restrictive practices like price fixing ✓✓
- SMMEs are an indication that all South African businesses, small and big are provided with equal opportunities to participate in the economy ✓✓
- The labour-absorptive capacity of the small business sector is higher than that of other size classes ✓✓
- The average capital cost of a job created in the SMME sector is lower than in the big business sector ✓✓
- They provide opportunities for aspiring entrepreneurs, especially those who are unemployed, under-employed or retrenched ✓✓
- Workers at the smaller end of the scale often require limited or no skills or training; they learn on the job ✓✓
(Accept any other correct relevant response) (2 x 2) (4)

2.3 **DATA RESPONSE**

2.3.1 **Identify institutions that are supplied with electricity in the table above.**

- Schools ✓ (1)

2.3.2 **Name the sector which conducts a cost benefit analysis to determine whether a project is beneficial to the society or not.**

- Public sector ✓ (1)

2.3.3 **Briefly describe the term *externality*.**

- Costs or benefits to third parties which are not included in the market price of a good/spill-over effect/third party effects ✓✓
(Accept any other correct relevant response) (2)

2.3.4 **Why are some projects undertaken although the financial cost is very high?**

- Government is concerned about efficient public service rather than private cost. ✓✓
- The long-term social benefit is of greater importance than the initial money spent. ✓✓
- The focus is on whether a project will benefit the country as a whole. ✓✓
(Accept any other correct relevant response) (2 x 1) (2)

2.3.5 Use the information in the table above to determine whether the project for school C is viable. Show ALL calculations.

$$R5\ 000\ 000/R4\ 000\ 000 \checkmark = 1,24 \text{ or } 1,3 \checkmark$$

The project is viable \checkmark because the benefits exceed the costs/the CBR is greater than 1 \checkmark

(4)

2.4 Briefly discuss overt collusion and tacit collusion.

Overt collusion

- It is when oligopolies collude openly and formally. $\checkmark \checkmark$
- Definition: It is an organization of oligopolistic businesses that comes into existence in an industry with the specific aim of forming a collective monopoly. $\checkmark \checkmark$
- Cartels control the production of goods and this influences the prices of products $\checkmark \checkmark$
- E.g. OPEC (oil) \checkmark

(2 x 2)

Tacit collusion

- The behaviour by firms is motivated by an arrangement that is not formal / Unspoken actions between oligopolistic firms that are likely to minimise a competitive response / When a dominant firm increase its price and hope that its rivals will see it as a market signal and increase their prices. $\checkmark \checkmark$
- Price signals are frequently the key element to tacit collusion. $\checkmark \checkmark$
- One business increases its price in the hope that its rivals will increase their prices – such a firm is known as a price leader. $\checkmark \checkmark$
- When the other businesses follow with the increase, they are known as price followers. $\checkmark \checkmark$
- Price leaders are usually the strongest and most dominant business whose production cost is the lowest. $\checkmark \checkmark$
- E.g. steel industry, transport industry \checkmark

(2 x 2)

(Accept any other correct relevant response) (Max 2 x 4)

(A maximum of 4 marks may be allocated for mere listing of facts)

(8)

2.5 Examine the conditions under which perfect competition successfully operates.

- The costs of production are lower due to allocative efficiency. $\checkmark \checkmark$
- There are no barriers to entry in the market, aspiring businesses can easily enter the market. $\checkmark \checkmark$
- Perfect market increases competition which lowers the prices for the consumer. $\checkmark \checkmark$
- A perfect competitor produces large quantities and sell at lower prices which benefits the consumers. $\checkmark \checkmark$
- The products are already known in the market therefore producers save on advertising costs. $\checkmark \checkmark$

- Consumers are not exploited since perfect competitors are price takers and sell at a market price. ✓✓
- The costs of production are lower as the firms produce at the lowest point of the average cost curve. ✓✓ (4 x 2)
(Accept any other correct relevant response.)

(A maximum of 2 marks may be allocated for mere listing of facts)

(8)

[40]



QUESTION 3: CONTEMPORARY ECONOMIC ISSUES

3.1 Answer the following questions.

3.1.1 **Name any TWO Millennium Development Goals.**

- End poverty in all its forms and everywhere ✓
- End hunger ✓
- Good health and well-being ✓
- Quality education ✓
- Gender equality ✓
- Clean water and sanitation ✓
- Affordable and clean energy ✓
- Eradicate extreme poverty and hunger.
- Achieve universal primary education.
- Promote gender equality and empower women.
- Reduce child mortality.
- Improve maternal health.
- Combat HIV/AIDS, malaria and other diseases.
- Ensure environmental sustainability.
- Global partnership for development.

(Accept any other correct relevant response)

(2 x 1)

(2)

3.1.2 **How can indigenous knowledge systems (IKS) be used to promote tourism in SA?**

By:

- promoting local culture, history and environment to international tourists ✓✓
- offering tourists an authentic village experience at cultural villages, such as Shangana in Mpumalanga ✓✓
- promoting cultural significance of World Heritage Sites, such as Robben Island ✓✓
- touring townships, such as Soweto, to allow tourists to eat and drink at a shebeen ✓✓
- taking tourists who are interested in arts to festivals, such as the National Arts Festival in Grahamstown ✓✓

(Accept any other correct relevant response)

(1 x 2)

(2)



3.2 DATA RESPONSE

3.2.1 Identify the type of pollution depicted in the cartoon above.

- Water ✓
- Air ✓

(Accept any other correct relevant response)

(1)

3.2.2 Which government department is responsible for issuing out marketable permits in South Africa?

- Department of Minerals Resources and Energy/ DMRE ✓

(1)

3.2.3 Briefly describe the term *biodiversity*.

The existence of the generic variety and number of species of animal and plant life in the eco-system ✓✓

(Accept any other correct relevant response)

(2)

3.2.4 Explain the message depicted by the cartoon above.

Pollution has negative effects on animals, plant and people. ✓✓

(Accept any other correct relevant response)

(2)

3.2.5 How can the government promote the preservation of endangered environmental species?

- The government can buy or expropriate places or assets that are likely to be misused or harmful to nature ✓✓
- Some areas may be closed for human use so as to save them from abuse ✓✓
- The government may use subsidies to promote the private ownership of certain areas to ensure sustainability. These subsidies may be in the form of maintenance grants or tax concessions ✓✓
- The government may apply control measures such as compelling the property owners to not exceed certain quotas of prawns and young fish that may be removed from the river, lake or sea, the number of visitors allowed per day ✓✓

(Accept any other correct relevant response)

(2 x 2)

(4)



3.3 DATA RESPONSE

3.3.1 Identify a period in which South Africa had the lowest number of tourist arrivals in the graph above.

- October 2021 ✓ (1)

3.3.2 State any ONE criterion that an activity should meet in order for it to be regarded as tourism.

- Purpose for the visit ✓
- No remuneration ✓
- Minimum of one night ✓
- Maximum of one year ✓
- Travelling distance of more than 160 km ✓ (1)

3.3.3 Briefly describe the term *inbound tourism*.

An act of foreigners visiting South Africa for leisure, business, etc ✓✓
 Tourism which involves people from other countries coming to visit South Africa ✓✓
 (Accept any other correct relevant response) (2)

3.3.4 Why is tourism regarded as a labour-intensive industry?

Many of the jobs it offers are all about working with people, they're often low skilled so they are ideal for less developed countries where lack of formal education holds many people back. ✓✓
 (Accept any other correct relevant response) (2)

3.3.5 Use the information in the graph above to calculate the percentage decline in the number of tourists arrivals between the months of August and September 2022. Show ALL calculations.

$$\begin{aligned} \text{\% Decline} &= \frac{792\,934 - 820\,708}{820\,708} \times 100 \\ &= -3,38\% \text{ or } -3,4\% \end{aligned} \quad (4)$$

3.4 Explain *voluntary agreements* and *command and control (CAC)* as government measures to ensure environmental sustainability.

Voluntary Agreements

- Voluntary agreements refer to formal and informal arrangements, rather than imposing regulations, between the government and businesses to reduce pollution. ✓✓
- The government may conclude agreements with businesses on a voluntary basis to cut pollution. ✓✓

- These agreements often work well because businesses are empowered to negotiate arrangements that suit their own circumstances and create better platform for planning.✓✓
- This ensures commitment by businesses as they uphold to agreements that they have negotiated since they are directly involved.✓✓ (Max 4)

Command and Control (CAC)

- CAC refers to regulations set by the government to enforce environmental limits and standards.✓✓
 - The government enforces policy by setting maximum levels of the emission of pollution.✓✓
 - The department of Environmental Affairs assigns inspectors to monitor the environmental activities of businesses and impose fines if the legal limits are not adhered to.✓✓
 - Most developed countries have regulations that control air and water pollution.✓✓
 - There are 3 approaches in CAC systems:
 - Quantity standards:** These focus on the amount of pollution emitted.✓✓
 - Quality standards:** These focus on the environmental impact of the pollution emitted.✓✓
 - Social impact standards:** These focus on the effect on people as a result of pollution emitted.✓✓ (Max 4)
- (Accept any other correct relevant response) (2 x 4)
- (A maximum of 4 marks may be allocated for mere listing of facts)**

(8)

3.5

Why is investment in tourism important for the economy?

Tourism investment is important to the economy because:

- it links markets to rural areas where production takes place, due to the upgrading of transport infrastructure to tourist sites in rural areas✓✓
- it improves the efficiency to conduct business by supplying effective communication infrastructure at hotels, for example telephone lines and internet access✓✓
- it provides a reliable energy infrastructure, for example lights and hot water to improve the quality and comfort of the tourists' stay which will grow tourism further✓✓
- it requires basic services infrastructure which can lower the level of unemployment / ensure clean water and refuse removal at tourist sites and in the local community✓✓
- it leads to the establishment of businesses near tourist sites such as a general dealer, chemists, a spa, restaurants which will increase GDP✓✓
- it allows the tourist to enjoy a unique experience of the country, through a variety of recreational activities such as abseiling, 4x4 drives, game drives and hikes✓✓

- an increase in capital formation could solve the large socio-economic problem of unemployment, by focusing on this labour-intensive industry ✓✓
- a large part of the South African population lives in areas that are characterised by extreme poverty and underdevelopment, where various major tourist attractions could lead to development of projects to solve these problems ✓✓
- negative externalities like carbon emissions could be limited through carbon taxes or tradable carbon permits as additional income to the government ✓✓

(Accept any other correct relevant response)

(Allocate a maximum of 2 marks for mere listing of facts)

(8)

[40]

QUESTION 4: MICROECONOMICS AND CONTEMPORAY ECONOMIC ISSUES

4.1 Answer the following questions.

4.1.1 Give any **TWO** effects of tourism.

- GDP ✓
- Employment ✓
- Poverty ✓
- Externalities ✓
- Environment ✓
- Investment ✓

(2 x 1) (2)

4.1.2 How would an increase in the number of suppliers in a perfect market influence the prices of goods and services?

The quantities of goods supplied will increase leading to a decrease in prices of goods and services. ✓✓

(Accept any other correct relevant response)

(2)

4.2 **DATA RESPONSE**

4.2.1 Identify a break-even point in the graph above.

A/B ✓

(1)

4.2.2 Which other **TWO** curves can be used to illustrate the profit maximisation point of a perfectly competitive firm?

MR and MC ✓

(1)

4.2.3 Briefly describe the term *profit maximisation*.

Tendency of business firms to maximize profits in the short or long run by using the most efficient methods and equalizing the marginal cost and revenues ✓✓

The process by which a firm determines the price and output level that returns the greatest profit ✓✓

It is the short run or long run process by which a firm may determine the price, input and output levels that will lead to the highest possible total profit. ✓✓

(Accept any other correct relevant response)

(2)

- 4.2.4 **Why is the firm above only maximising profit at the point where output produced is 35?**
The gap between TR and TC is the greatest. ✓✓
(Accept any other correct relevant response) (2)
- 4.2.5 **How does the total revenue (TR) curve of a perfectly competitive firm differ from the one of an imperfectly competitive firm?**
The TR curve of a perfectly competitive firm is positively sloped (upward sloping from left to right) ✓✓ whereas the one of an imperfectly competitive is hump-shaped (starts by rising, reaching the peak and then declines) ✓✓ (2 x 2) (4)

4.3 DATA RESPONSE

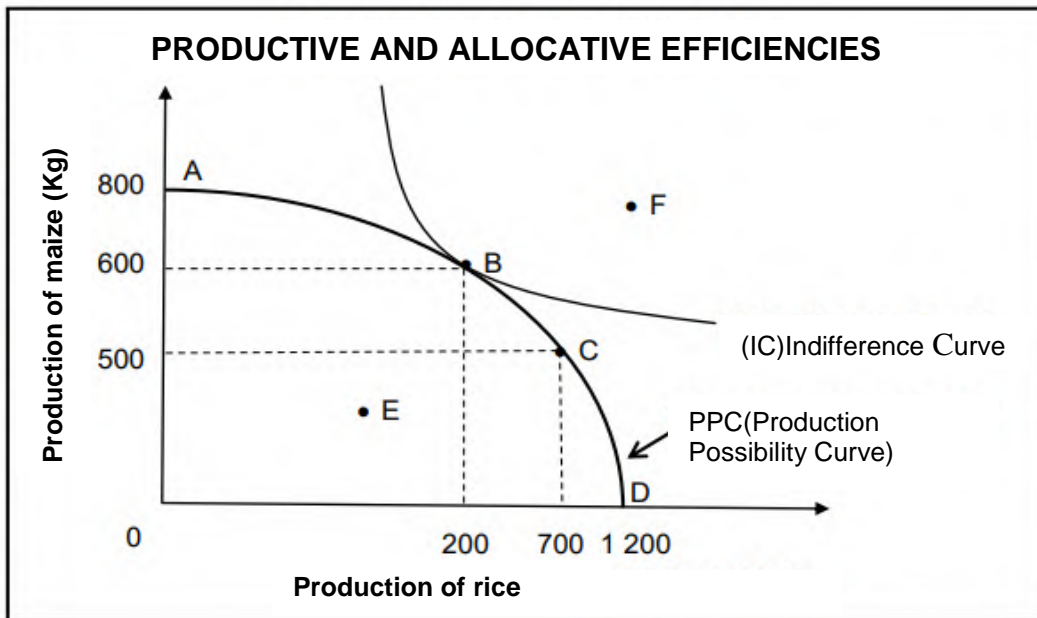
- 4.3.1 **Identify an international agreement on sustainable development from the cartoon above.**
Rio Earth Summit ✓ (1)
- 4.3.2 **Name the international organisation that initiated sustainable development summits**
United Nations/UN ✓ (1)
- 4.3.3 **Briefly describe the term *climate change*.**
It is the change in weather patterns due to global warming ✓✓
(Accept any other correct relevant response) (2)
- 4.3.4 **What was the purpose of the Rio Earth Summit?**
To produce a broad agenda and a new blueprint for an international action on environmental and development issues that would help guide international cooperation and development policy in the 21st century. ✓✓
(Accept any other correct relevant response) (2)
- 4.3.5 **How can environmental subsidies be used to reduce environmental damage?**
The environmental subsidies can be used to reduce environmental damage by:
- developing new techniques or equipment to save energy and reduce smoke ✓✓
 - using environmental friendly energy such as wind ✓✓
 - encouraging the production of environment-friendly substitutes such as unleaded petrol ✓✓
 - encouraging the recycling of waste such as bottles and cans ✓✓
 - offering subsidies for companies to lower pollution emissions ✓✓
 - subsidies to provide individuals to install solar panels to their households to decrease electricity consumption ✓✓
- (Accept any other correct relevant response) (2 x 2) (4)

4.4

With the aid of a graph (Production Possibility Curve) explain how productive and allocative efficiencies can be achieved in the market.



Correct positioning and labelling of PPC = 1 mark
 Correct positioning and labelling of IC = 1 mark
 Labelling of the axis = 1 mark
 Labelling on the axis = 1 mark



- Productive efficiency can be achieved if the firm produces at any point along the PPC. ✓✓
- That is at any point between A and D. ✓✓
- Allocative efficiency can be achieved when the IC is tangent to the IC. ✓✓
- This occurs at point B in the graph. ✓✓

(A maximum of 2 marks if how productive and allocative efficiencies can be achieved in the market is not explained.)

(8)

4.5

Evaluate the effectiveness of new technology in sustaining the environment.

Positive effects

- Technology can facilitate a solution to environmental problems by providing alternative production techniques ✓✓
- The development of clean technologies can have lower levels of toxic emissions and stop the existence of high-risk chemical waste in the environment ✓✓



- It makes it possible for developing countries to comply with emissions targets ✓✓/Substituting products that are more environmentally friendly e.g. paper bags instead of plastic bags; unleaded petrol ✓
- Although the production of platinum causes pollution, the use of the platinum reduces pollution ✓✓
- Technology facilitates the development of new techniques or equipment to save energy and replace coal and oil with greener energy resources such as wind or sun ✓✓
- It enables the recycling of waste material such as bottles, cans, cardboard to ensure a cleaner environment ✓✓
- The on-site treatment and controlled disposal of waste can be achieved by using technology ✓✓

Negative effects

- More money has to be spent on research and development ✓✓
- Leads to depletion of natural resources ✓✓
- Air and water pollution are caused largely by a consequence of industrial revolution, are both caused by technological advances ✓✓
- Leads to the destruction of wildlife ✓✓

(Accept any other correct relevant response)

(A maximum of 2 marks may be allocated for mere listing of facts)

(8)
[40]

TOTAL SECTION B: 80



SECTION C**QUESTION 5: MICROECONOMICS**

- Compare and contrast in detail, the market structures of a monopoly and that of a monopolistic competition. (26 marks)
- Why would a monopoly always make economic profit in the long run? (10 marks)

INTRODUCTION

A market is an institution or mechanism that brings together the buyers and sellers of goods or services /A market structure is a framework of how a market is organised. ✓✓

(Accept any other correct relevant response)

(Max 2)

BODY: MAIN PART

CRITERIA	MONOPOLY	MONOPOLISTIC COMPETITION
Number of businesses ✓	<ul style="list-style-type: none"> • There is only ONE seller active in this market. ✓✓ 	<ul style="list-style-type: none"> • A large number of sellers are active in the market. ✓✓
Nature of the product ✓	<ul style="list-style-type: none"> • Products sold in this market are unique with no close substitutes. ✓✓ 	<ul style="list-style-type: none"> • Each firm sells a slightly differentiated product. ✓✓ • They may differ slightly in appearance, shape, size and taste, difference may be imaginary. ✓✓
Entry and exit from the market ✓	<ul style="list-style-type: none"> • Entry into this market is completely blocked due to barriers that are economic and artificial in nature. ✓✓ 	<ul style="list-style-type: none"> • Entry is relatively easy and free. ✓✓ • There are no barriers such as licences, permits, patents and other restrictions. ✓✓
Control over price ✓	<ul style="list-style-type: none"> • A monopoly has full control over price but that control should be exercised within the bandits of the law. ✓✓ • E.g. Eskom has to apply with NERSA if its board and management wants to hike rates. ✓✓ 	<ul style="list-style-type: none"> • Individual businesses have some little control over the price of a product. ✓✓ • The control over price depends entirely on the strength of brand loyalty. ✓✓
Information/ Market knowledge ✓	<ul style="list-style-type: none"> • Market knowledge is complete. ✓✓ • The price bidding of Eskom is done in the open through NERSA. ✓✓ 	<ul style="list-style-type: none"> • Market information is incomplete. ✓✓ • The many brands, variety of products or marginal difference causes a lack of information for sellers and buyers. ✓✓

Examples ✓	<ul style="list-style-type: none"> • Examples are De Beers, Denel, Eskom, Umngeni water, Rand water, Sedibeng water, etc. ✓✓ 	<ul style="list-style-type: none"> • Examples are food outlets, cold drinks, medicine, toothpaste, soap, etc. ✓✓
Demand curve ✓	<ul style="list-style-type: none"> • The demand curve is negatively sloped/ downward sloping. ✓✓ • It represents the demand of the entire market. ✓✓ • It is the same as the AR curve (AR = D). ✓✓ • It is relatively inelastic in the short run and relatively elastic in the long run. ✓✓ 	<ul style="list-style-type: none"> • The demand curve for the firm is downward sloping ✓✓ • AR = D. ✓✓ • The MR curve lies below the AR curve. ✓✓ • Relatively elastic in both the short run and long run. ✓✓
Economic profit/loss ✓	<ul style="list-style-type: none"> • The firm can realise economic profits/loss in the short term but ONLY economic/ super-normal profit the long run. ✓✓ 	<ul style="list-style-type: none"> • The firm can realise economic profits/loss in the short term but ONLY normal profit the long run. ✓✓

(Max 26)

ADDITIONAL PART

A monopoly will always make economic profit in the long run because:

- entry of other firms into the market is limited due the barriers of entry, entry is blocked ✓✓
- It has a patent or superior advantage in the ownership of raw materials which gives a firm an exclusive or absolute to manufacture a product ✓✓
- a monopoly normally produces less than the market demand in order to sell their products at higher price ✓✓
- if the firm makes a loss in the short run it can always adjust prices so that it makes an economic profit in the long run ✓✓
- monopolies enjoy larger economies of scale which enable them to make profits even if they sell at reduced prices. ✓✓
- the existence of high barriers to entry prevents firms from entering the market even in the long-run. ✓✓
- therefore, it is possible for the monopolist to avoid competition and continue making positive economic profits in the long-run. ✓✓

(Accept any other correct relevant response)

(A maximum of 2 marks may be allocated for mere listing of facts)

(Max 10)

CONCLUSION

The monopolist is a price determinant, but he cannot set a price independently of his output

A higher price will therefore always result in a smaller amount. ✓✓

(Accept any other correct relevant conclusion)

(Max 2) **(40)**

QUESTION 6: CONTEMPORARY ECONOMIC ISSUES

- **Discuss in detail the measures to combat inflation.** (26 marks)
- **How can inflationary expectations influence the behaviour of various participants in the economy?** (10 marks)

INTRODUCTION

Inflation refers to a sustained and significant increase in the general price level over a period of time and a simultaneous decline in the buying power of money. ✓✓

BODY: MAIN PART**MONETARY POLICY MEASURES** ✓

Monetary policy measures to combat inflation are taken by the South African Reserve Bank (SARB) and government through the implementation of one or more of the following instruments:

Interest rates ✓

- The SARB curbs inflation by increasing the repo rate which makes it expensive to borrow money. ✓✓
- Banks pass on the increased cost of borrowing (repo rate) to their clients by increasing the interest rate. ✓✓
- High interest rate discourages consumers from taking unnecessary credit, discouraging consumer spending. ✓✓
- A decrease in credit creation results to a reduction of money supply thereby reducing demand-pull inflation. ✓✓
- The increase in interest rates stabilises the value of the currency which helps to reduce cost-push inflation through lower import cost. ✓✓

Open market transactions ✓

- The SARB can directly decrease the supply of money by selling government securities in the open market. ✓✓
- When banks buy these securities money flows from banks to the SARB which reduces money supply. ✓✓
- Reduction in money supply will reduce aggregate demand controlling demand-pull inflation. ✓✓

Cash Reserve Requirements ✓

- Commercial banks are required to hold a certain minimum cash reserve with the central bank. ✓✓
- An increase in the cash reserve requirement limits the amount of money that banks can give out as credit and helps to curb inflation. ✓✓



Moral suasion ✓

- The SARB can persuade commercial banks to act in a responsible manner when granting credit under inflationary conditions. ✓✓
- Moral suasion helps to reduce inflation because credit will be granted to fewer consumers. ✓✓

**FISCAL POLICY MEASURES** ✓

Inflation can be combated through fiscal changes in taxation ✓ and government expenditure ✓

The following are actions that can be taken:

Government expenditure ✓

- The state can reduce expenditure by postponing some government projects such as roads, hospitals and schools. ✓✓
- Aggregate demand will decrease thereby reducing demand-pull inflation. ✓✓
- The government may finance a budget deficit from the non-banking sector to limit inflation. ✓✓

Taxation ✓

- Government can increase direct taxation such as personal income tax to decrease demand. ✓✓
- An increase in indirect taxation (VAT) causes spending to decrease because goods become more expensive. ✓✓
- The state can impose surcharges on imported goods which will increase their prices, discouraging consumer spending. ✓✓
- A loan levy can be used to reduce disposable income of consumers. ✓✓
- The government may reduce taxes on savings or introduce tax-free savings accounts to encourage saving and reduce spending. ✓✓

OTHER MEASURES

Additional measures that can be used to combat inflation include:

Increase productivity. ✓

- Improved education and training allow for more people to be employed and ensure that they are more productive. ✓✓

Price Control: ✓

- The government ensures that certain essential goods remain affordable by fixing their price. ✓✓

Wage Policy: ✓

- A wage policy should keep wage increases in line with inflation rate. ✓✓

**Stricter conditions for consumer credit:** ✓

- The National Credit Regulator may impose strict requirement on consumer credit which will reduce aggregate demand. ✓✓

Import controls are relaxed: ✓

- More imports may help to supplement local supply of goods and services, reducing inflation caused by product shortages. ✓✓

Floating exchange rate: ✓

- Prices are automatically adjusted to international conditions which allow free operation of the price mechanism (real prices). ✓✓

Indexation: ✓

- Refers to a policy of linking prices of items such as wages, pensions and mortgage bond interest rates to price indices to eliminate the effects of inflation. ✓✓

(Accept any other correct relevant responses)

(Allocate a maximum of 8 marks for the mere listing of facts/examples) (Max 26)

ADDITIONAL PART

Various participants are influenced by inflation expectations in the following ways:

- Inflation expectations play a major role in the process that transmits expectations of price increases through to the actual increase in prices. ✓✓
- Consumer spending may increase when consumers expect prices to increase in the near future, without market signals. ✓✓
- More consumer goods and capital good are bought before the price increase thus increasing aggregate demand. ✓✓
- Labour unions demand higher wages to protect purchasing power for their members when they anticipate rise in inflation. ✓✓
- When wages increase, businesses raise their prices to compensate the increase in labour costs thereby fuelling inflation. ✓✓
- When businesses expect inflation to rise, they tend to increase their prices in advance which increase their profit margins. ✓✓
- The SARB uses inflation expectations to adjust monetary policy instruments that control money supply. ✓✓

(Accept any other correct relevant response)

(A maximum of 2 marks may be allocated for mere listing of facts) (Max 10)

CONCLUSION

An incorrect and improper management of inflation by government authorities is likely to lead to instability in the economy and country which might also spiral to industrial strikes and social unrests like in South Africa where a wrong monetary policy framework is used to control a non-existent demand-pulled inflation. ✓✓

(Accept other correct relevant higher order response)

(Max 2) **[40]**



TOTAL SECTION C: 40
GRAND TOTAL: 150