



PROVINCIAL EXAMINATION

JUNE 2023

GRADE 10

ECONOMICS

PAPER 2

TIME: 1½ hours

MARKS: 100

10 pages



INSTRUCTIONS AND INFORMATION

1. Answer THREE questions as follows in the ANSWER BOOK:
 - SECTION A: COMPULSORY
 - SECTION B: Answer ONE of the two 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. Read the questions carefully.
5. Start EACH question on a NEW page.
6. Leave 2 – 3 lines between subsections of questions.
7. 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.
8. Use only black or blue ink.
9. You may use a non-programmable calculator.
10. 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 correct answer and write only the letter (A – D) next to the question number (1.1.1 to 1.1.5) in the ANSWER BOOK.

1.1.1 The law of diminishing marginal utility states that ...

- A marginal utility increases as more units of a good are consumed.
- B marginal utility remains the same as more units of a good are consumed.
- C marginal utility decreases as more units of a good are consumed.
- D marginal utility decreases as less units of a good are consumed.

1.1.2 A perfect market is characterised by ...

- A differentiation of products.
- B imperfect information of products.
- C homogeneous products.
- D unique products.

1.1.3 Market failures occurs when ...

- A there is no demand for a product.
- B governments intervene in markets.
- C there is an excess supply of a product.
- D inefficiencies occur in the allocation of resources and income.

1.1.4 The concept of scarcity is illustrated on the production possibility curve with points ...

- A inside the production possibility curve.
- B outside the production possibility curve.
- C on the production possibility curve.
- D inside and outside the production possibility curve.

1.1.5 Black markets are a consequence of ...

- A taxation.
- B minimum prices.
- C minimum wages.
- D maximum prices.

(5 x 2) (10)

- 1.2 Choose a description from COLUMN B that matches the item in COLUMN A. Write only the letter (A – G) next to the question number (1.2.1 to 1.2.6) in the ANSWER BOOK.

COLUMN A	COLUMN B
1.2.1 Demand	A The quantity sold at a certain price within a certain period of time.
1.2.2 Value	B Minimum price set above the equilibrium price.
1.2.3 Pareto efficiency	C Refers to how much something is worth in terms of money or other goods for which it can be exchanged.
1.2.4 Sacrifice	D When resources are so allocated that it is not possible to make anyone better off without making someone else worse off.
1.2.5 Sin tax	E Levied on consumption of products which are harmful to human health.
1.2.6 Price floor	F The quantity bought at a certain price within a certain period of time.
	G This refers to a trade-off between two products.

(6 x 1) (6)

- 1.3 Give ONE term for EACH of the following descriptions. Write only the term next to the question number (1.3.1 to 1.3.4) in the ANSWER BOOK. Abbreviations, acronyms, and examples will NOT be accepted.

1.3.1 The point where the quantity demanded is the same as the quantity supplied.

1.3.2 A market with many suppliers who sell differentiated goods.

1.3.3 When the producer does not produce at the lowest possible cost.

1.3.4 Taxes levied on goods and services before they reach the consumer but ultimately paid by the consumer as part of the market price. (4 x 1) (4)

TOTAL SECTION A: 20

SECTION B

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

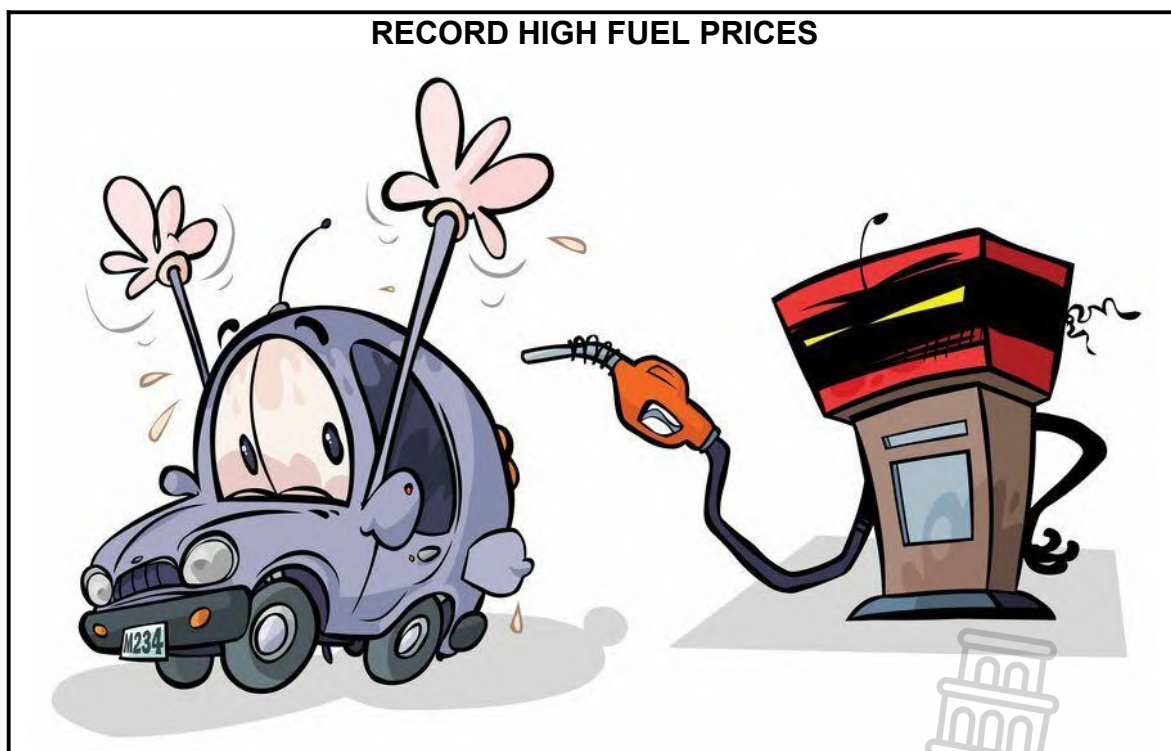
QUESTION 2: MICROECONOMICS**40 MARKS – 30 MINUTES**

2.1 Answer the following questions.

2.1.1 List any TWO types of workers who qualify to receive minimum wage in South Africa. (2 x 1) (2)

2.1.2 What is an opportunity cost? (1 x 2) (2)

2.2 Study the following cartoon and answer the questions that follow.



[Forecast increases will lead to record high fuel prices in March/Lowvelder]

2.2.1 Give ONE factor that can influence the demand for a product. (1)

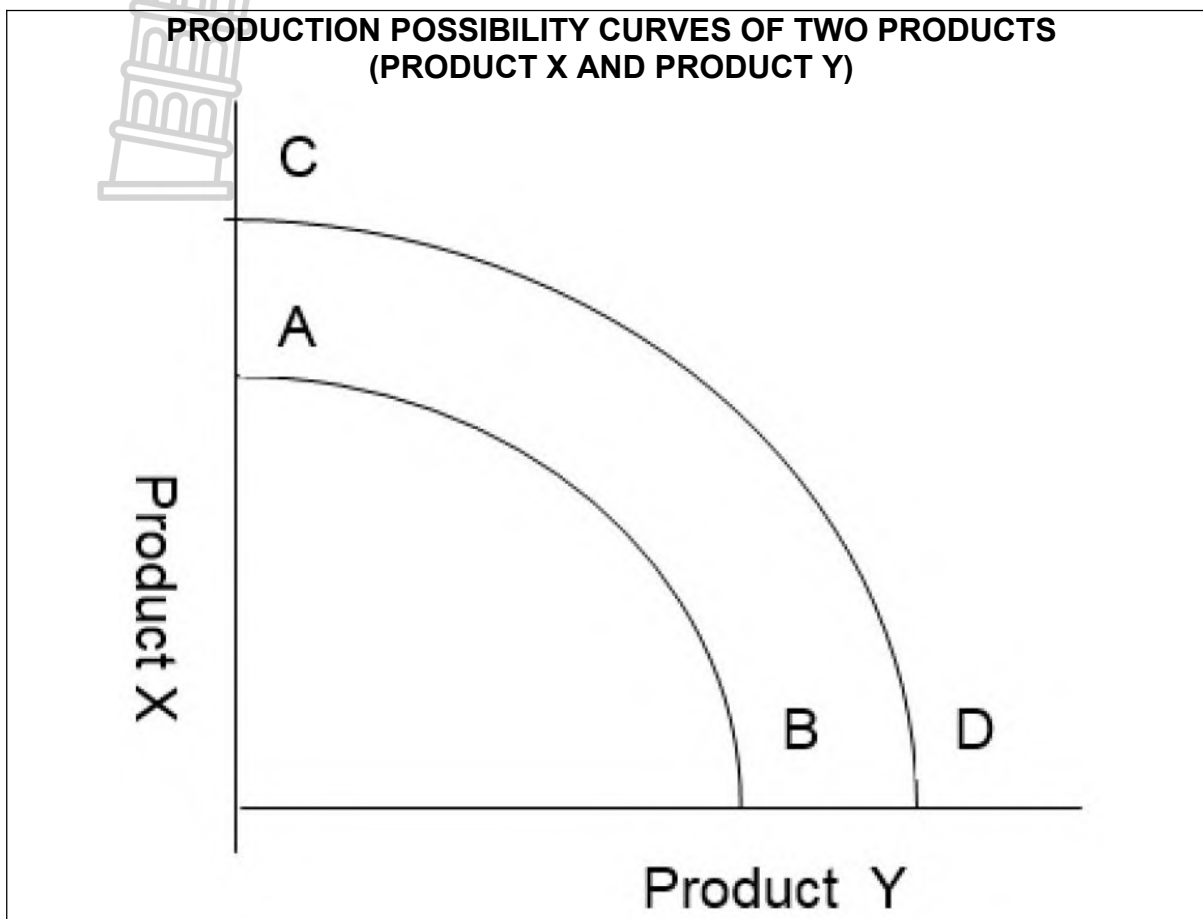
2.2.2 What determines the market price of goods in a free market economy? (1)

2.2.3 Describe the term *supply*. (2)

2.2.4 Describe the slope of the demand curve. (2)

2.2.5 Why will an increase in fuel prices negatively impact the consumer? (4)

2.3 Study the following graph and answer the questions that follow.



- 2.3.1 Identify the curve that will yield better production combinations. (1)
- 2.3.2 What is the shape of this curve? (1)
- 2.3.3 Describe the term *production possibility curve*. (2)
- 2.3.4 What does the shift in the curve from AB to CD show? (2)
- 2.3.5 Discuss TWO possible reasons for the outward shift of a production possibility curve. (4)
- 2.4 Explain FOUR factors that will determine the existence of a market. (8)
- 2.5 Evaluate the reasons why the government grants subsidies. (8)

[40]

QUESTION 3: MICROECONOMICS

40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 Name any TWO social welfare grants which are received by South Africans. (2 x 1) (2)

3.1.2 What is the law of supply? (1 x 2) (2)

3.2 Study the following table and answer the questions that follow.

QUANTITY OF BOTTLES ICE TEA	MARGINAL UTILITY (MU)	TOTAL UTILITY (TU)
1	90	90
2	75	165
3	50	215
4	35	250
5	10	260
6	5	265
7	0	265

3.2.1 Which bottle of ice tea gives the greatest satisfaction? (1)

3.2.2 Identify which bottle of ice tea gives no extra satisfaction when consumed. (1)

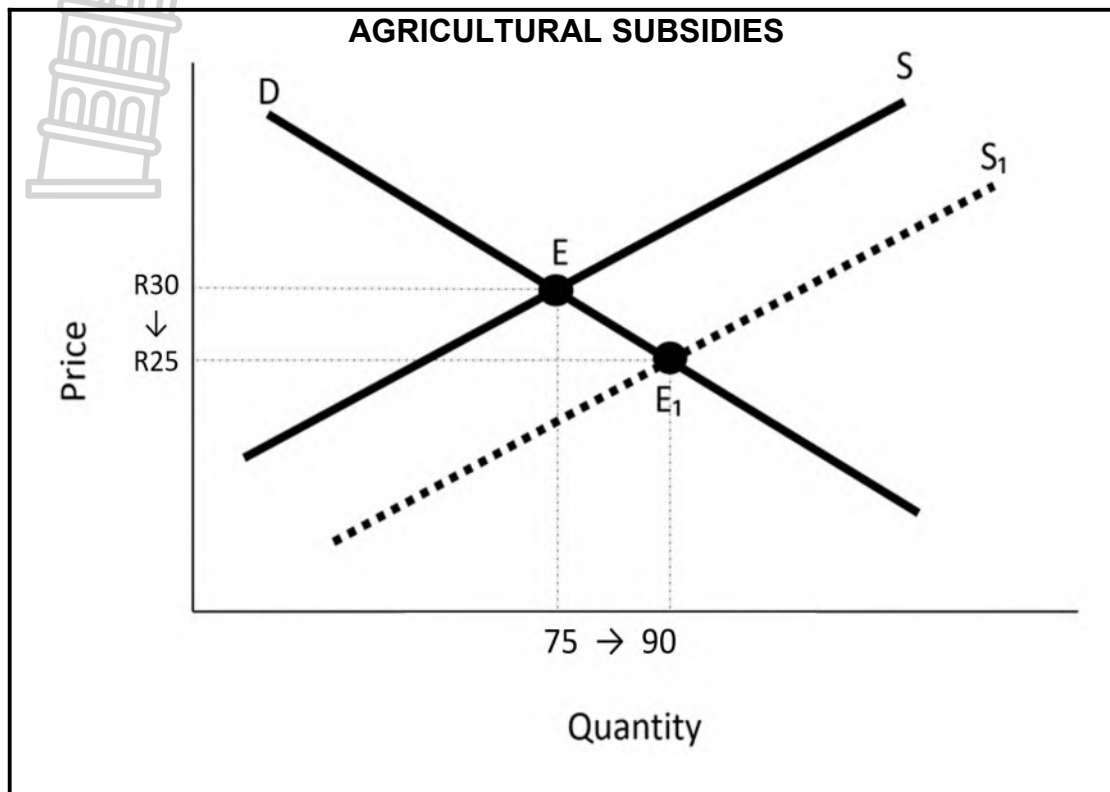
3.2.3 Briefly explain the slope of the marginal utility *curve*. (2)

3.2.4 What is the relationship between utility and the demand for a product? (2)

3.2.5 Use the information from the table above to draw a clearly labelled marginal utility graph. (4)



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



- 3.3.1 Give ONE example of subsidies that the South African government provides to farmers. (1)
- 3.3.2 Identify the quantity produced before the subsidy was granted. (1)
- 3.3.3 Describe the term *subsidy*. (2)
- 3.3.4 What is the effect of subsidies on the price of maize to consumers? (2)
- 3.3.5 How would a subsidy on petrol benefit the economy? (4)
- 3.4 Differentiate between *productive inefficiency* and *allocative inefficiency*. (8)
- 3.5 Evaluate the positive impact of world markets on the economy. (8)

[40]

TOTAL SECTION B: 40

SECTION C

Answer ONE of the two question from this section in the ANSWER BOOK.
Your answer will be assessed as follows:

STRUCTURE OF ESSAY	MARK ALLOCATION
<p>Introduction The introduction is a lower-order response.</p> <ul style="list-style-type: none"> • A good starting point would be to determine the main concept related to the question topic. • Do not include any part of the question in your introduction. • Do not repeat any part of the introduction in the body. • Avoid saying in the introduction what you are going to discuss in the body. 	Max. 2
<p>Body:</p> <ul style="list-style-type: none"> • Main part: Discuss in detail/In depth discussion/Examine/Critically discuss/Analyse/Compare/Evaluate/Distinguish/Explain/Assess/Debate. • Additional part: Give own opinion/Critically discuss/Evaluate/Critically evaluate/Draw a graph and explain/Use the graph given and explain/Complete the given graph/Calculate/Deduce/Compare/Explain/Distinguish/Interpret/Briefly debate/How?/Suggest/Use the information and argue/Debate/Evaluate. 	Max. 26 Max. 10
<p>Conclusion Any relevant higher-order conclusion that should include:</p> <ul style="list-style-type: none"> • A brief summary of what has been discussed/analysed without repeating facts already mentioned in the body. • An 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 4: MICROECONOMICS

40 MARKS – 40 MINUTES

- Discuss, in detail, the characteristics of imperfect markets. (26 marks)
- How can the government protect consumers against exploitation by imperfect markets? (10 marks) **[40]**

QUESTION 5: MICROECONOMICS

40 MARKS – 40 MINUTES

- Discuss, in detail, state intervention as a consequence of market failures, under the following headings:
 - Maximum prices (10)
 - Minimum prices (8)
 - Taxation (8) (26 marks)
- How does the South African government attempt to solve the problem of income inequality? (10 marks) **[40]**

TOTAL SECTION C: 40

TOTAL: 100





PROVINCIAL EXAMINATION

JUNE 2023

GRADE 10

MARKING GUIDELINES

ECONOMICS (PAPER 2)

16 pages



SECTION A (COMPULSORY)**QUESTION 1****20 MARKS – 20 MINUTES****1.1 MULTIPLE-CHOICE QUESTIONS**

1.1.1 C – marginal utility decreases as more units of a good are consumed. ✓✓

1.1.2 C – homogeneous products. ✓✓

1.1.3 D – inefficiencies occur in the allocation of resources and income. ✓✓

1.1.4 B – outside the production possibility curve. ✓✓

1.1.5 D – maximum prices. ✓✓ (5 x 2) (10)

1.2 MATCHING ITEMS

1.2.1 F ✓

1.2.2 C ✓

1.2.3 D ✓

1.2.4 G ✓

1.2.5 E ✓

1.2.6 B ✓ (6 x 1) (6)

1.3 IDENTIFY THE TERM

1.3.1 Equilibrium ✓

1.3.2 Monopolistic competition ✓

1.3.3 Productive inefficiency ✓

1.3.4 Indirect tax ✓

(4 x 1) (4)

TOTAL SECTION A: 20

SECTION B

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

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

2.1 Answer the following questions.

2.1.1 **List any TWO types of workers who qualify to receive minimum wage in South Africa.**

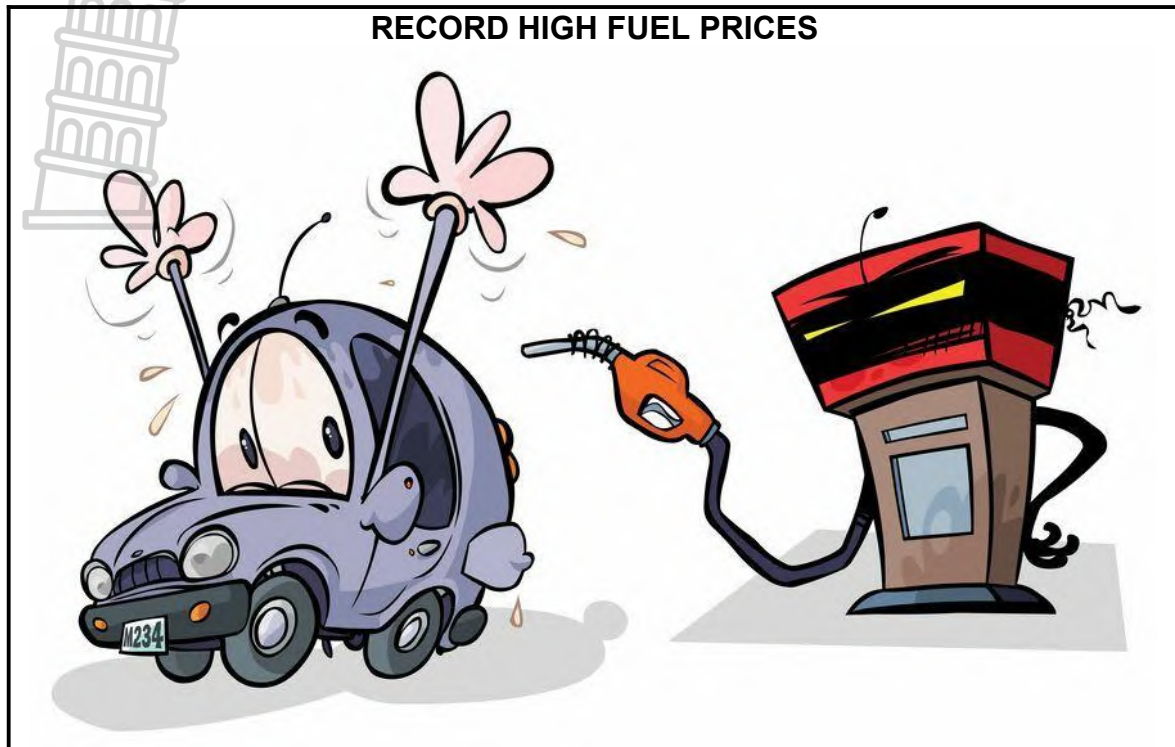
- Farm workers ✓
 - Domestic workers ✓
 - Workers employed on an expanded public works programme ✓
- (Accept any other relevant and correct response.) (2 x 1) (2)

2.1.2 **What is an opportunity cost?**

- An opportunity cost is the sacrificed alternative, the thing that is given up. ✓✓
 - The loss of other alternatives when one alternative is chosen. ✓✓
 - The value or benefit given up by engaging in that activity, relative to engaging in an alternative activity. ✓✓
 - The cost of an alternative foregone. ✓✓
- (Accept any other relevant and correct response.) (1 x 2) (2)



2.2 Study the following cartoon and answer the questions that follow.



[Forecast increases will lead to record high fuel prices in March/Lowvelder]

2.2.1 Give ONE factor that can influence the demand for a product.

- The price of the product ✓
 - The income of consumers ✓
 - The weather ✓
 - A change in fashion ✓
 - A change in the price of a related product ✓
 - A change in the size of the population ✓
- (Accept any other relevant and correct response.)

(1)

2.2.2 What determines the market price of goods in a free market economy?

- Market forces/forces of demand and supply ✓

(1)

2.2.3 Describe the term *supply*.

- Supply is the total quantity of a good or service that a producer/seller is willing and able to sell at a certain price during a given period of time. ✓✓

(2)

2.2.4 Describe the slope of the demand curve.

- The demand curve slopes downward from left to right because of the inverse relationship to quantity. ✓✓
- (Accept any other relevant and correct response.)

(2)

2.2.5 Why will an increase in fuel prices negatively impact the consumer?

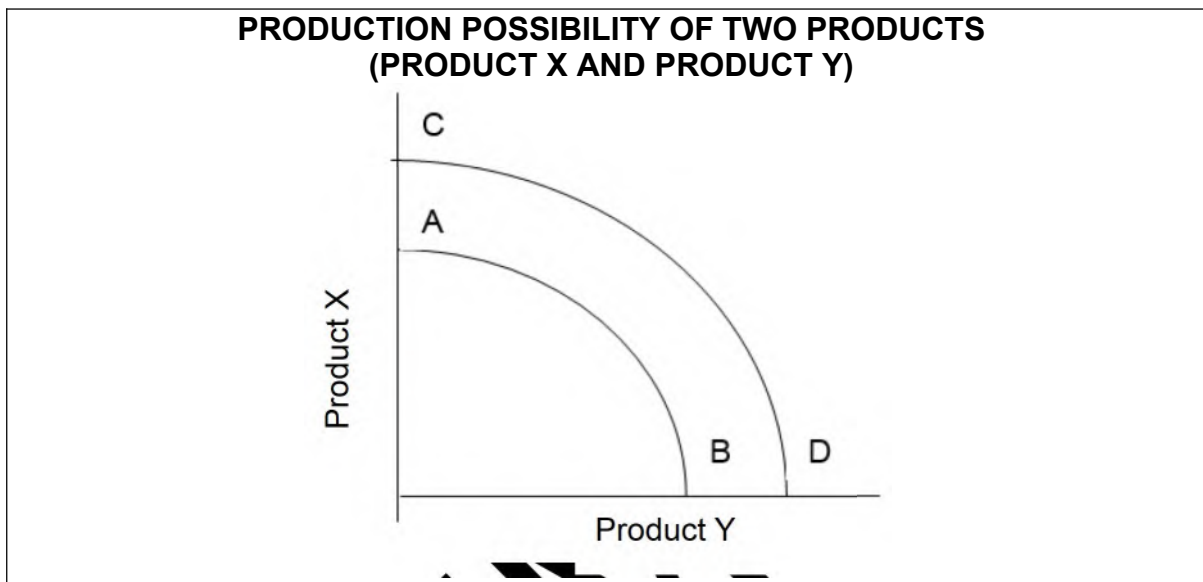


- An increase in fuel prices will cause the consumer to pay more for transport. ✓✓
- The cost of all goods will increase because of the increase in transport costs of all goods. ✓✓

(Accept any other correct relevant response.)

(4)

2.3 Study the following graph and answer the questions that follow.



2.3.1 Identify the curve that will yield better production combinations.

- Curve CD ✓

(1)

2.3.2 What is the shape of this curve?

- Convex/Curved outwards ✓

(1)

2.3.3 Briefly describe the term *production possibility curve*.

- The PPC indicates combinations of any two goods that can be produced with no wastage and using resources to the best advantage. ✓✓

(2)


2.3.4 What does the shift in the curve from AB to CD show?

- An outward shift in the PPC indicates an increase in production output of both products. ✓✓

(Accept any other relevant and correct response.)

(2)

2.3.5 Discuss **TWO** possible reasons for the outward shift of a production possibility curve.

- 
- Better production techniques used. ✓✓
 - Better level of technology used during production. ✓✓
 - Increased motivation of workers. ✓✓
 - Increased training of workers. ✓✓
 - Better quality of production factors used. ✓✓
 - More efficient transportation services. ✓✓
 - More effective communication services. ✓✓
 - Improved healthcare of workers. ✓✓
 - Introduction of capital resources into the economy. ✓✓

(Accept any other relevant and correct response.)

(4)

2.4 Explain **FOUR** factors that will determine the existence of a market.

- A market will exist if there is at least one buyer and one seller. ✓✓
- The buyer has the means to purchase the product. ✓✓
- The seller has the required product to offer. ✓✓
- The buyer and seller agree on price and quantity. ✓✓

(Accept any other relevant and correct response.)

(8)

2.5 Evaluate the reasons why the government grants subsidies.

- To benefit consumers as subsidised goods are cheaper./When the state subsidises products, consumers are able to buy the cheaper products. ✓✓
- Products become cheaper in other countries because the government subsidises exporters. ✓✓
- The costs of production are reduced, and it becomes easier for many new businesses to be formed because they are assisted with starting up. ✓✓
- To increase employment opportunities and make jobs more secure./As new and many businesses are formed, employment opportunities increase and ultimately the country's unemployment rate reduces. ✓✓
- Improves the standard of living of the people as they receive social grants and free basic goods and services such as education, health etc. ✓✓

(Accept any other relevant and correct response.)

(8)

[40]

QUESTION 3: MACROECONOMICS**40 MARKS – 30 MINUTES**

3.1 Answer the following questions.

3.1.1 Name any **TWO** social welfare grants which are received by South Africans.

- Old age pensions ✓
- Child support grant ✓
- Disability grant ✓
- War veteran's grant ✓
- Foster-child grant ✓
- Care dependency grant ✓

(Accept any other relevant and correct response.)

(2 x 1)

(2)

3.1.2 What is the law of supply?

The law of supply states that as the price of a product increases, the quantity supplied of the product increases, and as the price of a product decreases, the quantity supplied of the product decreases. ✓✓ (1 x 2)

(2)

3.2 Study the following table and answer the questions that follow.

MARGINAL UTILITY OF BOTTLES ICE TEA CONSUMED		
QUANTITY OF BOTTLES ICE TEA	MARGINAL UTILITY (MU)	TOTAL UTILITY (TU)
1	90	90
2	75	165
3	50	215
4	35	250
5	10	260
6	5	265
7	0	265

3.2.1 Which bottle of ice tea gives the greatest satisfaction?

- The first bottle of ice tea. ✓

(1)

3.2.2 Identify which bottle of ice tea gives no extra satisfaction when consumed.

- The 7th bottle of ice tea. ✓

(1)

3.2.3 Briefly explain the slope of the marginal utility curve.



- The marginal utility curve has a negative gradient, and it slopes downward from top left to bottom right./The slope of the marginal utility curve is downward sloping, which explains that the first unit yields more satisfaction and when more is consumed, marginal utility drops. ✓✓

(Accept any other relevant and correct response.)

(2)

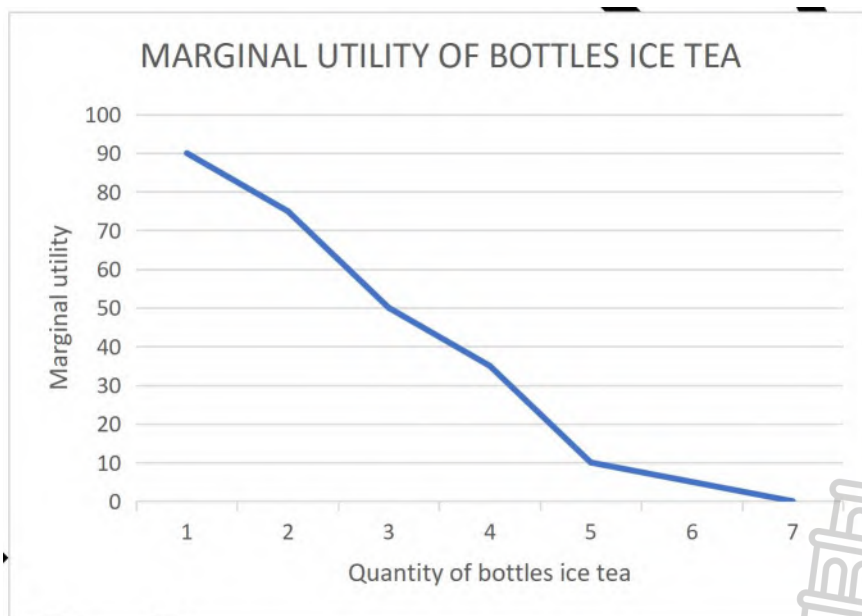
3.2.4 What is the relationship between utility and the demand of a product?

- The greater the satisfaction gained from consuming a product, the greater the demand and vice versa. ✓✓

(Accept any other relevant and correct response.)

(2)

3.2.5 Use the information from the table above to draw a clearly labelled marginal utility graph.



ALLOCATION OF MARKS

Correct slope of the MU curve = 2 marks

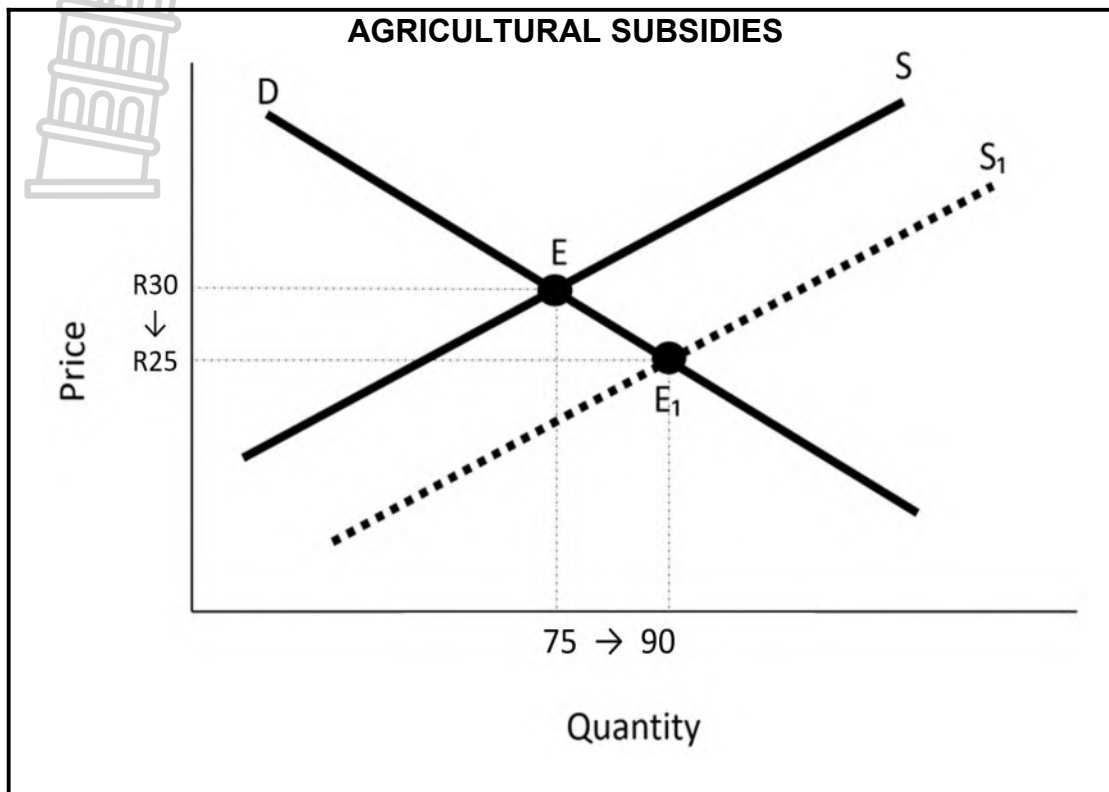
Labelling of the X-axis = 1 mark

Labelling of the Y-axis = 1 mark

Max. 4

(4)

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



3.3.1 Give ONE example of subsidies that the South African government provides to farmers.

- Producer subsidies ✓
- Consumer subsidies ✓
- Export subsidies ✓
- Employment subsidies ✓
- Income subsidies ✓

(1)

3.3.2 Identify the quantity produced before the subsidy was granted.

- 75 ✓

(1)

3.3.3 Define the term *subsidy*.

- Financial assistance given by the government to businesses or individuals. ✓✓

(2)

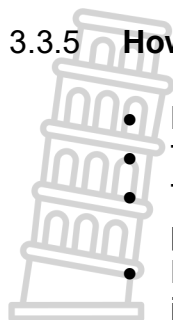
3.3.4 What is the effect of subsidies on the price of maize to consumers?

- Subsidies lead to a decrease in the price of the product./Price decreases from P to P₁. ✓✓

(Accept any other relevant and correct response.)

(2)

3.3.5 How would a subsidy on petrol benefit the economy?



- More vehicles will be demanded and produced. ✓✓
- The price of petrol will decrease and petrol will be affordable. ✓✓
- Transport costs and traveling costs will decrease to a drop in the price of petrol. ✓✓
- Production capacity of the country will increase./Real GDP will increase. ✓✓
- The general price level of goods and services will decrease./Inflation rate will decrease. ✓✓

(Accept any correct and relevant response.)

(4)

3.4 Differentiate between *productive inefficiency* and *allocative inefficiency*.

- Productive inefficiency
 - Not producing at the lowest possible cost. ✓✓
 - Not all resources are used effectively. ✓✓
 - There is room to reduce costs without producing fewer goods or without producing at a lower quality. ✓✓
 - This occurs at any point inside the PPC; to the left of the curve. ✓✓
- Allocative inefficiency
 - The allocation of resources is not in accordance with the consumer demands (tastes). ✓✓
 - Not all resources are allocated effectively. ✓✓
 - The welfare of the community is not maximised. ✓✓

(Max. 4)

(Accept any other relevant and correct response.)

(Max. 4)

(8)

3.5 Evaluate the positive impact of world markets on the economy.

- Global markets offer the opportunity for consumers and suppliers to tap into larger markets around the world./They can have access to more capital, technology, cheaper imports and larger export markets. ✓✓
- Global markets help to promote efficiency and better use of resources through competition and division of labour so that economies and firms can focus on what they do best. ✓✓
- In the world of communications and the internet, global markets facilitate commerce and education, and allow access to independent global media and new information and knowledge is shared. ✓✓
- Innovators and entrepreneurs can draw ideas that have been successfully implemented in one region and tailor them to suit their own area. ✓✓
- Globalisation creates cooperation among nations on a range of non-economic issues such as immigration, health care, the environment, and legal issues. ✓✓

(Accept any other relevant and correct response.)

(8)

[40]

TOTAL SECTION B: 40

SECTION C

Answer ONE of the two question from this section in the ANSWER BOOK.
Your answer will be assessed as follows:

STRUCTURE OF ESSAY	MARK ALLOCATION
<p>Introduction The introduction is a lower-order response.</p> <ul style="list-style-type: none"> • A good starting point would be to determine the main concept related to the question topic. • Do not include any part of the question in your introduction. • Do not repeat any part of the introduction in the body. • Avoid saying in the introduction what you are going to discuss in the body. 	Max. 2
<p>Body:</p> <ul style="list-style-type: none"> • Main part: Discuss in detail/In-depth discussion/Examine/Critically discuss/Analyse/Compare/Evaluate/Distinguish/Explain/Assess/Debate • Additional part: Give own opinion/Critically discuss/Evaluate/Critically evaluate/Draw a graph and explain/Use the graph given and explain/Complete the given graph/Calculate/Deduce/Compare/Explain/Distinguish/Interpret/Briefly debate/How?/Suggest/Use the information and argue/Debate/Evaluate. 	Max. 26 Max. 10
<p>Conclusion Any relevant higher-order conclusion that should include:</p> <ul style="list-style-type: none"> • A brief summary of what has been discussed/analysed without repeating facts already mentioned in the body. • An opinion or valued judgement on the facts discussed. • Additional supporting information to strengthen the discussion/analysis. • A contradictory viewpoint with motivation, if required. • Recommendations. 	Max. 2
TOTAL	40

QUESTION 4: MICROECONOMICS**40 MARKS – 40 MINUTES**

- **Discuss, in detail, the characteristics of imperfect markets.** (26 marks)
- **How can the government protect consumers against exploitation by imperfect markets?** (10 marks) [40]

INTRODUCTION

A market exists wherever buyers and sellers meet to exchange goods and services at a price./A market is any place where buyers and sellers meet in order to determine the price and quantity of goods or services that will be exchanged. ✓✓

(Accept any other relevant introduction.)

(Max. 2 marks)

BODY**MAIN PART****CHARACTERISTICS OF IMPERFECT MARKETS:****Number of buyers and sellers ✓**

- There is only one large supplier of a good or service (monopoly) or a few large suppliers (oligopoly). ✓✓
- These producers have a direct influence on the price of the product, and are not held back by any competitors and are able to affect the price. ✓✓
- Also there may be many suppliers but one producer is able to significantly change the demand at the expense of other producers (monopolistic competition). ✓✓

Nature of product ✓

- The goods or services supplied are heterogeneous or unique products. ✓✓
- The products in the market are quite different from each other and consumers look for specific qualities of each product. ✓✓
- The seller supplies products that are unique and have no close substitutes. ✓✓
- These products may differ on price or feature or bonus offers. Sometimes products differ due to location or advertising. ✓✓

Barriers of entry ✓

- Entry into the market is restricted or completely blocked so that new suppliers cannot enter the market. ✓✓
- Other sellers are prevented from entering the market. ✓✓
- The seller is protected from competition through patents, control of resources and government restrictions. ✓✓
- There are many examples of imperfect markets, these include Eskom, Telkom, DSTV, cellphone companies, petrol stations, restaurants, computer and car manufacturers etc. ✓

Information availability ✓

- These markets have imperfect information. ✓✓
- Producers and consumers have incomplete knowledge about market conditions. ✓✓
- It is not easy and sometimes not possible for buyers to know what all the prices of a product are within the market. ✓✓

Ability of suppliers to change prices ✓

- Seller have control over the prices. They are price makers. ✓✓
- The producers of the goods and services can set the prices and buyers are not able to bargain or affect the prices in a significant way. ✓✓ (Max. 26)

ADDITIONAL PART

- The government can investigate abnormal charging of prices and impose fines to firms affected. ✓✓
- The government can investigate price fixing by oligopolists and impose fines on them. ✓✓
- Laws can be passed that encourage competition and make goods affordable. ✓✓
- The government can provide information about prices of goods and services where information is incomplete./Government can provide information services to businesses ✓✓ such as technical advice, information on markets, etc. ✓
- Through the competition policies, the government can prevent illegal merging of large business undertakings. ✓✓
- Ensure that no unfair marketing takes place. ✓✓
- Ensure that standards of all products are met by producers. ✓✓
- They can promote a consistent legislative and enforcement framework relating to consumer transactions and agreements. ✓✓

(Accept any relevant answer.)

(Max. 10 marks)

CONCLUSION

The government must ensure that there are fewer monopolies and oligopolists as these types of imperfect markers lead to exploitation of consumers. ✓✓

(Accept any relevant higher-order conclusion.)

(Max. 2 marks)

[40]



QUESTION 5: MICROECONOMICS

40 MARKS – 40 MINUTES

- Discuss, in detail, state intervention as a consequence of market failure, under the following headings:
 - Maximum prices (10)
 - Minimum prices (8)
 - Taxation (8)

(26 marks)
- How does the South African government attempt to solve the problem of income inequality? (10 marks) [40]

INTRODUCTION

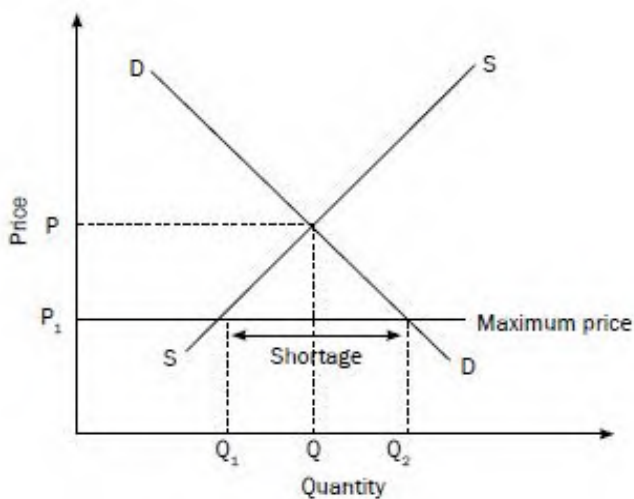
The purpose of government intervention is to ensure that the right quantity of resources is allocated to the production of output so that society as a whole maximises its benefits. ✓✓

(Accept any other relevant introduction.) (Max. 2 marks)

BODY:

MAIN PART

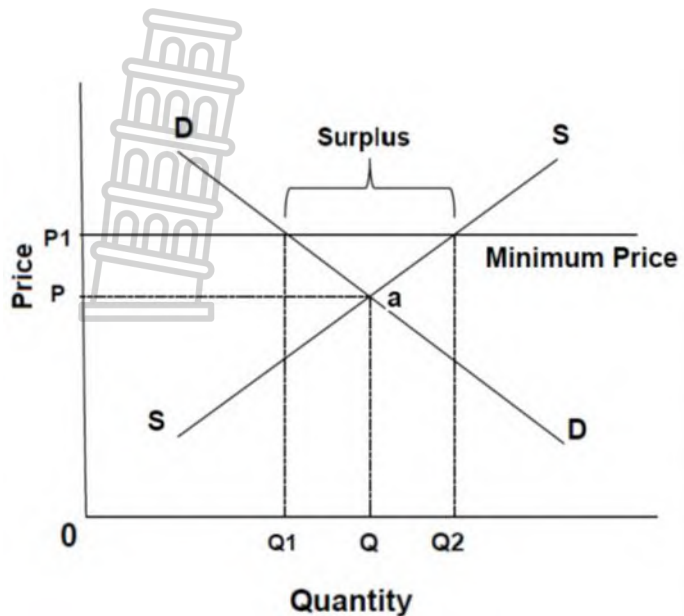
Maximum prices



Mark Allocation	
Equilibrium =	1 mark
DD =	1 mark
SS =	1 mark
Maximum price =	1 mark
	Max. 4

- Sometimes government will set the price of a good or service at a maximum level that is below the market price. ✓✓
- The government intervenes and passes a law that suppliers may not charge more than the maximum price. ✓✓
- The immediate effect is that quantity supply will drop. ✓✓
- The original market equilibrium price and quantity is P and Q respectively. ✓✓
- The price set by the government is P1, at this price the demand will increase to Q1 and the supply will decrease to Q2. ✓✓
- The difference between Q1 and Q2 is the shortfall that will be created on the market. ✓✓
- The shortage caused by the price ceiling creates a problem of how to allocate the good since the demand has increased. ✓✓
- Black markets start to develop. ✓✓ (Max. 6)

Minimum prices

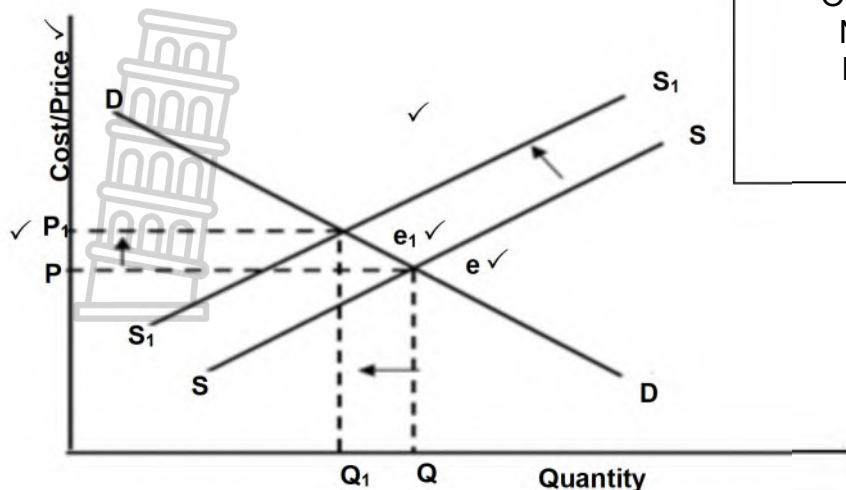


Mark Allocation	
Equilibrium =	1 mark
DD=	1 mark
SS =	1 mark
Minimum price =	1 mark
	Max. 4

- It is important for all countries that their agricultural sector produces enough food to feed the population. ✓✓
- Some items of food are more important than others because it is a staple food. ✓✓
- Poor people will suffer if there is no staple food available and it could lead to famine. ✓✓
- Governments intervene in the market to ensure that the quantity of food produced is enough. ✓✓
- Sometimes they introduce a minimum price on staple food. ✓✓
- They want to make it worthwhile for farmers to produce enough food. ✓✓
- In S.A. maize, and wheat are staple foods. ✓✓
- Before 1994, farmers were guaranteed a minimum price on these items of food. ✓✓
- Setting of minimum prices has side-effects. ✓✓
- When government is not involved in the market, $P =$ equilibrium price, $Q =$ equilibrium quantity, Point $a =$ market price. ✓✓
- When the government intervenes, a minimum price is established above the market price at $P1$. ✓✓
- Price increases from P to $P1$. ✓✓
- The quantity demanded decreases from Q to $Q1$. ✓✓
- The quantity supplied increases from Q to $Q2$. ✓✓
- A surplus (excess supply) exists on the market./Quantity supplied is more than the quantity demanded. ✓✓
- Farmers have a surplus = a problem which they will have to solve. ✓✓
- They can dump it on other markets. (Dumping = Selling of goods on foreign markets at a price that is less than the country of origin.) ✓✓
- The WTO prohibits this. The only manner to get rid of this surplus is to destroy it or feed it to animals. ✓✓

(Max. 4)

Taxation



Mark Allocation
 Original equilibrium = 1 mark
 New equilibrium = 1 mark
 New supply curve = 1 mark
 Increased price = 1 mark
 (Max. 4)

- The appropriate way to intervene in the market by government is by levying taxes as a method to recover external cost. ✓✓
 - The original market equilibrium is at e, with P as the equilibrium price and Q as the equilibrium quantity. ✓✓
 - The tax increase will shift the supply curve to the left. ✓✓
 - The new equilibrium will be at e1. ✓✓
 - A tax would raise the price from P to P1. ✓✓
 - Production will decrease from Q to Q1. ✓✓
- (Accept any other relevant answer.)

(Max. 4)
(Max. 26 marks)

ADDITIONAL PART

The government can attempt to solve the problem of income inequality by:

- Implementing a progressive tax system which has reduced the income gap between income earners. ✓✓
- Levying indirect taxes on consumption (e.g. VAT), while certain basic items that the poor often consumes, were excluded. ✓✓
- Providing free primary health care in provincial hospitals and clinics. ✓✓
- Making provision for those who cannot afford to pay by offering a free basic education. ✓✓
- Making transfer payments and subsidies payable to the poor and previously disadvantaged. ✓✓
- Implementing minimum wages. ✓✓
- Implementing job creation programmes. ✓✓
- Implementing BBBEE and labour laws. ✓✓

(Max. 10 marks)

CONCLUSION

Government intervention ensures that inefficiencies are eliminated and that the market functions efficiently. ✓✓

(Accept any relevant high order conclusion.)

(Max. 2 marks)

[40]

TOTAL SECTION C: 40

TOTAL: 100