



Province of the  
**EASTERN CAPE**  
EDUCATION

Iphondo leMqume Kapa: Ishe leMfundo  
Provinsie van die Oos Kaap: Departement van Onderwys  
Porafesio Ya Kapa: Umtshabela: Lefapha la Thuto

# **NATIONAL SENIOR CERTIFICATE**

## **GRADE 12**

### **SEPTEMBER 2025**

### **ECONOMICS P2**

**MARKS:** 150

**TIME:** 2 hours



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. Number the answers correctly according to the numbering system used in this question paper.
3. Write the number of the question above each answer.
4. Read the questions carefully and start each question on a NEW page.
5. Leave 2–3 lines between subsections of questions.
6. 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.
7. Answer only the required number of questions. Answers in excess of the required number will NOT be marked.
8. Use only black or blue ink.
9. You may use a non-programmable pocket calculator.
10. Write neatly and legibly.



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

- 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, for example 1.1.9 D.

1.1.1 The revenue derived from the sale of one additional unit of a product is called ... revenue.

- A maximum
- B average
- C marginal
- D total

1.1.2 Mechanism that brings together buyers and sellers of goods and services:

- A Market
- B Market failure
- C Efficiency
- D Tourism

1.1.3 Profit maximisation is where the vertical distance between ... and TC is the biggest.

- A TFC
- B TVC
- C MC
- D TR

1.1.4 A market intervention that reduces the cost of production for the producers is known as a ...

- A tariff.
- B taxation.
- C transfer.
- D subsidy.

1.1.5 The CPIX index is the inflation rate that excludes interest rates on ... bonds.

- A municipal
- B government
- C mortgage
- D treasury

1.1.6 A place listed by the UNESCO as having special cultural or physical importance is called a ...



- A Department of Tourism.
- B World Heritage Site.
- C Superior structure.
- D World Bank.

1.1.7 The constant decrease in the general price level is called ...

- A deflation.
- B interest rate.
- C hyperinflation.
- D core inflation.

1.1.8 A South African who travels to France to watch the Rugby World Cup is an example of a/an ... tourist.

- A medical
- B business
- C outbound
- D inbound

(8 x 2) (16)



- 1.2 Choose a description from COLUMN B that matches an 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, for example 1.2.9 K.

| COLUMN A                    | COLUMN B                                                                                                                                                           |
|-----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1.2.1 Minimum wage          | A a curve with a top elastic section and a bottom inelastic section                                                                                                |
| 1.2.2 Tourism               | B the market price at which the quantity of goods supplied is equal to the quantity of goods demanded                                                              |
| 1.2.3 Kinked demand curve   | C the lowest amount of remuneration that an employer is required to pay workers for the work performed during a given period                                       |
| 1.2.4 Biodiversity          | D activities of people that travel outside of their usual places for leisure, business or sport                                                                    |
| 1.2.5 Equilibrium price     | E a measure of the rate of the change in prices of products sold as they leave the factory                                                                         |
| 1.2.6 Producer Price Index  | F payment made by the government to businesses to reduce activities that cause negative externalities on the environment                                           |
| 1.2.7 Stagflation           | G the variety of plant and animal life in a particular habitat                                                                                                     |
| 1.2.8 Environmental subsidy | H the ability of the environment to sustain itself for future economic activities<br>I low growth, high unemployment and high inflation rates occur simultaneously |

(8 x 1) (8)

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

**THE SOUTH AFRICAN MEDICAL SCHEMES MARKET— AN EXAMPLE OF GOVERNMENT CREATED MARKET FAILURE**

The South African medical schemes market is of considerable interest from an economist's perspective for the two reasons.

Pareto, an Italian engineer, put some flesh on those bones by pointing out that the actions of some may impose involuntary costs on others; or as it is usually said by economists, impose externalities on others.

Economists can offer a general explanation for government intervention. Governments are justified in intervening in markets to eliminate market failure. Having made that statement, it can then be said that this is not the explanation for the intervention into the South African medical schemes market.

[Adapted from [www.bizcommunity.com](http://www.bizcommunity.com)]

- 2.3.1 Identify the cause of market failure from the extract above. (1)
- 2.3.2 Name any ONE characteristic of public goods. (1)
- 2.3.3 Briefly describe the term *market failure*. (2)
- 2.3.4 Explain *land restitution* as a redress method to redistribute income and wealth. (2)
- 2.3.5 Why are markets unwilling to produce public goods? (2 x 2) (4)
- 2.4 Distinguish, without using graphs, *the demand curve of perfect competitor* with that of *oligopoly*. (4 x 2) (8)
- 2.5 Explain the impact of productive inefficiency on the cost and competitiveness of a business. (4 x 2) (8)
- [40]**

### QUESTION 3: CONTEMPORARY ECONOMIC ISSUES

40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 Mention any TWO indigenous forms of art in South Africa. (2 x 1) (2)

3.1.2 How do export earnings cause demand-pull inflation? (2 x 1) (2)

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

#### GLOBAL CITIZEN SCIENTISTS DIG IT: UNEARTHING SA'S PALEO TOURISM



Imagine, carefully digging around a piece of bone that juts out of the earth. If we find that one fossil that is the missing piece in a great big human ancestor puzzle. Paula, who is from Ireland, is at the bottom of an excavation pit in the Cradle of Humankind UNESCO World Heritage Site near Johannesburg in Gauteng, where about 40% of Africa's human ancestor fossils have been found. She's part of a group of six international tourists on a paleo safari.

[Adapted from: [www.dailymaverick.co.za](http://www.dailymaverick.co.za)]

3.2.1 Identify the type of tourism mentioned in the extract above. (1)

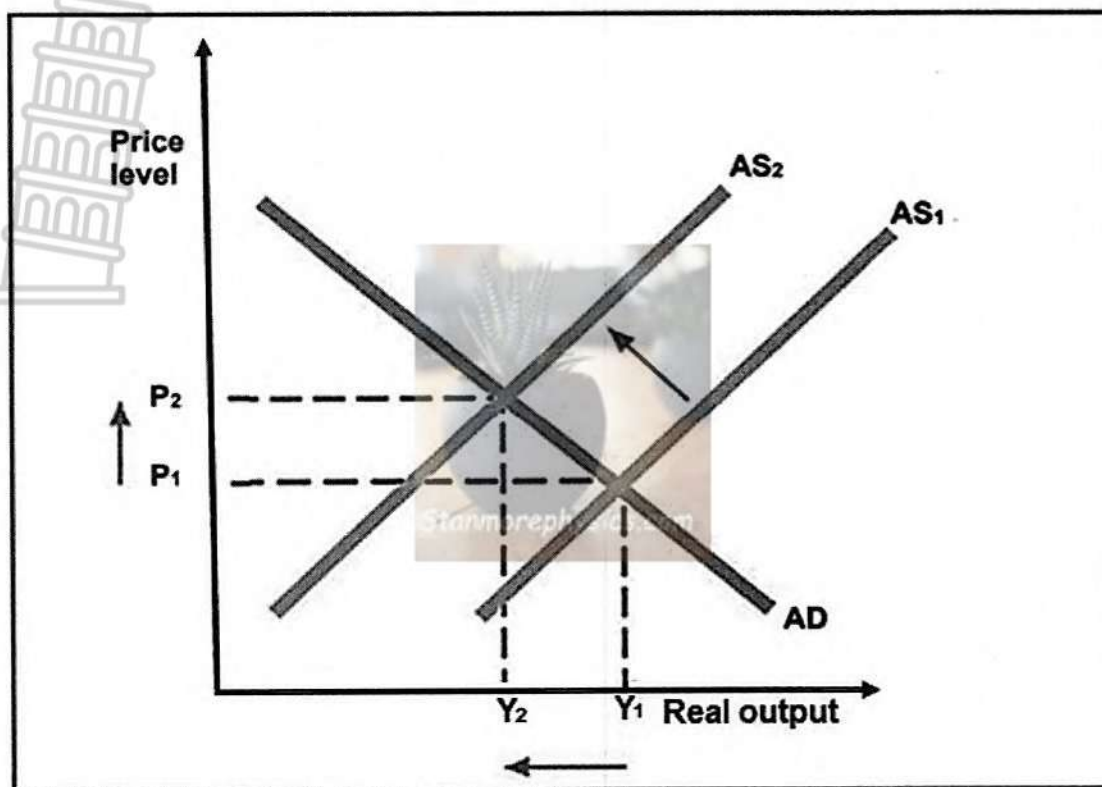
3.2.2 Name any ONE World Heritage Site. (1)

3.2.3 Briefly describe the term *transit tourist*. (2)

3.2.4 Why is crime prevention important for the growth of tourism in South Africa? (2)

3.2.5 How can tourism negatively impact the environment? (2 x 2) (4)

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



[Source: Forbesindia.com]

- 3.3.1 Identify the cause of inflation in the graph above. (1)
- 3.3.2 Name the type of inflation that excludes high volatile prices. (1)
- 3.3.3 Briefly describe the term *all-inclusive inflation*. (2)
- 3.3.4 Describe the effect of inflation on industrial unrest. (2)
- 3.3.5 Explain the effect of inflationary expectations on producers. (4)
- 3.4 Distinguish between *fiscal measures* and *monetary measures* when combating inflation. (8)
- 3.5 How can domestic tourism be promoted in South Africa? (4 x 2) (8)

[40]

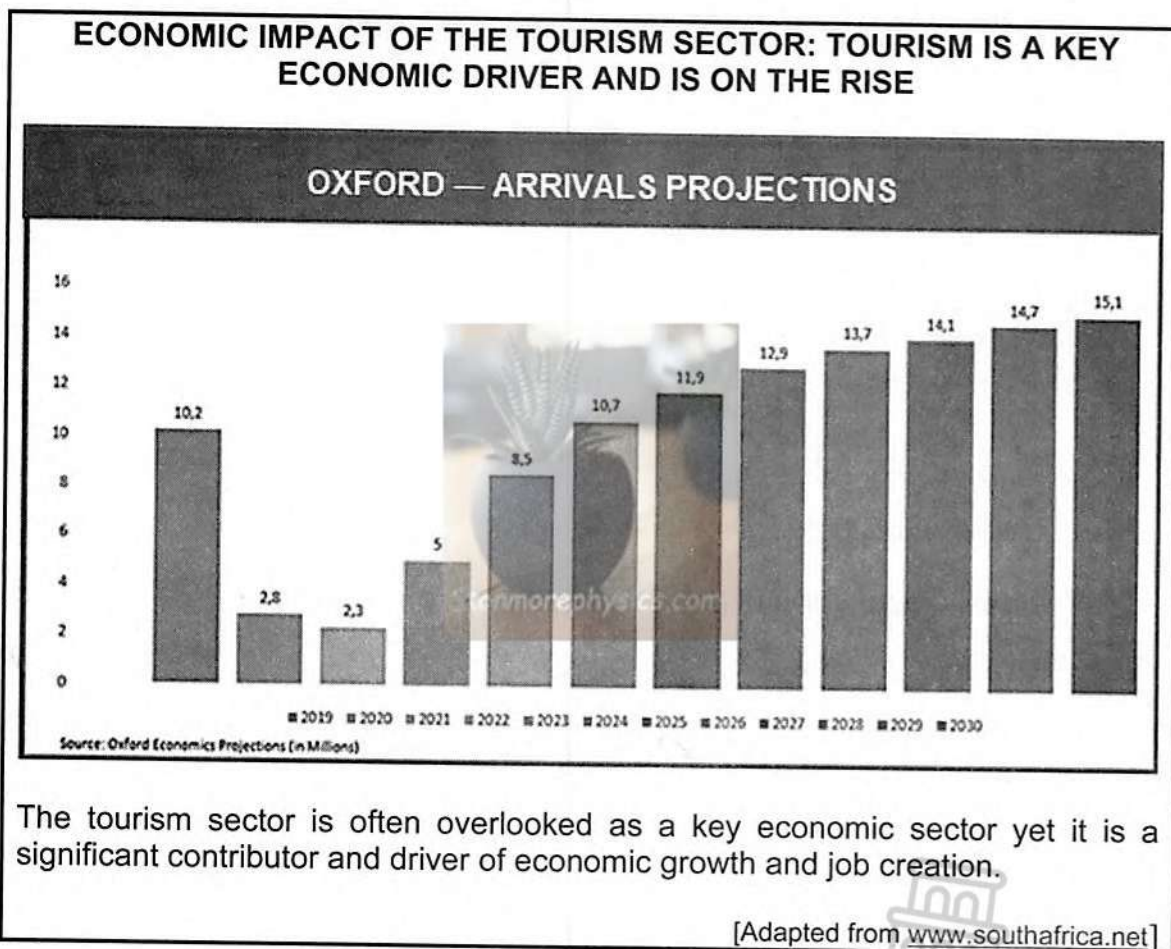
**QUESTION 4: MICROECONOMICS AND CONTEMPORARY ECONOMIC ISSUES**  
**40 MARKS – 30 MINUTES**

4.1 Answer the following questions.

4.1.1 Name any TWO types of consumer inflation. (2 x 1) (2)

4.1.2 Why would long-run average costs decrease as output increases over time? (2)

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



4.2.1 Identify the effect of tourism in the graph above. (1)

4.2.2 Name any ONE reason for tourism growth in South Africa. (1)

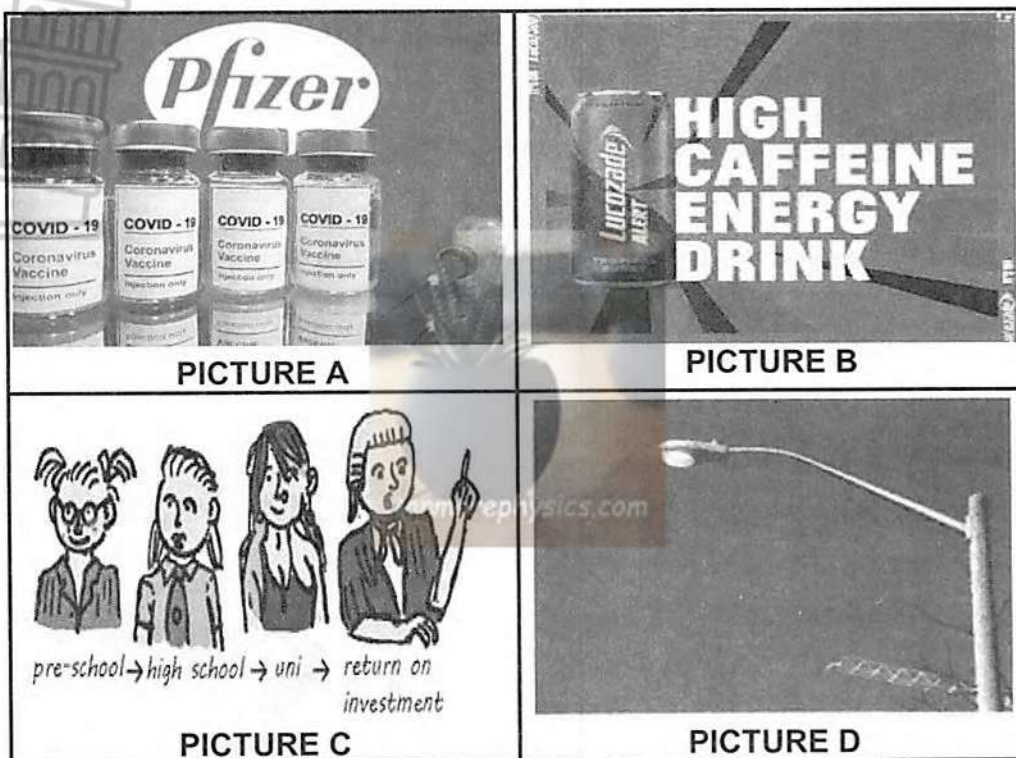
4.2.3 Briefly describe the concept *eco-tourism*. (2)

4.2.4 Explain the effect of the depreciation of the rand on foreign tourism. (2)

4.2.5 How can indigenous knowledge systems contribute to promoting tourism? (4)

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

### REASONS FOR MARKET FAILURE – MISSING MARKETS



- 4.3.1 Identify merit goods in the pictures above. (1)
- 4.3.2 Name the goods that are oversupplied by the market. (1)
- 4.3.3 Briefly describe the term *externalities*. (2)
- 4.3.4 Why are merit goods undersupplied by the market? (2)
- 4.3.5 How can the government discourage the consumption of demerit goods? (2 x 2) (4)
- 4.4 Discuss the increase in household consumption as a cause of demand-pull inflation. (4 x 2) (8)
- 4.5 How does the Competition Act benefit the South African economy? (4 x 2) (8)
- [40]**

**TOTAL SECTION B: 80**

**SECTION C**

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

Your answer will be assessed as follows.

| STRUCTURE OF ESSAY                                                                                                                                                                                                                                                                                                                                                                                                                                      | MARK ALLOCATION |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| <b>Introduction</b><br>The introduction is a lower-order response. <ul style="list-style-type: none"> <li>• A good starting point would be to define the main concept related to the question topic.</li> <li>• DO NOT include any part of the question in your introduction.</li> <li>• DO NOT repeat any part of the introduction in the body.</li> <li>• Avoid saying in the introduction what you are going to discuss in the body.</li> </ul>      | Max. 2          |
| <b>Body</b><br><b>Main part:</b> Discuss in detail/In-depth discussion/Examine/Critically discuss/Analyse/Compare/Evaluate/Distinguish/Differentiate/Explain                                                                                                                                                                                                                                                                                            | Max. 26         |
| <b>Additional part:</b> 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                                                                                                                                                                                          | Max. 10         |
| <b>Conclusion</b><br>Any higher-order conclusion should include: <ul style="list-style-type: none"> <li>• A brief summary of what has been discussed without repeating facts already mentioned</li> <li>• Any opinion or value judgement on the facts discussed</li> <li>• Additional support information to strengthen the discussion/analysis</li> <li>• A contradictory viewpoint with motivation, if required</li> <li>• Recommendations</li> </ul> | Max. 2          |
| <b>TOTAL</b>                                                                                                                                                                                                                                                                                                                                                                                                                                            | <b>40</b>       |

**QUESTION 5: MICRO ECONOMICS****40 MARKS – 40 MINUTES**

- Discuss in detail monopoly as a market structure. (26 marks)
- Why do South African monopolies fail to achieve the typical long-run equilibrium position of a monopoly? (10 marks) **[40]**

**QUESTION 6: CONTEMPORARY ECONOMIC ISSUES****40 MARKS – 40 MINUTES**

- Discuss in detail the environmental problems and the major international measures taken to ensure sustainable development. (26 marks)
- Critically discuss why the market fails to ensure environmental sustainability. (10 marks) **[40]**

**TOTAL SECTION C: 40**  
**GRAND TOTAL: 150**



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# **NATIONAL SENIOR CERTIFICATE**

**GRADE 12**

**SEPTEMBER 2025**

## **ECONOMICS P2 MARKING GUIDELINE**

**MARKS: 150**

Stanmorephysics.com



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This marking guideline consists of 17 pages.

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## SECTION A

### QUESTION 1

- 1.1 1.1.1 C ✓✓ (marginal revenue)
- 1.1.2 A ✓✓ (Market)
- 1.1.3 D ✓✓ (TR)
- 1.1.4 D ✓✓ (subsidy)
- 1.1.5 C ✓✓ (mortgage)
- 1.1.6 B ✓✓ (World Heritage Site)
- 1.1.7 A ✓✓ (deflation)
- 1.1.8 C ✓✓ (outbound) (8 x 2) (16)
- 1.2 1.2.1 C ✓ the lowest amount of remuneration that an employer is required to pay workers for the work performed during a given period
- 1.2.2 D ✓ activities of people that travel outside of their usual places for leisure, business or sport.
- 1.2.3 A ✓ a curve with a top elastic section and a bottom inelastic section.
- 1.2.4 G ✓ the variety of plant and animal life in a particular habitat
- 1.2.5 B ✓ the market price at which the quantity of goods supplied is equal to the quantity of goods demanded
- 1.2.6 E ✓ a measure of the rate of the change in prices of products sold as they leave the factory
- 1.2.7 I ✓ low growth, high unemployment and high inflation rates occur simultaneously
- 1.2.8 H ✓ the ability of the environment to sustain itself for future economic activities. (8 x 1) (8)
- 1.3 1.3.1 Cost-benefit analysis ✓
- 1.3.2 Competition Commission ✓
- 1.3.3 Social costs ✓
- 1.3.4 Headline inflation ✓
- 1.3.5 Pollution ✓
- 1.3.6 Preservation ✓ (6 x 1) (6)



**TOTAL SECTION A: 30**

## SECTION B

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

### QUESTION 2: MICROECONOMICS

40 MARKS – 30 MINUTES

2.1 Answer the following questions.

2.1.1 Name any TWO examples of products sold by perfect competitors.

- Agricultural products ✓
- Shares ✓
- Foreign currency ✓
- Raw materials ✓

(Accept any other correct and relevant response.)

(2 x 1) (2)

2.1.2 How does the imperfect distribution of income and wealth contribute to market failures?

- Unequal distribution of income and wealth can restrict access to resources, hindering the individuals' ability to participate fully in markets. ✓✓
- Lower-income individuals have limited access to education, leading to a less skilled workforce, affecting efficiency in the labour market. ✓✓

(Accept any other correct relevant response.)

(1 x 2) (2)

### 2.2 DATA RESPONSE

2.2.1 Identify the market structure in the graph above.

- Perfect competition ✓

(1)

2.2.2 Identify the supply curve in the graph above.

- The rising part of the MC curve is above the shutdown point. ✓

(1)

2.2.3 Briefly describe the term *homogenous products*.

- These are products that are similar, identical or the same in style, design and quality. ✓✓

(2)

2.2.4 When will a firm in this market shut-down its operations?

- When the firm can no longer cover its variable costs below the point where  $AVC = AR$ . ✓✓

(2)

2.2.5 Use the graph above to determine the type of profit made by this firm. Show ALL the calculations.

$$\text{Profit} = TR - TC$$

$$= (\text{Price} \times \text{Quantity}) - (\text{Cost} \times \text{Quantity}) \checkmark$$

$$= (R40 \times 30) - (R40 \times 30) \checkmark$$

$$= 0 \checkmark$$

Therefore the firm makes normal profit ✓

(4)

## 2.3 DATA RESPONSE

2.3.1 Identify the cause of market failure from the extract above.

- Externalities ✓

(1)

2.3.2 Name any ONE characteristic of public goods.

- Non rejectable ✓
- Non excludable ✓
- Non rivalry ✓
- Social benefits outstrip social costs ✓

(Accept any other correct response.)

(1)

2.3.3 Briefly describe the term *market failure*.

- Market failure refers to a situation where the market forces of demand and supply fail to allocate resources efficiently. ✓✓
- (Accept any other correct relevant response.)

(2)

2.3.4 Explain *land restitution* as a redress method to redistribute income and wealth.

- Land restitution refers to a situation where the government gives land back to those that were forcefully removed in the past. ✓✓

(2)

2.3.5 Why are markets unwilling to produce public goods?

- The demand for public goods can be hard to gauge, leading to uncertainty about whether the investment will be worthwhile. ✓✓
- Producing public goods often requires substantial upfront investment (e.g. infrastructure for public transportation or national defense), which may deter private entities that seek quicker returns on investment. ✓✓

(Accept any other correct and relevant response.)

(2 x 2) (4)

2.4 Distinguish, without using graphs, the demand curve of perfect competitor with that of oligopoly.

| PERFECT COMPETITOR                                                                                                                                                                                                                                                                                                                                                                                                                    | OLIGOPOLY                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• The demand curve of a perfect competitor is horizontal and is perfectly elastic. ✓✓</li> <li>• All units are sold at same price and a perfect competitor does not need to change the price in order to sell more. ✓✓</li> <li>• The demand is the same as the price, marginal revenue (MR) and the average revenue curves (AR). ✓✓</li> <li>• The business is the price-taker. ✓✓</li> </ul> | <ul style="list-style-type: none"> <li>• The demand curve is kinked and has two segments. The upper segment is relatively elastic and the bottom relatively inelastic. ✓✓</li> <li>• All units are sold at different prices and for an oligopolist to maximize revenue they must sell at the kink (equilibrium). ✓✓</li> <li>• The demand curve lies above the marginal revenue curve. ✓✓</li> <li>• The business is the price-maker. ✓✓</li> </ul> |

(Accept any other correct and relevant response.)

(Allocate a maximum of 4 marks for mere listing of facts.)

(Max.8) (8)

2.5 Explain the impact of productive inefficiency on the cost and competitiveness of a business.

- Productive inefficiency means that a firm is not operating at its maximum production capacity or at the lowest possible cost. ✓✓
- Inefficiency will lead to a business having higher production costs, which could lead to higher selling prices and lower its competitiveness. ✓✓
- Inefficient firms will not benefit from economies of scale when they increase their production output. ✓✓
- As a result, they will be unable to offer lower prices and capture a bigger market share. ✓✓
- This means the firm spends more money or resources on producing the same amount of goods and services if it was producing efficiently.
- This may result on the firm not maximising its profits or minimising its losses and may possibly be unable to continue its operations.

(Accept any correct and relevant response.)

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

(4 x 2)

(8)

**[40]**



**QUESTION 3: CONTEMPORARY ECONOMIC ISSUES**

**40 MARKS – 30 MINUTES**

3.1 3.1.1 **Mention any TWO indigenous forms of art in South Africa.**

- Rock painting ✓
- Beading ✓
- Traditional clothing ✓
- Pottery ✓

(Accept any other correct and relevant response.)

(2 x 1) (2)

3.1.2 **How do export earnings cause demand-pull inflation?**

- Growth of the economies of trading partner countries may create a demand for a variety of locally produced goods and services. ✓✓
- During an expansionary period, foreign demand increases, and this leads to greater volumes of exports and the income earned from these exports adds to aggregate demand and prices increase. ✓✓

(Accept any correct relevant response.)

(2 x 1) (2)

**3.2 DATA RESPONSE**

3.2.1 **Identify the type of tourism mentioned in the picture above.**

- Paleo tourism ✓

(1)

3.2.2 **Name any ONE World Heritage Site.**

- Mapungubwe Cultural Landscape (Limpopo) ✓
- Vredefort Dome (Free State and North West) ✓
- Sterkfontein caves/Cradle of Humankind ✓
- Robben Island ✓
- Richtersveld Cultural and Botanical Landscape ✓
- Cape Floral Region ✓
- ISimangaliso Wetland Park ✓
- Vredefort Dome ✓
- Maloti-Drakensberg Park ✓
- Baberton Makhonjwa Mountains ✓

(1)

3.2.3 **Briefly describe the term *transit tourist*.**

- Transit tourist is a tourist travelling through a country to another country. ✓✓

(Accept any other correct relevant response.)

(2)

3.2.4 **Why is crime prevention important for the growth of tourism in South Africa?**

- The country needs to fight crime to make it safe for tourists to visit so as to increase the national income of the country. ✓✓
- Safety of tourists ensures an inflow of foreign currencies which improves the country's economic status. ✓✓

(Accept any other relevant correct response.)

(2 x 1) (2)



3.2.5 How can tourism negatively impact the environment?



- Waste product generation damages fish production, create health hazards and detracts the attractiveness of a destination. ✓✓
- Permanent environment restructuring which includes major infrastructure development creates environmental stress. ✓✓
- Directs environmental stress caused by tourist activities such as the destruction of coral reefs and vegetation destroys the environment. ✓✓

(Accept any other correct relevant response.)

(2 x 2) (4)

3.3 DATA RESPONSE

3.3.1 Identify the cause of inflation in the graph above.

- Cost-push ✓
- Decrease in supply ✓
- An increase in the cost of production ✓

(Any 1 x 1) (1)

3.3.2 Name the type of inflation that excludes high volatile prices.

- Core inflation ✓

(1)

3.3.3 Briefly describe the term *all-inclusive inflation*.

- All-inclusive inflation is a measure of inflation that takes into account the prices of all goods and services produced in an economy. It is calculated using the Implicit GDP deflator, which is the ratio of GDP at current prices to GDP at constant prices. ✓✓  
(Accept any other correct relevant description.)

(2)

3.3.4 Describe the effect of inflation on industrial unrest.

- When prices are rising rapidly, workers are likely to demand higher wages to keep up with the rising cost of living and this can lead to strikes and other forms of labour unrest. ✓✓  
(Accept any other correct relevant response.)

(2)

3.3.5 Explain the effect of inflationary expectations on producers.

High inflationary expectations can have a significant impact on the economy, potentially leading to the following:

- Businesses may struggle to plan for the future and make investment decisions due to uncertainty about future price levels. ✓✓
- If producers expect selling prices to rise in the future, they may be incentivised to increase production now to capitalise on higher future profits. This can lead to higher economic output and investment in production capacity. ✓✓
- Erosion of purchasing power: If input costs rise faster than selling prices, producers' profits can decrease, even if they raise prices. This can force them to cut costs or reduce production, impacting jobs and economic activity. ✓✓

(Accept any other relevant correct answer.)

(2 x 2) (4)

3.4 Distinguish between *fiscal measures* and *monetary measures* when combating inflation.

**Fiscal measures**

- These are measures applied by the government (treasury) to combat inflation.
- Increasing direct taxes to reduce disposable income and curb excessive demand. ✓✓
- Increasing indirect taxes such as VAT, excise and customs duties to increase specific prices and curb demand. ✓✓
- Reducing government spending to reduce disposable income thereby curbing demand. ✓✓
- Implementing measures to improve productivity such as tax rebates, to improve the supply position. ✓✓ (Max. 4)

**Monetary measures**

- These are measures applied by the central bank (SARB) to combat inflation.
- Increase the repo rate to banks to reduce the availability of credit to consumers. ✓✓
- Increase the interest rates to make it more expensive to borrow thereby reducing demand. ✓✓
- Decrease the money supply by means of open-market transactions through the selling of government bonds ✓✓
- Increase banks cash reserve requirements to reduce their money available for lending to customers. ✓✓ Introduce exchange and credit control. ✓✓ (Accept any other correct relevant response.) (A maximum of 4 marks will be given for mere listing.) (4 x 2) (8)

3.5 How can domestic tourism be promoted in South Africa?

- Create local packages that cater specifically for domestic tourist that includes discount rates as well as unique experiences designed to appeal to their interests and preferences. ✓✓
- Showcase local culture in small towns that is usually rooted in culture and tradition, where traditional dances, music, art, and visits to local cultural activities and museum galleries are found. ✓✓
- Market your packages on social media platforms and engage with potential visitors on social media. ✓✓
- The Department of Tourism can also fund events such as music concerts in areas that need a boost in tourism activities.
- Using ambassadors such as Iswazi Elihle Msikinya, Unathi Nkayi, etc. who have a huge following on digital platforms to expose domestic tourist destinations around the country. (Accept any other relevant correct response.) (Allocate a maximum of 2 marks for a mere listing of facts/examples.)

(4 x 2) (8)  
[40]



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

4.1 4.1.1 **Name any TWO types of consumer inflation.**

- Headline inflation ✓
  - Core inflation ✓
  - Administered-price inflation ✓
- (Accept any other relevant correct response.)

(2 x 1) (2)

4.1.2 **Why would long-run average costs decrease as output increases over time?**

- The long-run average costs decrease as output increases because fixed costs remain unchanged as the level of production increases ✓✓
- (Accept any other correct relevant response.)

(1 x 2) (2)

**4.2 DATA RESPONSE**

4.2.1 **Identify the effect of tourism in the graph above.**

- Job creation ✓

(1)

4.2.2 **Name any ONE reason for tourism growth in South Africa.**

- Increased disposable income. ✓
- Less working hours so more time to travel. ✓
- An awareness of leisure and recreation. ✓
- Improved transport, communication and accommodation facilities. ✓
- Increased advertising and promotion. ✓
- Enjoying the benefits of holidays and travel. ✓
- Easily obtainable foreign exchange. ✓

(Any 1 x 1) (1)

4.2.3 **Briefly describe the concept *eco-tourism*.**

- Eco-tourism refers to tourists visiting undisturbed natural areas such as the Kruger National Park. ✓✓

(2)

4.2.4 **Explain the effect of the depreciation of the rand on foreign tourism.**

- Exchange rates affect the demand for tourism by influencing the relative costs and benefits of traveling to different destinations. ✓✓
  - When a currency depreciates or decreases in value, it becomes more expensive for the holders of that currency to buy goods and services abroad. ✓✓
  - When the currency loses value, foreign travel becomes less attractive and outbound tourism will be discouraged. ✓✓
- (Accept any other correct relevant response.)

(2)



4.2.5 **How can indigenous knowledge systems contribute to promoting tourism?**



- IKS can provide insights into local cultures, traditions, and practices. ✓✓
  - This allows tourists to gain a deeper understanding and appreciation of the destination and this can lead to more authentic and enriching tourism experiences. ✓✓
  - IKS can provide a wealth of information about local flora and fauna, traditional handicrafts and unique cultural practices. ✓✓
  - This information can be used to develop new and diverse tourism products and experiences that attract a wider range of visitors. ✓✓
- (Accept any other correct and relevant response.) (2 x 2) (4)

4.3 **DATA RESPONSE**

4.3.1 **Identify merit goods in the pictures above.**

- Picture A ✓ (1)

4.3.2 **Name the goods that are oversupplied by the market?**

- Demerit goods ✓ (1)

4.3.3 **Briefly describe the term externalities.**

- Externalities refer to costs or benefit incurred by the third party that was not part of the transaction. ✓✓
- (Accept any other correct relevant response.) (2)

4.3.4 **Why are merit goods undersupplied by the market?**

- Because they are non-profitable and the main objective of starting a business is to make profits. ✓✓
  - Even though they are beneficial to the society, but individuals do not fully recognise their social benefit. ✓✓
  - Consumers under consume these goods and as a result government intervenes to educate consumers about their private and external benefits. ✓✓
- (Accept any other correct relevant response.) (2)

4.3.5 **How can the government discourage the consumption of demerit goods?**

- By imposing taxes to increase the prices of these goods and services. ✓✓
  - Launch campaigns to raise awareness about the negative externalities associated with demerit goods. ✓✓
  - Government can implement regulations to limit the availability of demerit goods. ✓✓
- (Accept any other correct relevant response.) (2 x 2) (4)



**4.4 Discuss the increase in household consumption as a cause of demand-pull inflation**

- Easy access to credit is caused by easier access to credit or lower interest rates, which make credit cheaper. ✓✓
- With credit being cheaper, households will borrow more and they will spend more on goods and services which will increase the demand of goods and services. ✓✓
- Lack of savings – consumers may spend their entire income and fail to save. ✓✓
- When government reduces taxes consumers will have increased disposable income and they will use that to buy more goods and services ✓✓  
(Accept any other correct relevant response.)

(A maximum of 4 marks must be allocated for mere listing of facts.) (Max. 4) (8)

**4.5 How does the Competition Act benefit the South African economy?**

- All South Africans are given equal opportunities to participate in the economy to make it more efficient. ✓✓
- Mergers and takeovers are evaluated to regulate market power to prevent unemployment and decrease poverty. ✓✓
- Curb economic power of big conglomerates so as to arrive at an equitable distribution of wealth and income. ✓✓
- Successfully prosecuted unfair competition limits the abuse of power by big businesses and brings fair competition advantage to all businesses. ✓✓
- New trade agreements with other countries encourage local businesses to be internationally competitive due to exposure. ✓✓  
(Accept any other correct relevant response.)

(A maximum of 2 marks may be allocated for mere listing of facts.) (4 x 2) (8)  
**[40]**

**TOTAL SECTION B: 80**



## SECTION C

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

### QUESTION 5: MICROECONOMICS

40 MARKS – 40 MINUTES

- Discuss in detail monopoly as a market structure. (26 marks)
- Why do South African monopolies fail to achieve the typical long-run equilibrium position of a monopoly? (10 marks)

### INTRODUCTION

A monopoly exists when a single firm dominates the entire market and sell a unique product or service with no close substitute. ✓✓  
(Accept any other correct relevant introduction.) (Max. 2) (2)

### BODY: MAIN PART

#### CHARACTERISTICS

##### Number of producers ✓

- The monopolist has full control over the supply of a product, because it is the only seller ✓✓
- The monopolist is the only supplier of a product which implies that there is no competition in this market structure. ✓✓
- The monopoly is also responsible for the industry's total output such as De Beers and Eskom. ✓✓

##### Nature of the product ✓

- The product is unique and it has no close substitutes which implies that consumers' choice is limited ✓✓
- The product has relatively inelasticity demand which means that quantity demanded less responsive to price changes, ✓✓ e.g. electricity and rail transport ✓

##### Economic profit/loss ✓

- A monopolist can earn an economic profit or economic loss in the short run. ✓✓
- If a monopoly is making economic loss in the short run, it will build a new production plant that yields economic profit in the long run. ✓✓
- If a monopoly is making economic profit in the short run, it will expand its production scale or capacity in order to make more economic profit in the long run. ✓✓

##### Demand curve ✓✓

- Monopolists are also confronted with a demand curve for their product but because they are the only supplier of the product, they can decide at what point on the demand curve they wish to be ✓✓
- The monopolist is the only supplier of the product in the market – the demand curve that confronts the monopolist is that of the market as a whole ✓✓
- The market demand curve which slopes downwards from left to right/graph ✓✓

### Control over the price ✓

- A monopolist has full control over the market price and it is regarded as a price-maker. ✓✓
- Monopolist can decide on price-quantity combination, that suits it the best, on the demand curve. ✓✓
- There is always the possibility of consumer exploitation because a monopolist is the only supplier of a product. ✓✓
- A monopoly business may restrict output or supply of the product to charge higher price. ✓✓
- However, this is often limited by the market demand since monopolist does not have control over demand. ✓✓
- Consumers have limited budgets, and a monopoly can therefore not demand excessive prices for its product. ✓✓
- The monopolist's product has to compete for consumers' favour (and money) with all the other products available in the economy. ✓✓

### Market information ✓

- All buyers and the single seller have full knowledge about the current market conditions. ✓✓
- This implies that there is high degree of transparency in the monopoly as there is no incentive for the monopoly to hide information from consumers. ✓✓

### Market entry ✓

- The barriers prevent other producers from entering the market to supply the same type of product ✓✓

### Natural monopolies ✓

- High development cost is frequently a reason – the provision of electricity is often used as an example ✓✓
- To build a nuclear power station and transmission lines to distribute electricity, costs billions of rand ✓✓
- E.g. Eskom as a single business in the country that supplies electricity ✓✓ operate as a natural monopoly and is owned and regulated by the government ✓✓

### Artificial monopolies ✓

- The barriers to entry are not economic in nature but artificial like patent rights which are legal and exclusive rights of a patent holder to manufacture a product using his or her unique invention ✓
- Patents are also frequently encountered in the pharmaceutical industry ✓✓
- Licensing is another way in which artificial monopoly is applied, e.g. TV and radio licenses ✓✓
- Licences protect operators against entry of other competitors ✓✓

### Productive ✓

- A monopoly does not achieve productive efficiency because output is produced without minimising the average cost. ✓✓



**Allocative efficiency ✓**

- There is allocative inefficiency because the output produced by a monopoly does not correspond with the quantity demanded by consumers. ✓✓
- Monopoly produces output level where the price is above the marginal cost. ✓✓

**Collusion ✓**

Collusion is irrelevant because there is one business in the market. ✓✓

**Decision-making ✓**

- A monopoly business makes decisions independently because there are no competitors. ✓✓
- However, a monopoly's decisions may be influenced by government laws and regulations, ✓✓ for instance Eskom's decisions are influenced by NERSA ✓

**Example ✓**

- Examples of industries found in monopoly are ESKOM, DeBeers, SASOL in the natural gas industry, etc. (Max. 26) (26)

**ADDITIONAL PART**

**Why do South African monopolies fail to achieve the typical long-run equilibrium position of a monopoly?**

- Due to large maintenance costs, revenue is not sufficient to cover all expenses. ✓✓
- Corruption and incompetence within the businesses compromise the ability to make profits. ✓✓
- Over reliance on bailouts leads to inefficiencies in management and decision-making processes. ✓✓
- This may also be caused by heavy government regulation and market distortions that hinders them from producing efficiently. ✓✓
- The South African monopoly market is characterised by significant political influence on key industries. ✓✓
- There is also lack of innovation incentives, and a complex regulatory environment that can hinder price setting and market manipulation, preventing them from fully exploiting their market power and leading to inefficiencies in the market. ✓✓  
(Accept any other correct relevant high order response.)  
(A maximum of 4 marks will be allocated for mere listing/facts.) (Max.10) (10)

**CONCLUSION**

Government intervention may be necessary to regulate and monitor monopolies to ensure fair competition and to protect the interests of consumers. ✓✓

(Accept any other correct relevant high-order conclusion.) (Max. 2) (2)

**[40]**



**QUESTION 6: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 40 MINUTES**

- **Discuss in detail the environmental problems and the major international measures taken to ensure sustainable development.** (26 marks)
- **Critically discuss why the market fails to ensure environmental sustainability.** (10 marks)

**INTRODUCTION**

Environmental sustainability is the ability of the environment to survive its use for economic activities. Environmental issues are global issues, as such the following environmental problems are areas of concern. ✓✓

(Accept any other correct relevant introduction.)

(2)

**BODY: MAIN PART**

**Biodiversity loss** ✓

- Biodiversity is the variety of species of plants and animal in a particular area. ✓✓
- It is concerned with the genetic variety among individuals within the same species and the number of species within a community of organisms. ✓✓
- The diversity of species in the world decreases rapidly due to extinction and extinction is an irreversible process. ✓✓
- Modern techniques such as gene transplantation can help to limit the loss of species. ✓✓
- The United Nations' Convention on International Trade in Endangered Species (CITES) prohibits trade in endangered plant and animal species. ✓✓
- Monitoring and regulation of trade in endangered species is carried out using permits and quotas. ✓✓
- In South Africa, a permit is needed for one to import plants and animals. ✓✓

(Max. 8)

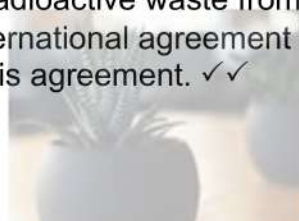
**Chemical waste** ✓

- Chemical waste is toxic and its effect on an organism can be death or infertility. ✓✓
- Chemical waste needs to be carefully managed to ensure that it does not leak into the ground water. ✓✓
- The Stockholm Protocol bans the twelve deadliest manufactured chemicals. ✓✓
- The Rotterdam Convention protects countries that lack adequate infrastructure to monitor the import and export of dangerous chemicals. ✓✓

(Max. 6)

**Hazardous waste** ✓

- Hazardous waste is highly toxic, has a slow decomposition rate and it stays poisonous for a very long time. ✓✓
- Hazardous waste can impact health or the environment through its physical, chemical, or toxicological properties. ✓✓
- Some examples of hazardous waste are asbestos, paints and thinners, household cleaners, drain openers, compressed gas tanks (such as propane and oxygen), lithium-sulphur batteries, etc. ✓✓
- The most dangerous waste is radioactive waste from nuclear power. ✓✓
- The Basel Convention is an international agreement to manage nuclear waste. South Africa is a signatory to this agreement. ✓✓



**Climate change ✓**

- Climate change is the change in the composition of the atmosphere that is related to human activity. ✓✓
- A build-up of certain gases such as carbon dioxide in the atmosphere causes the heat to be captured into the atmosphere, which leads to global warming. ✓✓
- Effects of climate change include changes in temperature and weather patterns. ✓✓
- The United Nations' Framework Convention on Climate Change (UNFCCC) sets objectives to reduce greenhouse gases.
- Kyoto Protocol was signed as an agreement in which the levels of greenhouse gas emissions were agreed upon.
- The objectives of the agreement were not achieved.
- The Paris Agreement is a landmark international treaty aimed at addressing climate change by reducing greenhouse gas emissions and limiting global warming. ✓✓

(Max. 6)

**Loss of indigenous knowledge ✓**

- Indigenous people have knowledge about the natural environment, which they often use to make a living. ✓✓
- Indigenous people use organic methods and natural processes in dealing with the environment. ✓✓
- Local capacity building is important as it can help indigenous people to learn more about the environment beyond their traditional lifestyle and experiences. ✓✓
- UNESCO's management of the social transformation programme is a global effort to document local/indigenous knowledge before it is lost forever. ✓✓

(Accept any other correct relevant response.)

(Max. 6) (26)

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

(At least TWO marks should be allocated for the international measures used to solve each problem.)



## ADDITIONAL PART

### Critically discuss why the market fails to ensure environmental sustainability.

- When companies or individuals engage in activities that harm the environment (pollution, habitat destruction, etc.), those costs aren't reflected in the price of their goods or services. ✓✓
  - This means society, not the polluter, bears the true cost, leading to the overproduction of damaging activities and an under-provision of environmental protection. ✓✓
  - Businesses often focus on maximising short-term profits, neglecting long-term environmental consequences. ✓✓
  - Sustainable practices might involve upfront investments or reduced immediate profits, making them less attractive in a purely market-driven system. ✓✓
  - Consumers often lack complete information about the environmental impact of their choices. This can lead to decisions that unknowingly contribute to environmental harm. ✓✓
  - Many environmental resources, like clean air and healthy forests, are public goods. These are non-excludable (everyone can access them) and non-rivalrous (one person's use does not diminish the use by another person). ✓✓
  - Markets struggle to efficiently manage public goods because free riders can consume them without contributing to their upkeep. ✓✓
  - When the true cost of a resource used is not reflected in prices, people tend to consume more than is sustainable. ✓✓
  - Businesses underinvest in sustainable practices due to short-termism/focus on short term profits ✓✓
  - Inefficient allocation of resources, resources flow toward activities that provide immediate profit, regardless of their environmental impact. ✓✓
  - Carelessness, people continue with harmful practices and leave future generations to worry about the consequences. ✓✓
  - While markets are efficient in allocating resources for some goods and services, they are not well-suited for ensuring environmental sustainability. ✓✓
  - Policy interventions, such as regulations, carbon pricing, and subsidies for sustainable practices, are often needed to address these market failures and encourage environmentally responsible behaviour. ✓✓
- (Accept any other correct relevant high order response.)  
(A maximum of 4 marks will be allocated for mere listing/facts.) (Max.10)

### CONCLUSION

Countries need to implement various strategies to address market failures in ensuring environmental sustainability. These include policy interventions, investments in infrastructure, empowering communities and individuals and international co-operation. ✓✓

(Accept any other correct relevant high-order conclusion).

(Max. 2)

[40]

**TOTAL SECTION B: 40**  
**GRAND TOTAL: 150**