LIMPOPO
PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

DEPARTMENT OF
EDUCATION

NATIONAL SENIOR CERTIFICATE

GRADE 12

ECONOMICS PAPER 2

SEPTEMBER 2026

MARKS: 150

TIME: 2 HOURS

PEECONP2

This question paper consists of 13 pages

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 number (1.1.1–1.1.8) in the ANSWER BOOK, for example 1.1.9 C.

1.1.1 The supply curve for the industry in perfect market is ...sloped.

A negatively
B positively
C horizontally
D vertically

1.1.2 The process during which a business makes itself known to the public is called...

A advertising
B differentiation
C patent
D copyright

1.1.3 When a business does not produce at lowest possible cost, it said to be...inefficient

A allocatively
B productively
C economically
D hopelessly

1.1.4 Public goods are provided and funded by...

A markets
B factories
C governments
D households

1.1.5 A condition of low economic growth, high unemployment and high rates of inflation is called...

A consumer inflation
B headline inflation
C stagflation
D core inflation

1.1.6 The agreement to ban 12 of the most dangerous manufactured chemicals is called …

A Basel Convention.
B Kyoto Protocol.
C Johannesburg Summit.
D Stockholm Protocol.

1.1.7 The site that has five different eco-systems is …

A ISimangiliso Wetlands Park
B UKhahlamba-Drakensberg Park
C Sterkfontein
D Vredefort Dome

1.1.8 The granting of a licence to businesses that allows them to pollute up to a certain degree is referred to as…permit

A licencing
B legislated
C taxable
D marketable

(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 number (1.2.1–1.2.8) in the ANSWER BOOK.

COLUMN A	COLUMN B
1.2.1 Cost-benefit analysis	A imposed on output of goods that generate external costs
1.2.2 Patent	B continuous decrease in the general price level over a given period
1.2.3 Private costs	C it brings greater objectivity to decision making
1.2.4 Duopoly	D a market consisting of many sellers
1.2.5 Deflation	E an exclusive right to manufacture a product
1.2.6 Transit tourists	F places listed by the UN as having cultural, historical and scientific significance
1.2.7 Environmental tax	G incurred by consumers when they buy goods
1.2.8 World heritage Site	H it is dominated by two large businesses
	I people travelling through one country e.g. South Africa to another country

(8 x 1) (8)

1.3 Give ONE term for each of the following descriptions. Write only the term next to the question number (1.3.1–1.3.6) in the ANSWER BOOK.

1.3.1 When it is impossible to make one person better-off without making another person worse-off

1.3.2 It occurs when a firm's average revenue is equal to the average cost

1.3.3 Where goods are bought illegally

1.3.4 A high rate of inflation of more than 50% per month

1.3.5 Resources that cannot be replaced once they have been extracted

1.3.6 South African citizens travelling to other countries (6 x 1) (6)

TOTAL SECTION A: [30]

SECTION B

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

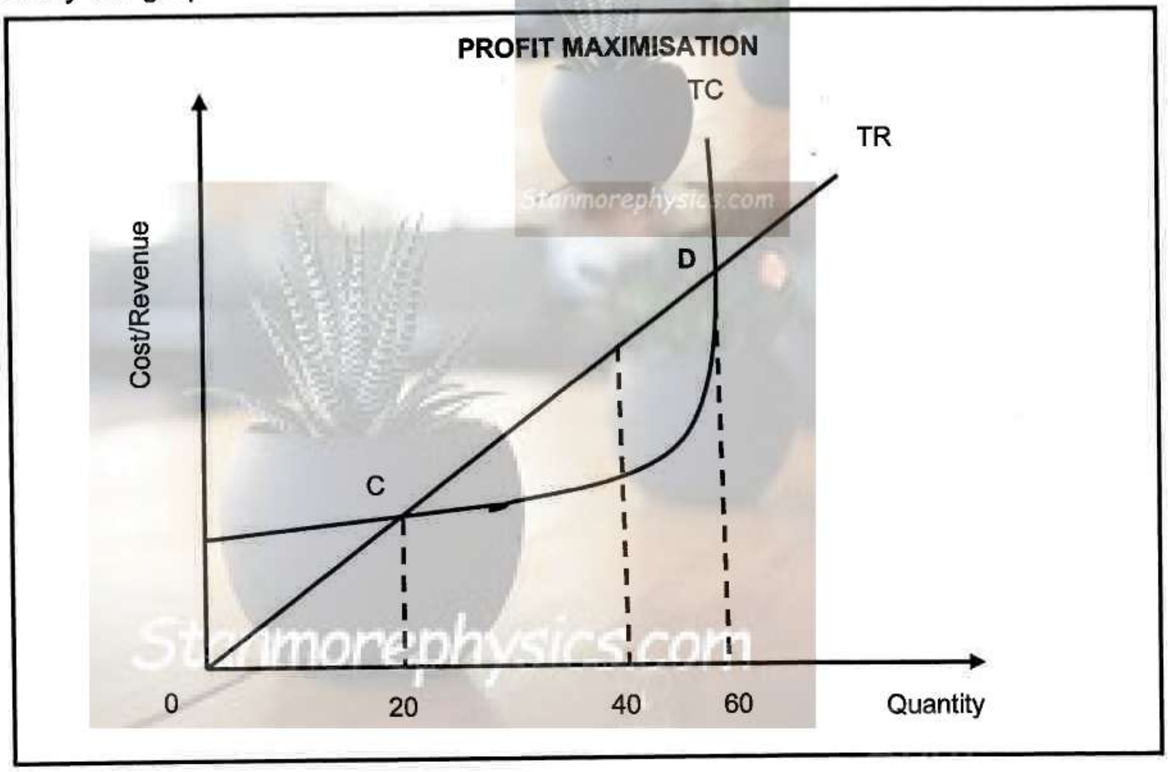
QUESTION 2: MICROECONOMICS **40 MARKS – 30 MINUTES**

2.1 Answer the following questions.

2.1.1 Name TWO types of costs that are used to calculate total costs. (2 x 1)

2.1.2 How can government encourage consumption of merit goods? (1 x 2) (2)

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



2.2.1 Which market structure is represented by the graph above? (1)

2.2.2 Name point **D** on the graph above. (1)

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

2.2.4 Why would businesses incur costs even when production is zero? (2)

2.2.5. Use the graph above to explain how profits are maximised by the business. (2 x 2) (4)

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

COLLUSION - GLASS INDUSTRY

The Competition Commission of South Africa, has found that PG glass and Glasfit have been operating a cartel, working togethor to set prices for their products. The companies are alleged to have entered into an agreement and or engaged in a concerted practice to fix prices of automotive glass products they supply to the end-user customers and insurance companies.

The Competition Commission found that the companies increase prices by the same percentage point annually. The Commission has now sought an order from the Tribunal declaring that the respondents have contravened the Competition Act and suggested that the two companies be given an administrative penalty on 10% of their respective turnovers.

[*Adapted from businesstech.co.za*]

2.3.1 Identify the law that has been broken by the businesses in the above extract. (1)

2.3.2 Name the institution that has same status as the high court in South Africa in dealing with economic matters. (1)

2.3.3 Briefly describe the term *collusion*. (2)

2.3.4 Why do businesses in an oligopoly market collude? (2)

2.3.5 How can businesses in this market try to attract customers? (4)

2.4 Briefly explain *nature of product* and *control over price* in monopolistic competition. (2 x 4) (8)

2.5 How can the government promote competition in the economy? (4 x 2) (8)
[40]

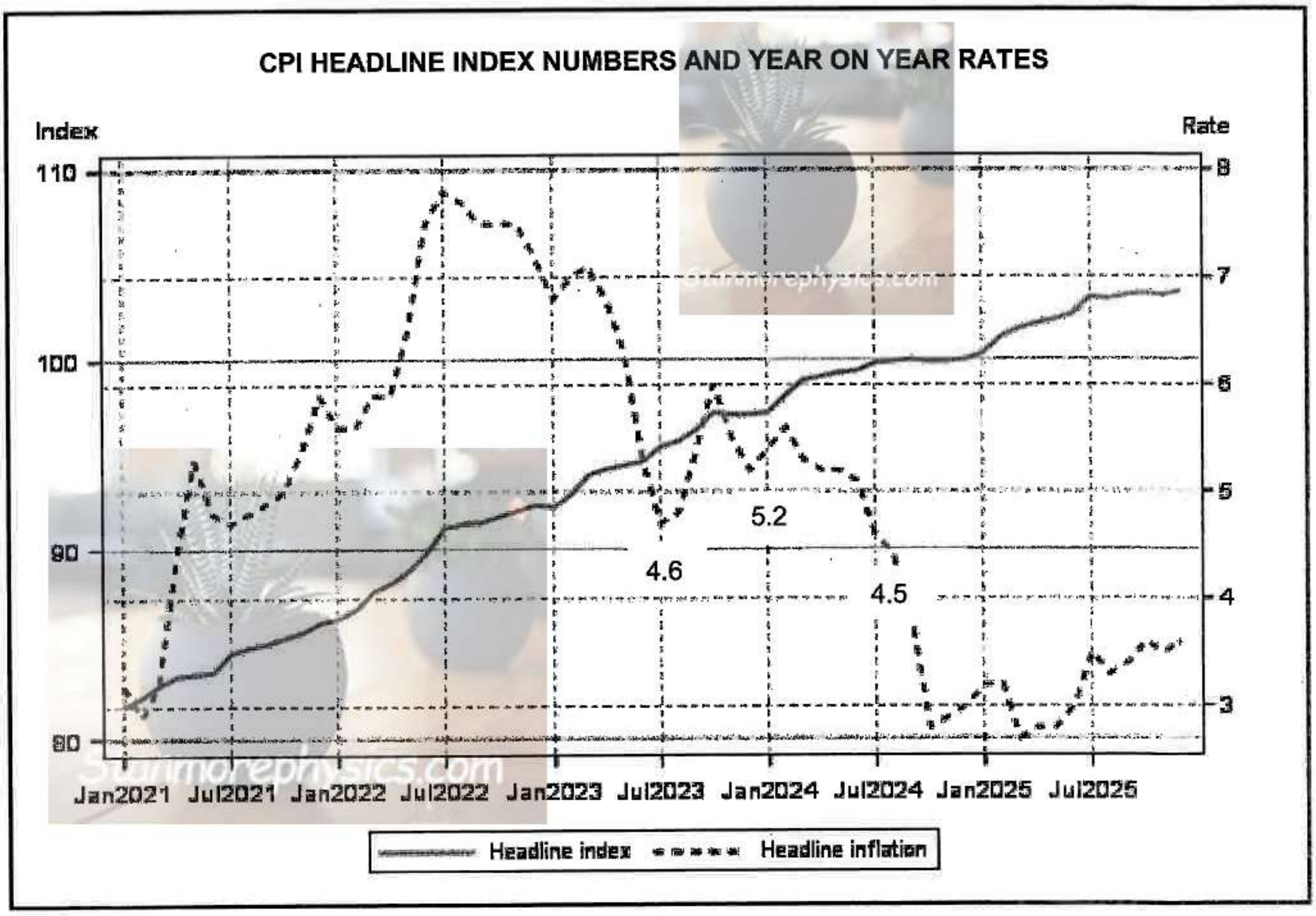
QUESTION 3: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 Name TWO examples of transport infrastructure needed for tourism. (2 x 1) (2)

3.1.2 How can government protect the reduction of indigenous forests (deforestation)? (1 x 2) (2)

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



[*Adapted from Stats SA*]

3.2.1 Identify the month and year in which inflation rate was highest. (1)

3.2.2 What was the change in inflation rate between July 2023 and January 2024? (1)

3.2.3 Briefly describe the term *production price index*. (2)

3.2.4 What will be the impact of an increase in indirect taxes on inflation? (2)

3.2.5 How can the South African Reserve Bank ensure that the CPI remains within the 3% - 6% target band? (2 x 2) (4)

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

GREEN TOURISM INCENTIVE PROGRAMME

The green Tourism Incentive Programme (GTIP) is a resource efficiency incentive programme of the Department of Tourism whose objective is to encourage and support private sector enterprises to invest in sustainable management and usage of energy and water resources through grant funding.

This funding will go a long way in benefitting tourism enterprises in the country. The programme is managed by the Industrial Development Corporation (IDC) on behalf of the Department of Tourism, and all applications and approvals are managed by IDC.

[*Adapted from tourism.gov.za*]

3.3.1	Identify the scheme that is used to assist tourism enterprises above.		(1)
3.3.2	Give one purpose of tourism.		(1)
3.3.3	Briefly describe the term *domestic tourism*.		(2)
3.3.4	Why is this grant funding important for tourism enterprises?		(2)
3.3.5	How can local communities benefit from nearby tourist attractions?		(4)
3.4	Briefly outline strategies that can be used to promote tourism in South Africa.	(2 x 4)	(8)
3.5	How can the government assist in combating(curbing) inflation?	(4 x 2)	(8) **[40]**

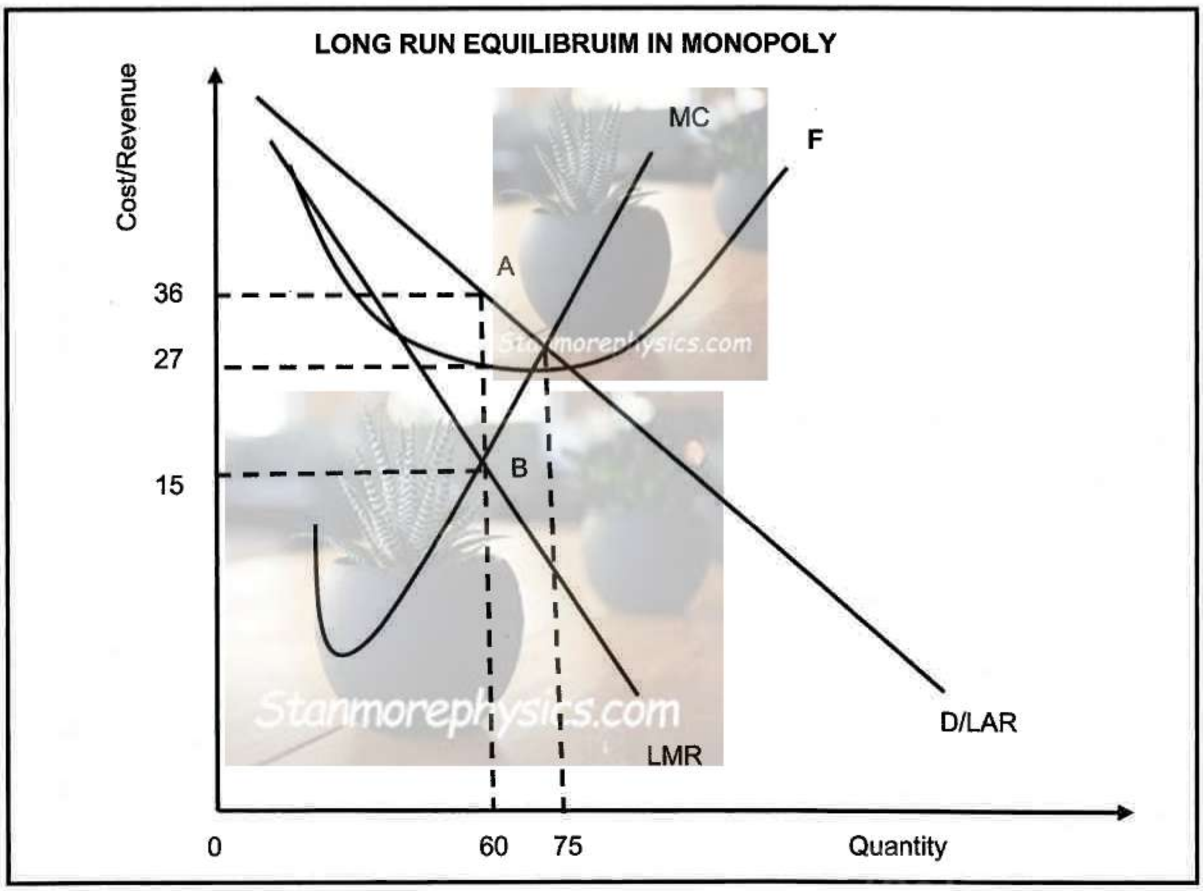
QUESTION 4: MICROECONOMICS AND CONTEMPORARY ECONOMIC ISSUES
40 MARKS – 30 MINUTES

4.1 Answer the following questions.

4.1.1 Name any TWO objectives of competition policy. (2 x 1) (2)

4.1.2 Why is core inflation lower than headline inflation? (2)

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



4.2.1 Identify the profit maximising point on the graph above. (1)

4.2.2 Which curve is represented by the letter F? (1)

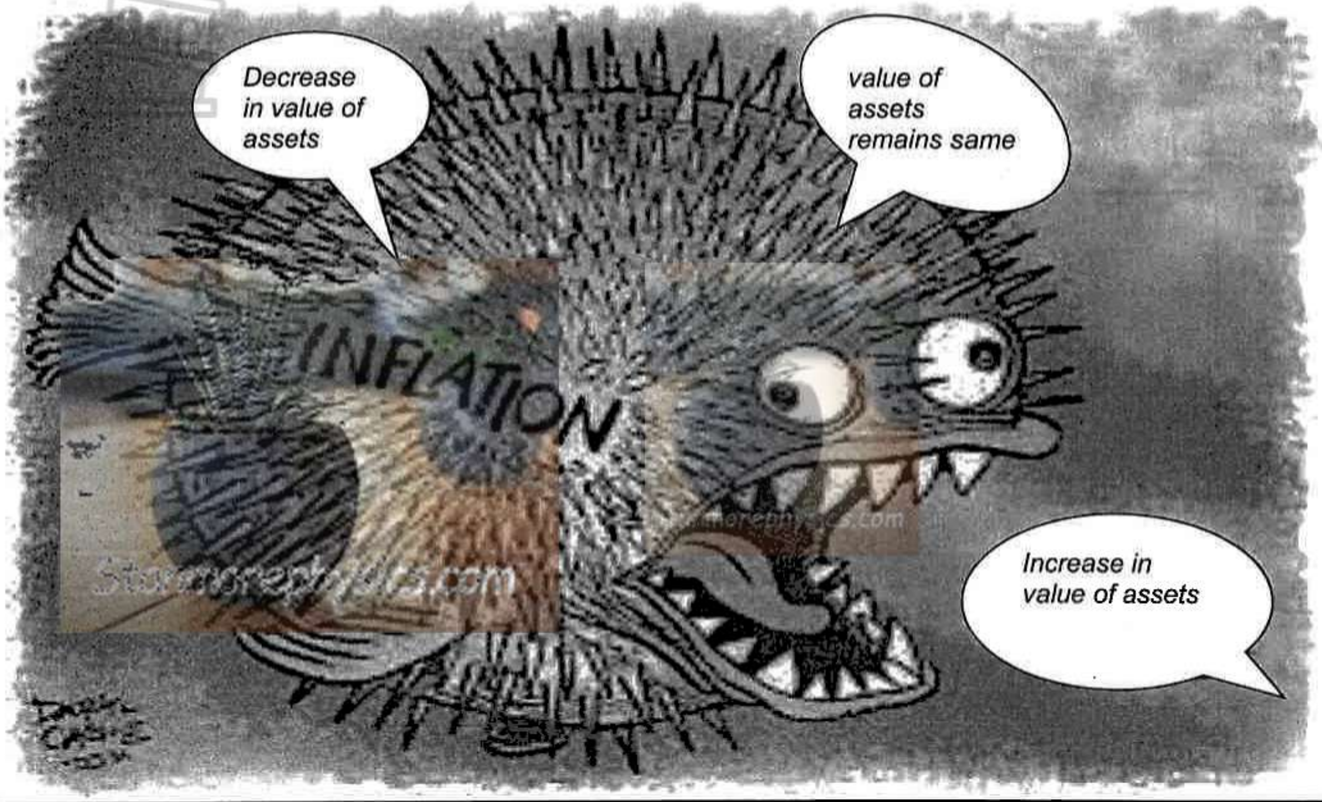
4.2.3 Briefly describe the term *long run.* (2)

4.2.4 Why does the marginal revenue curve of a monopoly always lie below the average revenue curve? (2)

4.2.5 Calculate the profit/loss that is made by the firm. Show ALL your calculations (4)

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

CONSEQUENCES OF INFLATION



[*Adapted from google*]

4.3.1 Identify the consequence of inflation on assets with flexible values. (1)

4.3.2 Which policy is used by SARB to control inflation? (1)

4.3.3 Briefly describe the term *administered price inflation.* (2)

4.3.4 How does inflation affect consumers? (2)

4.3.5 How can South African households contribute to lowering the effects of inflation? (2 x 2) (4)

4.4 With the aid of a correctly labelled graph, explain price leadership in an oligopoly. (2 x 4) (8)

4.5 How can tourism be used to alleviate poverty in the country? (8)
[40]

TOTAL SECTION B: [80]

SECTION C

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

STRUCTURE OF THE ESSAY	MARK ALLOCATION
Introduction The introduction is a lower order response • A good starting point would be to define the main concept related to the question • 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/Examine/Analyse/Compare/Evaluate/Distinguish/ Draw and explain a graph/Differentiate/Explain/Assess/Debate • **A maximum of 8 marks is allocated for headings**	Max. 26
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 **A maximum of 2 marks will be allocated for mere listing of facts**	Max. 10
Conclusion • A brief summary of what has been discussed without repeating facts already mentioned • An opinion or value judgement on the facts discussed • Additional support information to strengthen the discussion • A contradictory viewpoint with motivation • Recommendations	Max. 2
TOTAL	**40**

QUESTION 5: MICROECONOMICS **40 MARKS – 40 MINUTES**

- Discuss in detail causes of market failures. (26)
- How do minimum prices affect the economy? (Without the use of graphs) (10) **[40]**

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

- Discuss in detail FIVE environmental problems and international measures taken to ensure sustainable development. (26)
- How can conservation and preservation help to ensure environmental sustainability? (10) **[40]**

TOTAL SECTION C: [40]
GRAND TOTAL: [150]

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SEPTEMBER 2026

MARKING GUIDELINES

MARKS: 150

TIME: 2 HOURS

This marking guidelines consists of 18 pages

SECTION A (COMPULSORY)

QUESTION 1 **30 MARKS – 20 MINUTES**

1.1 **MULTIPLE CHOICE QUESTIONS**

1.1.1 B - positively ✓✓

1.1.2 A - advertising ✓✓

1.1.3 B - productively ✓✓

1.1.4 C - governments ✓✓

1.1.5 C - stagflation ✓✓

1.1.6 D - Stockholm Protocol ✓✓

1.1.7 A - ISimangiliso Wetlands Park ✓✓

1.1.8 D - marketable ✓✓ (8 x 2) (16)

1.2 **MATCHING ITEMS**

1.2.1 C - it brings greater objectivity to decision making ✓

1.2.2 E - an exclusive right to manufacture a product ✓

1.2.3 G - incurred by consumers when they buy goods ✓

1.2.4 H - it is dominated by two large businesses ✓

1.2.5 B - continuous decrease in the general price level over a given period ✓

1.2.6 I - people travelling through one country e.g. South Africa to another country ✓

1.2.7 A - imposed on output of goods that generate external costs ✓

1.2.8 F - places listed by the UN as having cultural, historical and scientific significance ✓ (8 x 1) (8)

1.3 **GIVE THE TERM**

1.3.1 Pareto optimality/efficiency ✓

1.3.2 Normal profit ✓

1.3.3 Black market ✓

1.3.4 Hyperinflation ✓

1.3.5 Non-renewable resources ✓

1.3.6 Outbound tourists ✓ (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 **Name TWO types of costs that are used to calculate total costs.**

- Variable ✓
- Fixed ✓ (2 x 1) (2)

2.1.2 **How can government encourage consumption of merit goods?**

The government can subsidise merit goods to make them affordable to consumers ✓✓

(Accept any other correct relevant response) (2)

2.2 **DATA RESPONSE**

2.2.1 **Which market structure is represented by the graph above?**

Perfect Competition ✓ (1)

2.2.2 **Name point D in the graph above.**

Break-even point / Normal profit ✓ (1)

2.2.3 **Briefly describe the term *implicit cost.***

The value of inputs that are owned by the entrepreneur and used in the production process ✓✓

(Accept any other correct relevant response) (2)

2.2.4 **Why would businesses incur costs even when production is zero?**

Businesses must still pay fixed cost even when there is no production of goods by the firm ✓✓

(Accept any other correct relevant response) (2)

2.2.5. **Use the graph above to explain how profits are maximised by the business.**

- The business makes profit at all points on the graph where total revenue is greater than total cost. i.e. between point C and D ✓✓
- Profits are maximised where the positive difference between total revenue and total cost is the greatest ✓✓
- This occurs when 40 units are produced ✓✓
- If the business produces less than 40 units it will not maximise profits unless it increases production to 40 units ✓✓
- If the business produces more than 40 units it will not maximise profits unless it decreases production to 40 units ✓✓ (2 X 2) (4)

(Accept any other correct relevant response)

2.3 DATA RESPONSE

2.3.1 **Identify the law that has been broken by the businesses in the above extract.**

Competition Act ✓ (1)

2.3.2 **Name the institution that has same status as the high court in South Africa in dealing with economic matters.**

Competition Appeals Court ✓ (1)

2.3.3 **Briefly describe the term *collusion*.**

It occurs when businesses agree on the prices they are going to charge their customers and the quantities they are going to produce ✓✓ (2)

2.3.4 **Why do businesses in an oligopoly market collude?**

The aim is to reduce or eliminate uncertainty / To make higher profits / To make it difficult for other businesses to enter the market ✓✓

(Accept any other correct relevant response) (2)

2.3.5 **How can businesses in this market try to attract customers?**

- Businesses in this market can increase their market share by competing using non-price factors ✓✓
- They can use product differentiation to make their products look different from that of other producers ✓✓
- They can launch aggressive advertising campaigns using billboards, TV's and other media platforms ✓✓
- Extend shopping hours to make it more convenient for customers ✓✓
- They can do after sales services to check on customer satisfaction ✓✓

(Accept any other correct relevant response) (4)

2.4 **Briefly explain *nature of product* and *control over price* in monopolistic competition.**

Nature of product

- The products sold in this market are differentiated and this differentiation can be through packaging ✓✓
- The differentiation can sometimes be imaginary as in the case of medicines which have different brand names but contain exactly the same basic ingredients ✓✓
- Producers design products like cold drinks which differ slightly from those of competitors ✓✓
- The differentiated products create scope for brand loyalty ✓✓ **(Max. 4)**

Control over prices

- Firms have little control over the price of the product due competitive nature of the market ✓✓
- They are the price makers of their brand ✓✓
- Each seller can sell at its own price since a single price cannot be determined for differentiated products ✓✓
- A range of prices can be applied to different products depending on the size of the business ✓✓ **(Max. 4)**

(Accept any other correct relevant response)

(A maximum of 4 marks should be allocated for mere listing of facts) (8)

2.5 **How can the government promote competition in the economy?**

The government can:

- ensure that previously disadvantaged people have equal opportunity to participate in the economy ✓✓
- allowing imports into the country which increase the level of competition and keep prices low ✓✓
- attracting foreign direct investments to increase competition in local markets ✓✓
- promoting small and micro enterprises which will increase supply of goods in the economy and the level of competition ✓✓
- implementing competition policy to reduce anti-competitive behaviour such as price fixing ✓✓
- decreasing the cost of doing business in the country which include energy, transport and communication costs ✓✓
- decreasing corporate tax to encourage new businesses to enter the market ✓✓ (4 x 2)

(Accept any other correct relevant response) (8)

(A maximum of 2 marks should be allocated for mere listing of facts) **[40]**

QUESTION 3: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 **Name TWO examples of transport infrastructure needed for tourism.**

- Road ✓
- Railway lines ✓
- Air ✓
- Water ✓
- Pipeline ✓ (2 x 1) (2)

(Accept any other correct relevant response)

3.1.2 **How can government protect the reduction of indigenous forests (deforestation)?**

The government can make laws that prohibit people from cutting the tress which may lead to desertification ✓✓/ employ more people to stop people from cutting of tress ✓✓/ educate people about the importance of trees in their lives ✓✓

(Accept any other correct relevant response) (2)

3.2 **DATA RESPONSE**

3.2.1 **Identify the month and year in which inflation rate was highest.**

July 2022 ✓ (1)

3.2.2 **What was the change in inflation rate between July 2023 and January 2024?**

0.6 ✓ (1)

3.2.3 **Briefly describe the term *production price index*.**

It is an index that measures prices of imported goods when they enter the country and manufactured goods when they leave the factory ✓✓

(Accept any other correct relevant response) (2)

3.2.4 **What will be the impact of an increase in indirect taxes on inflation?**

It will lead to higher prices of goods and services which will decrease aggregate demand ✓✓

(Accept any other correct relevant response) (2)

3.2.5 **How can the South African Reserve Bank ensure that the CPI remains within the 3% - 6% target band?**
- SARB can constantly monitor and adjust the interest rates ✓✓
- It can sell or buy government bonds from commercial banks
- It can adjust the cash reserve requirement ✓✓
- Appeal to banks to be careful when granting credit ✓✓ (2 x 2) (4)

3.3 **DATA RESPONSE**

3.3.1 **Identify the scheme that is used to assist tourism enterprises above.**
Green Tourism Incentive Programme/GTIP ✓ (1)

3.3.2 **Give one purpose of tourism.** ✓
- Leisure and recreation ✓
- Business and professional ✓
- Studying/attending to family business/receiving medical treatment

(Accept any other correct relevant response) (1)

3.3.3 **Briefly describe the term *domestic tourism*.**
It occurs when tourists travel within their own country ✓✓ (2)

3.3.4 **Why is this grant funding important for tourism enterprises?**
It will reduce their cost of energy and water resources ✓✓
(Accept any other correct relevant response) (2)

3.3.5 **How can local communities benefit from nearby tourist attractions?**
Local communities can benefit by:
- finding employment in businesses in the area ✓✓
- becoming part of the informal sector as entrepreneurs selling unique items ✓✓
- improved infrastructure such as roads and communication system ✓✓

(Accept any other correct relevant response) (4)

3.4 **Briefly outline strategies that can be used to promote tourism in South Africa.**
Tourism can be promoted by:
- improving marketing and advertising of tourism destinations ✓✓
- improving infrastructure used by tourists such as transport and communication ✓✓
- improving quality of services given to tourists so that they can return ✓✓
- developing new tourist attraction sites and properly maintain existing ones
- shot'left campaign which promote a culture of local holiday travel ✓✓
- using Tourism Indaba to showcase a variety of South Africa's best tourism products since it attracts international visitors and media across the world ✓✓
- recognising those businesses and individuals who improve quality of tourist offering using welcome awards ✓✓

(Accept any other correct relevant response)

(A maximum of 4 marks should be given for mere listing of facts) (4 x 2) (8)

3.5 **How can the government assist in combating(curbing) inflation?**

- Encouraging establishment of new businesses which will increase level of competition and lower prices ✓✓
- Providing subsidies on production to reduce cost of production for producers ✓✓
- Maintaining exchange rate stability which will ensure that inputs are imported at lower cost ✓✓
- Removing unnecessary laws and regulations that hinder competition in order to increase production efficiency ✓✓
- Improving efficiency of parastatals to reduce cost of doing business ✓✓
- Reduce corporate tax which encourage producers to increase production which will cater for excess demand ✓✓
- Negotiate with countries to reduce tariffs on imported inputs which reduce cost of production and prices ✓✓

(Accept any other correct relevant response) (8)
(A maximum of 2 marks should be given for mere listing of facts) (4 x 2) **[40]**

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

4.1 Answer the following questions.

4.1.1 **Name any TWO objectives of competition policy.**
- prevent the abuse of economic power ✓
- regulate the growth of market power ✓
- prevent restrictive practices ✓ (2 x 1) (2)

(Accept any other correct relevant response)

4.1.2 **Why is core inflation lower than headline inflation?**
Core inflation excludes products with volatile prices while headline inflation includes them ✓✓
(Accept any other correct relevant response) (2)

4.2 **DATA RESPONSE**

4.2.1 **Identify the profit maximising point on the graph above.**
B ✓ (1)

4.2.2 **Which curve is represented by the letter F?**
Average cost / AC ✓ (1)

4.2.3 **Briefly describe the term *long run.***
It is the period during which all factors of production are variable ✓✓
(Accept any other correct relevant response) (2)

4.2.4 **Why does the marginal revenue curve of a monopoly always lie below the average revenue curve?**
This is because from the second unit marginal revenue is less than average revenue ✓✓
(Accept any other correct relevant response) (2)

4.2.5 **Calculate the profit/loss that is made by the firm. Show ALL your calculations.**

Total revenue - Total cost
= (P x Q) - (C x Q)
= (R36 x 60) ✓ - (R27 x 60) ✓
= R2 160 - R1 620 ✓
= R540 (Economic Profit) ✓ (4)

4.3 **DATA RESPONSE**

4.3.1 **Identify the consequence of inflation on assets with flexible values.**
Increase in value of assets ✓ (1)

4.3.2 **Which policy is used by SARB to control inflation?**
Monetary policy ✓ (1)

4.3.3 **Briefly describe the term *administered price inflation.***
It is an increase in the prices of goods and services that are set by government ✓✓
(Accept any other correct response) (2)

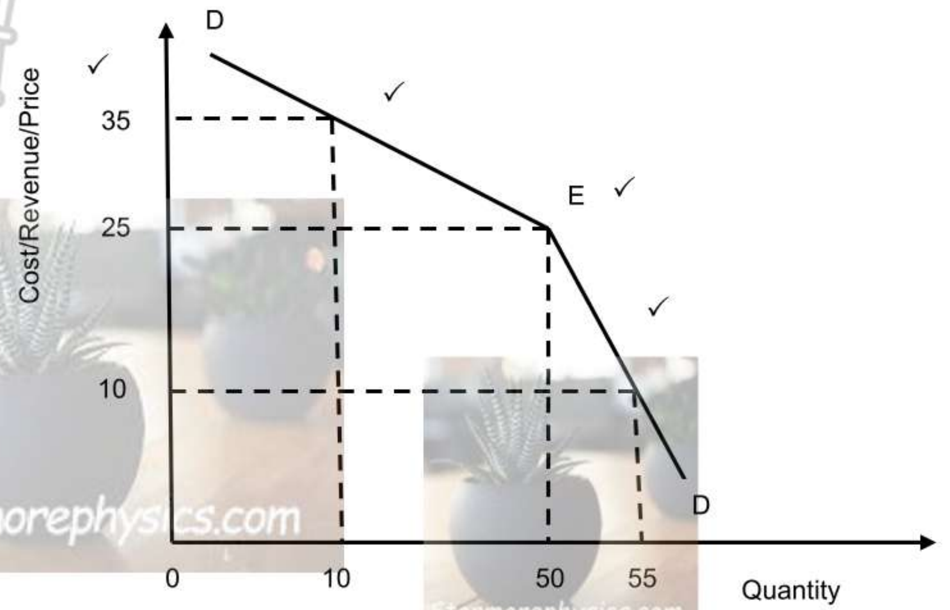
4.3.4 **How does inflation affect consumers?**
Some consumers will not afford basic needs since goods are now expensive ✓✓
(Accept any other correct relevant response) (2)

4.3.5 **How can South African households contribute to lowering the effects of inflation?**

South African households can:
- limit spending on luxurious goods and services to their available income ✓✓
- save bigger portions of their incomes which will contribute to capital formation by businesses and increased production of goods and services ✓✓
- demand wage increases which are in line with the current inflation rate ✓✓
- increase their productivity to ensure that the wages they receive matches their productivity levels ✓✓
- reduce their demand for loans and other forms of credit which will contribute to a decline in the quantity of money in the economy ✓✓
- reduce industrial actions that may reduce production of goods and services ✓✓

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

4.4 **With the aid of a correctly labelled graph, explain price leadership in an oligopoly.**



MARK ALLOCATION

1. Labelling of axis = 1
2. Correct drawing and labelling of curves = 2
3. Indication of kink (E) =1

Max.4

- When the price leader increases his price above the market price, other businesses will not follow and he will lose many customers, with revenue decreasing from (R25 x 50 = R1250) to (R35 x 10= R350) ✓✓
- When the price leader decreases his price below the market price other businesses will follow and he will gain few customers, with revenue decreasing from (R25 x 50 = R1250) to (R10 x 55 = R550) ✓✓
- The kink demand curve is a result of other oligopolies behaving differently when the price leader increases or decreases his price ✓✓

(Accept any other correct relevant response) **Max. 4** (8)

4.5 **How can tourism be used to alleviate poverty in the country?**

- Tourism is labour intensive and offers many job opportunities ✓✓
- Many of the job opportunities provided require no formal training which caters the poor ✓✓
- The taxes collected from tourists can be used to develop infrastructure and health facilities for poor people ✓✓
- Local businesses benefit as they are supported by tourists in rural areas ✓✓
- Tourism employs many women which as a result contributes to women empowerment ✓✓
- Poor people are able to provide tourism products which they can produce from cultural heritage background knowledge ✓✓
- They are also able to provide formal businesses with goods which are sold to tourists ✓✓
- Many of the tourism attraction sites are located in rural areas where these poor people live ✓✓ (4 x 2)

(Accept any other correct relevant response) (8)

(A maximum of 2 marks should be allocated for mere listing of facts/examples) **[40]**

TOTAL SECTION B: [80]

SECTION C

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

QUESTION 5: MICROECONOMICS **40 MARKS – 40 MINUTES**

- **Discuss in detail causes of market failures.** (26)
- **How do minimum prices affect the economy?** (10)

INTRODUCTION

Market failures occur when the forces of demand and supply fail to allocate resources efficiently ✓✓ **(Max.2)**

MAIN PART

Externalities ✓

- Externalities are costs and benefits to the third party that are not included in the market price ✓✓
- Goods that that have negative externalities are over produced because the cost to the third party is not included in the market price ✓✓
- Goods that have positive externalities are under produced because the benefit to the third party is not included in the market price ✓✓
- Externalities are the costs and benefits that convert private costs and benefits to social costs and benefits ✓✓

Missing markets ✓

- Markets are often incomplete because they cannot meet demand for certain goods ✓✓

Public goods ✓

- The goods are not provided by markets because producers cannot withhold the goods for non-payment ✓✓
- These goods are non-rivalry which means consumption by one person does not reduce consumption of another person ✓✓
- These goods are also non-excludable which means no one can be excluded from the goods on the basis of non-payment ✓✓
- Non-rejectability means that individuals cannot abstain from consumption of public goods like street lights ✓✓

Merit goods ✓

- These are goods and services that improve welfare of society ✓✓e.g. health care ✓
- These goods are not highly rated by the markets hence they are undersupplied ✓✓
- Markets only only take into account private costs and benefits ✓✓

Demerit goods ✓
- These are goods and services that are harmful to society ✓✓ e.g. cigarrettes ✓
- Government charges sintax or excise duties on these goods to discourage their consumption ✓✓
- Markets oversupply demerit goods ✓✓
- Some consumers may be unaware of the true cost of consuming or using these goods ✓✓

Lack of information ✓
- Markets do not respond to changes in consumer demand if resources cannot be found due to lack of information ✓✓
- Producers and consumers make production and consumption decisions based on the information they have ✓✓
- When information is incomplete it leads to wrong decisions about what to produce, how to produce and for whom to produce ✓✓
- Producers might not know the different technologies that are available and resources that can be used to produce goods efficiently ✓✓

Immobility of factors of production ✓
- The supply of labour cannot be increased suddenly because it needs to be trained which requires time ✓✓
- Labour also takes time to move into new occupations in other areas due to lack of skills and family ties ✓✓
- Physical capital like buildings and equipments can only be moved from one place to another at high cost ✓✓
- Technological applications can change production methods and not physical labour ✓✓

Imperfect competition ✓
- In market economies, competition is often weakened by market power because power often lies with producers than consumers ✓✓
- Most businesses operate under conditions of imperfection that allows them to restrict output and increase prices ✓✓
- Resources are not allocated efficiently in production of goods and services ✓✓
- Government sometimes regulates the market through competition policy ✓✓

Imperfect distribution of income and wealth ✓
- Markets fail to distribute income and wealth ✓✓
- If the initial distribution is unequal, the final distribution will also be unequal ✓✓
- The market fails to ensure that everyone gets equal access to the output of the economy ✓✓
- Too many resources are used to produce for the rich who are few and too few resources are used to produce for the poor who are many ✓✓ **(Max. 26)**

ADDITIONAL PART

Minimum price affect the economy as follows:

- Minmum prices are set by government above the equilibruim price to make goods expensive. e.g. agricultural products ✓✓
- The higher prices will increase the profits of producers and encourage them to produce more of the commodity ✓✓
- More people will be employed which will reduce unemployment level in the country ✓✓
- Increase in production means real GDP of the country is increasing which is economic growth ✓✓
- Surplus production will be exported which will earn the country foreign exchange ✓✓
- The unintended effects of minimum prices is that some consumers may not afford the goods which result in welfare loss ✓✓
- Surplus will have to be destroyed if no market can be found for them ✓✓
- The surpluses will be dumped in other countries at prices lower than their market value ✓✓
- Government can counter this negative effect by subsidising the goods ✓✓

(Max. 10)

(Accept any other correct relevant response)
(A maximum of 2 marks should allocated for mere listing of facts/examples)

CONCLUSION

Government uses various ruies,regulations,taxes and subsidies to control markets and solve market failures ✓✓ **(Max. 2)** **[40]**

(Accept any other correct relevant high order response)

QUESTION 6: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 40 MINUTES

- **Discuss in detail FIVE environmental problems and international measures taken to ensure sustainable development.** (26)
- **How can conservation and preservation help to ensure environmental sustainability?** (10)

INTRODUCTION
Sustainable development is meeting the needs of the present generation without compromising the needs of future generations/Environmental sustainability is the ability of the environment to survive its use for human activities ✓✓ **(Max. 2)**
(Accept any other correct relevant response)

MAIN PART
Biodiversity loss ✓
- The diversity of species in the world decreases rapidly due to extinction and this is an irreversible process ✓✓
- Modern techniques such as gene transplants can be used to limit loss of species
- The United Nations' Convention on International Trade in Endangered ✓✓ Species(CITIES) 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 ✓✓

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

Hazardous waste ✓
- Hazardous waste is more dangerous than chemical waste and it includes toxic metal waste such as lead ✓✓
- Hazardous waste has slow decomposition rate ✓✓
- hazardous waste can endanger all life forms and the entire ecosystem ✓✓
- The Basil Convention on the control of Trans-boundary Movement of Hazardous waste allows trade between countries that have signed the convention ✓✓

Climate change ✓
- A built up of certain gases like carbon dioxide in the atmosphere causes the heat to be trapped in the atmosphere leading to global warming ✓✓
- Effects of climate change include changes in temperatures and weather patterns which may cause destruction of plants and animal habitats ✓✓
- The United Nations' Framework Convention on Climate Change(UNFCCC) sets goals to reduce greenhouse gases ✓✓
- Kyoto Protocol was signed as an agreement in which greenhouse gas emission levels for developed countries were agreed upon ✓✓

Loss of indigenous knowledge ✓
- The loss of indigenous knowlede about the natural environment may result in indigenous people losing their way of earning a living ✓✓
- Indigenous people use organic and natural processes in dealing with the environment ✓✓
- This knowledge may be lost forever to the future generations ✓✓
- Local capacity building is important as it can help indigenous people to learn more about the environment beyond their tradtional lifestyle and experiences ✓✓
- UNESCO's Management of Social Transformation(MOST) is a global effort to document local/indigenous knowledge before it is lost forever ✓✓ **(Max.26)**

(Accept any other correct relevant response)

ADDITIONAL PART
Conservation and preservation can ensure environmental sustainabilty by:

Conservation:
- Conservation can bring a balance in the ecosystem as animals and plants Interact ✓✓
- It can ensure management of natural resources to the benefit of future generations ✓✓
- Re-using and recycling will make people use fewer resources and production of plastics can be decreased ✓✓
- Setting quotas for fishing can ensure growth of the fishing population ✓✓
- Setting quotas for cutting of trees will reduce the rate of deforestation ✓✓

Preservation:
- Preservation can be used to protect sites that have cultural significance by classifying them as heritage site ✓✓
- The government can either buy, confiscate or expropriate the natural assets ✓✓
- Subsidies can also be given for maintenance grants for the environmental asset to the owners of the assets which will increase their net benefits and the value of their properties ✓✓ **(Max. 10)**

(Accept any other correct relevant response)

(A maximum of 2 marks should be allocated for mere listing of facts/examples)

CONCLUSION
Some of the world's greatest emiters of greenhouse gases refuse to abide by the Paris agreement which has set clear targets and the risks involved if those targets are not met in the future ✓✓ **(Max. 2)** **[40]**
(Accept any other relevant correct high order response)

TOTAL SECTION C: [40]
GRAND TOTAL: [150]