



basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 12

ECONOMICS P2

NOVEMBER 2023

MARKS: 150

TIME: 2 hours

This question paper consists of 12 pages.

INSTRUCTIONS AND INFORMATION

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

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

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

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

1.1.1 The costs that do not change with the output are called ... costs.

- A variable
- B average
- C fixed
- D basic

1.1.2 The removal of rules and procedures to allow easy entry of new firms in the market is called ...

- A deregulation.
- B free market.
- C adjustment.
- D market domination.

1.1.3 The benefit gained by a third party which is not included in the market price is known as ... externality.

- A internal
- B positive
- C negative
- D marginal

1.1.4 Actual expenditure of a business on inputs required for production is called ... costs.

- A implicit
- B total
- C average
- D explicit

1.1.5 The rate at which the central bank lends money to commercial banks is called ... rate.

- A prime
- B bank
- C repo
- D inflation

1.1.6 Religious events are classified under ... tourism.

- A eco-
- B medical
- C business
- D cultural

1.1.7 The international protocol and agreement that focus on the eradication of poverty as one of its goals is known as the ...

- A Rio+20 Summit.
- B Millennium Development Goals.
- C Johannesburg Summit.
- D World Summit on Sustainable Development.

1.1.8 The ability of the environment to survive its use for economic activity is known as ...

- A sustainability.
- B deforestation.
- C deregulation.
- D erosion.

(8 x 2) (16)

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

COLUMN A		COLUMN B	
1.2.1	Short run	A	where goods are bought and sold illegally
1.2.2	Duopoly	B	a landmark or area which is selected by the United Nations as having cultural, historical or another form of significance
1.2.3	Black market	C	the variety of plant and animal life in a particular habitat
1.2.4	Merit goods	D	a process where trees are removed from the land and not replaced
1.2.5	Producer price index	E	the period of production in which at least one of the factors of production remains fixed
1.2.6	Weighted index	F	measures the prices of goods as they leave the factory floor
1.2.7	World Heritage Site	G	a market that is dominated by two firms
1.2.8	Deforestation	H	shows the relative importance of an item in a basket of goods and services that are used to calculate inflation
		I	highly desirable for the general welfare of the society

(8 x 1) (8)

1.3 Give ONE term for each of the following descriptions. Write only the term next to the question numbers (1.3.1 to 1.3.6) in the ANSWER BOOK. Abbreviations, acronyms and examples will NOT be accepted.

1.3.1 A market structure that produces a unique product with no close substitutes

1.3.2 When the average revenue is greater than the average costs of a firm

1.3.3 A price set below the market equilibrium to make goods affordable to consumers

1.3.4 A very high increase in prices that exceeds 50% per month

1.3.5 Traditional ways of doing things that are unique to a given culture

1.3.6 A licence given to businesses to pollute to a certain limit (6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

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

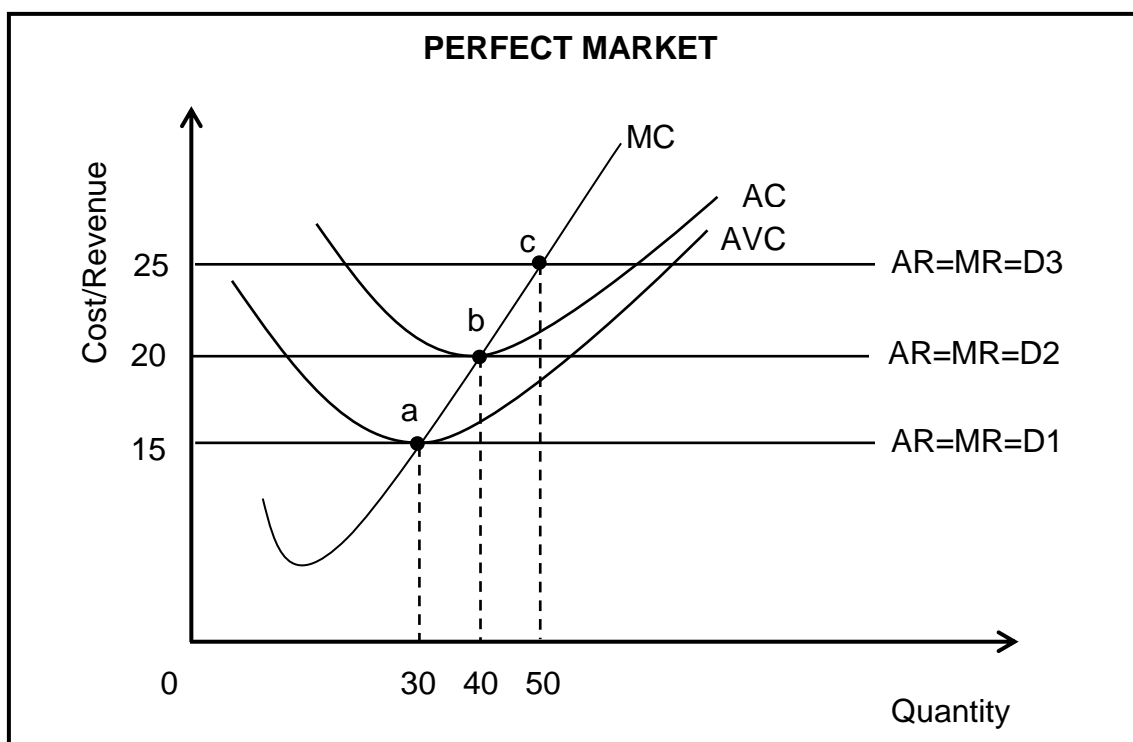
QUESTION 2: MICROECONOMICS**40 MARKS – 30 MINUTES**

2.1 Answer the following questions.

2.1.1 Name any TWO forms (strategies) of non-price competition. (2 x 1) (2)

2.1.2 How would the levying of taxes on demerit goods influence their consumption? (1 x 2) (2)

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



2.2.1 Identify the curve that represents the supply curve in the graph above. (1)

2.2.2 What quantity should the firm produce in order to make a normal profit? (1)

2.2.3 Briefly describe the term *marginal revenue*. (2)

2.2.4 Why would the producer be reluctant (unwilling) to produce 30 units or less? (2)

2.2.5 Use the graph above to calculate the total revenue when the price is R25. Show ALL calculations, including the formula. (4)

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

PAY HIKE FOR DOMESTIC WORKERS

The Department of Employment and Labour's National Minimum Wage (NMW) Commission has recommended an above-inflation wage increase to the NMW for 2023, which could see the rate for domestic workers jump to R25,05 an hour. With the consumer price index (CPI) averaging around 7% in 2022, this would put the hike to around 8%.

An increase of R25,05 would push the monthly rate to over R4 000 for a worker who works 8 hours a day, 20 days a month. This would be approximately R300 more than in 2022.

[Adapted from *Business Tech*]

- | | | |
|-------|---|-------------|
| 2.3.1 | Identify the percentage increase in minimum wage in the extract above. | (1) |
| 2.3.2 | Name any ONE factor that influences the quality of the workforce. | (1) |
| 2.3.3 | Briefly describe the term <i>market failure</i> . | (2) |
| 2.3.4 | Why would the government intervene when there is imperfect competition in the market? | (2) |
| 2.3.5 | How would minimum wages negatively affect the employers? | (4) |
| | (2 x 2) | |
| 2.4 | Discuss the role of the <i>Competition Commission</i> and the <i>Competition Tribunal</i> as institutions that promote competition in South Africa. | (8) |
| | (2 x 4) | |
| 2.5 | How would the provision of subsidies to producers positively influence the economy? | (8) |
| | (4 x 2) | |
| | | [40] |

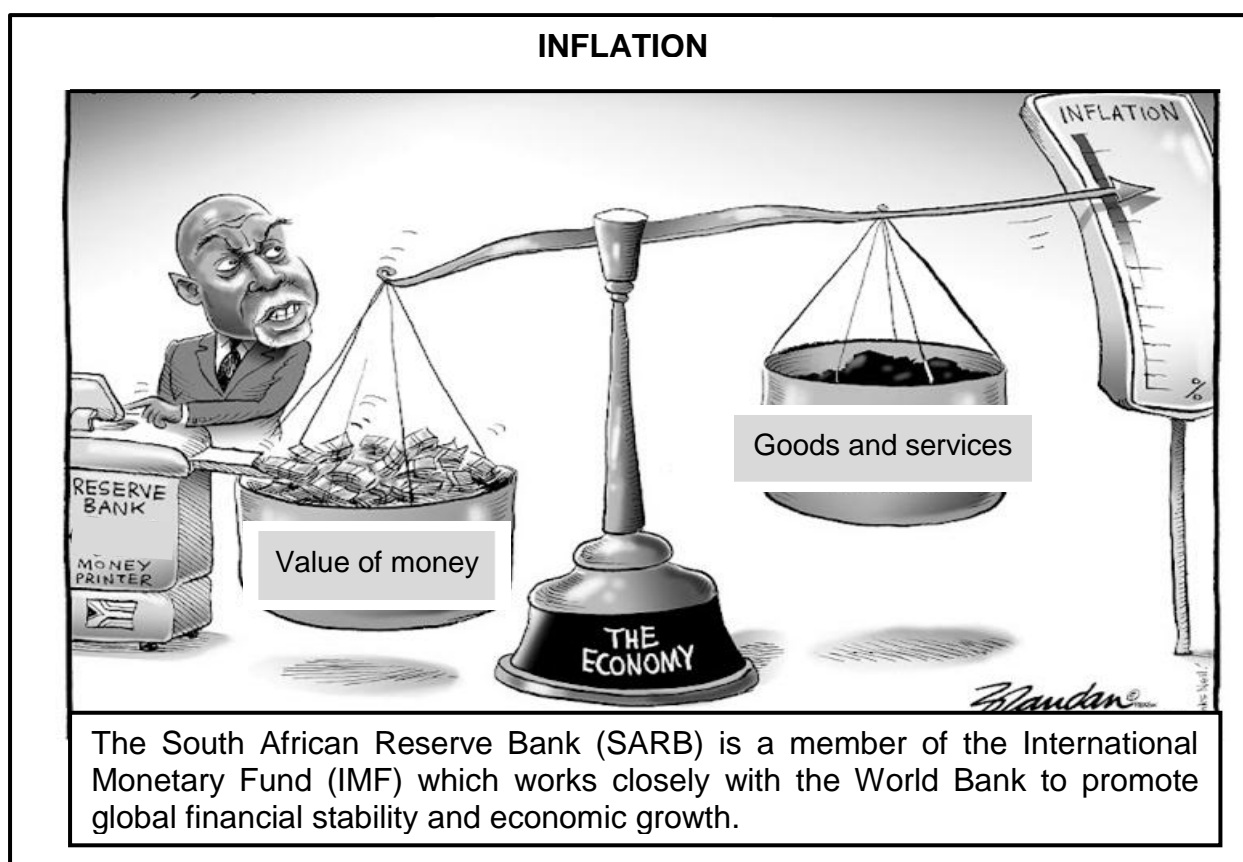
QUESTION 3: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 Give any TWO examples of goods that are excluded when calculating core inflation. (2 x 1) (2)

3.1.2 How does air pollution affect the environment? (1 x 2) (2)

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



[Source: businessday.com]

3.2.1 Identify in the cartoon and information above the institution that determines the interest rate. (1)

3.2.2 Name the monetary policy instrument that relates to the selling of government bonds. (1)

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

3.2.4 Explain the benefit of a general price increase for debtors in the economy. (2)

3.2.5 How would an oversupply of money impact on the economy? (2 x 2) (4)

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

INTERNATIONAL MEASURES TO ADDRESS ENVIRONMENTAL PROBLEMS

The Kyoto Protocol on climate change commits industrialised countries to limit and reduce greenhouse gas emissions in accordance with agreed individual targets. The Protocol sets binding emission reduction targets for 37 industrialised countries.

The Stockholm Protocol and the Basel Convention are other international measures that address environmental problems.

[Source: www.google.com]

- | | | |
|-------|---|-------------|
| 3.3.1 | Identify the international agreement that aims at limiting chemical waste. | (1) |
| 3.3.2 | Name ONE other international measure on climate change. | (1) |
| 3.3.3 | Briefly describe the term <i>global warming</i> . | (2) |
| 3.3.4 | What is the impact of hazardous waste on the environment? | (2) |
| 3.3.5 | Why have international measures to reduce the effects of climate change failed? | (4) |
| 3.4 | Briefly discuss the consequences of inflation to <i>taxpayers</i> and <i>industrial stability</i> . | (2 x 4) (8) |
| 3.5 | Evaluate the impact of climate change on the economy. | (4 x 2) (8) |
| | | [40] |

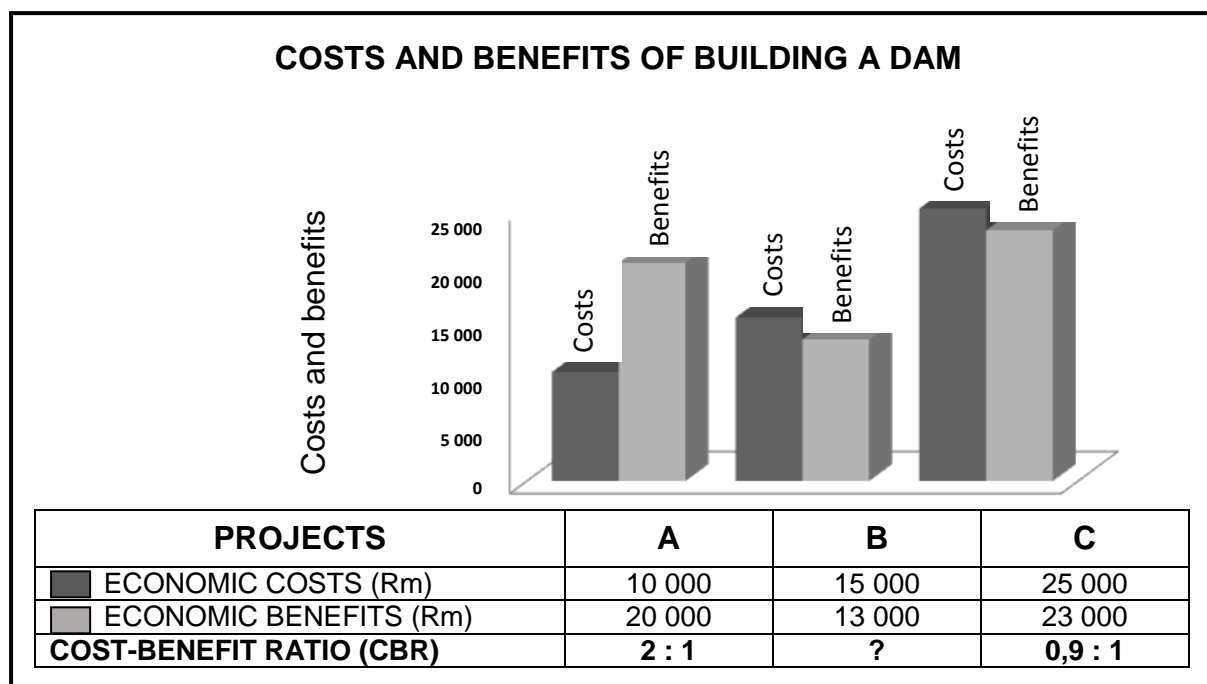
QUESTION 4: MICROECONOMICS AND CONTEMPORARY ECONOMIC ISSUES
40 MARKS – 30 MINUTES

4.1 Answer the following questions.

4.1.1 Name any TWO redress methods used to redistribute wealth. (2 x 1) (2)

4.1.2 Why do markets fail (find it difficult) to sustain the environment? (1 x 2) (2)

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



[Adapted from www.google.co.za]

4.2.1 Identify in the information above a project that has the most benefits. (1)

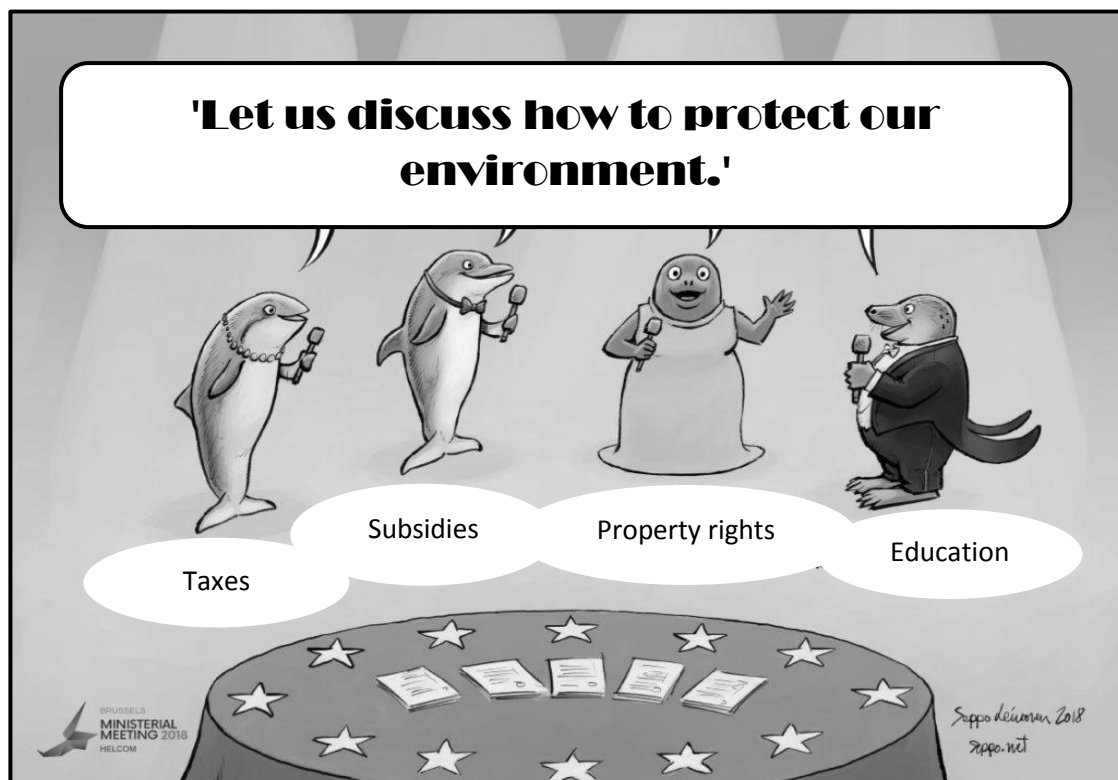
4.2.2 Name any ONE possible social benefit of building a bridge. (1)

4.2.3 Briefly describe the term *social cost*. (2)

4.2.4 Why should the government conduct a cost-benefit analysis before starting a new project? (2)

4.2.5 Determine which project is most beneficial by calculating the cost-benefit ratio for Project B. Show ALL calculations. (4)

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



[Source: www.google.co.za]

- 4.3.1 Identify in the cartoon above the measure that is used as an incentive for people to privately care for the environment. (1)
- 4.3.2 Name the type of tax that is levied on goods that generate external environmental costs. (1)
- 4.3.3 Briefly describe the term *conservation*. (2)
- 4.3.4 Explain the role played by education in protecting the environment. (2)
- 4.3.5 How can environmental subsidies be used to ensure environmental sustainability? (2 x 2) (4)
- 4.4 With the aid of a well-labelled graph, explain *profit maximisation* using the total revenue (TR) and total cost (TC) curves. (8)
- 4.5 Evaluate the success of inflation targeting in combating inflation in the country. (4 x 2) (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 ESSAY	MARK ALLOCATION
Introduction The introduction is a lower-order response. <ul style="list-style-type: none"> • A good starting point will be to define 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 mentioning in the introduction what you are going to discuss in the body. 	Max. 2
Body Main part: Discuss in detail/In-depth discussion/Examine/Critically discuss/Analyse/Compare/Evaluate/Distinguish/Differentiate/Explain/Assess/Debate A maximum of 8 marks may be allocated for headings/examples.	Max. 26
Additional part: Critically discuss/Evaluate/Critically evaluate/Deduce/Compare/Distinguish/Suggest/Interpret/Debate/How A maximum of 2 marks may be allocated for mere listing of facts.	Max. 10
Conclusion Any higher-order conclusion should include: <ul style="list-style-type: none"> • A brief summary of what has been discussed without repeating facts already mentioned • Any opinion or valued judgement on the facts discussed • Additional support information to strengthen the discussion/analysis • A contradictory viewpoint with motivation, if required • Recommendations 	Max. 2
TOTAL	40

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

- Compare and contrast the market structures of *monopolistic competition* with *an oligopoly* in detail. (26)
 - How can collusion negatively affect the economy? (10)
- [40]**

QUESTION 6: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 40 MINUTES

- Examine in detail the effects of tourism. (26)
 - How can South Africa's tourism profile be used to promote tourism in South Africa? (10)
- [40]**

TOTAL SECTION C: 40
GRAND TOTAL: 150



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NATIONAL SENIOR CERTIFICATE

GRADE 12

**ECONOMICS P2
MARKING GUIDELINES
NOVEMBER 2023**

MARKS: 150

These marking guidelines consist of 21 pages.

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

- 1.1.1 C/ fixed ✓✓
- 1.1.2 A/ deregulation ✓✓
- 1.1.3 B/ positive ✓✓
- 1.1.4 D/ explicit ✓✓
- 1.1.5 C/ repo ✓✓
- 1.1.6 D/ Cultural ✓✓
- 1.1.7 B/ Millennium Development Goals ✓✓
- 1.1.8 A/ sustainability ✓✓ (8 x 2) (16)

1.2 MATCH ITEM

- 1.2.1 E/ the period of production in which at least one of the factors of production remains fixed ✓
- 1.2.2 G/ a market that is dominated by two firms ✓
- 1.2.3 A/ where goods are bought and sold illegally ✓
- 1.2.4 I/ highly desirable for the general welfare of the society ✓
- 1.2.5 F/ measures the prices of goods as they leave the factory floor ✓
- 1.2.6 H/ shows the relative importance of an item in a basket of goods and services that are used to calculate inflation ✓
- 1.2.7 B/ a landmark or area which is selected by the United Nations as having cultural, historical or another form of significance ✓
- 1.2.8 D/ a process where trees and forests are removed from the land and not replaced ✓ (8 x 1) (8)

1.3 CONCEPTS

1.3.1 Monopoly ✓

1.3.2 Economic profit ✓

1.3.3 Maximum price / price ceiling ✓

1.3.4 Hyperinflation ✓

1.3.5 Indigenous Knowledge Systems ✓

1.3.6 Marketable permit ✓

(6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

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

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

2.1 Answer the following questions.

2.1.1 **Name any TWO forms (strategies) of non-price competition.**

- Doing business over the internet ✓
- After-sales service ✓
- Loyalty rewards for customers ✓
- Door-to-door deliveries ✓
- Building brand loyalty and product recognition ✓
- Offering additional services (free travel insurance by banks) ✓
- Product differentiation and efficient service ✓
- Convenience shopping e.g. extended shopping and business hours ✓
- Advertising ✓
- Sales promotion ✓
- Product proliferation ✓

(Accept any other relevant correct response)

(2 x 1)

(2)

2.1.2 **How would the levying of taxes on demerit goods influence their consumption?**

Consumption or demand for demerit goods will decrease as consumers will buy less of the products / Taxes increase the prices of the goods resulting in a decrease in the quantity demanded. ✓✓

(Accept any other relevant correct response)

(1 x 2)

(2)

2.2 **DATA RESPONSE**

2.2.1 **Identify the curve that represents the supply curve in the graph above.**

MC ✓

(1)

2.2.2 **What quantity should the firm produce in order to make a normal profit?**

40 ✓

(1)

2.2.3 Briefly describe the term *marginal revenue*.

The additional income earned when sales increase by one unit /
The additional income received for selling one extra unit of a
product / Marginal revenue is calculated as the change in total
revenue divided by the change in quantity. ✓✓
(Accept any other relevant correct response)

(2)

2.2.4 Why would the producer be reluctant (unwilling) to produce 30 units or less?

- At quantity 30 or less the producer's total revenue will be unable to cover all its variable costs. ✓✓
- The average revenue (AR) is less than average variable cost (AVC). ✓✓

(2)

2.2.5 Use the above graph to calculate the total revenue when the price is R25. Show ALL calculations including the formula.

$$\begin{aligned} \text{TR} &= P \times Q / \text{AR} \times Q \quad \checkmark \\ &= \text{R}25 \quad \checkmark \times 50 \quad \checkmark \\ &= \underline{\text{R1 250}} \quad \checkmark \end{aligned}$$

(4)

2.3 DATA RESPONSE**2.3.1 Identify the percentage increase in minimum wage in the extract above.**

8% ✓

(1)

2.3.2 Name any ONE factor that influence the quality of the workforce.

- Education / skills training ✓
- Health care ✓
- Experience ✓

(Accept any other relevant correct response)

(1)

2.3.3 Briefly describe the term *market failure*

Market failure means that the best available or optimal production outcome has not been achieved / Market failure occurs when the forces of demand and supply are unable to allocate resources efficiently. ✓✓
(Accept any other relevant correct response)

(2)

2.3.4 **Why would the government intervene when there is imperfect competition in the market?**

- Government intervenes in the market to ensure that there are no barriers that prevent new firms from entering the market. ✓✓
- To put measures that will ensure that there is healthy competition among the existing firms. ✓✓

(Accept any other relevant correct response)

(2)

2.3.5 **How would minimum wages negatively affect the employers?**

- Minimum wages increase the cost of production for the producer which may result in some firms leaving the market. ✓✓
- Producers may produce less goods and services as they find it expensive to produce. ✓✓
- Some producers may retrench workers or reduce working hours as they may not afford increased salary/wage bills. ✓✓

(Accept any other relevant correct response)

(2 x 2)

(4)

2.4 **Discuss the role of the *Competition Commission* and the *Competition Tribunal* as institutions that promote competition in South Africa.**

Competition Commission

- The Competition Commission investigates restrictive business practices and the abuse of market power by businesses. ✓✓
- It decides if mergers and acquisitions should go ahead or not. ✓✓
- The Competition Commission makes recommendations to the Competition Tribunal for approval. ✓✓

(Max 4)

Competition Tribunal

- The Competition Tribunal adjudicates on matters referred to it by the Competition Commission and issues any order for costs. ✓✓
- It can accept, reject or amend the recommendations of the Competition Commission. ✓✓
- The Competition Tribunal has jurisdiction throughout the Republic. ✓✓
- The Competition Tribunal grants exemptions, authorizes or prohibits large mergers. ✓✓

(Accept any other relevant correct response)

(Max 4)

Allocate a maximum of 4 marks for mere listing of facts

(8)

2.5 **How would the provision of subsidies to producers positively influence the economy?**

- Firms produce more goods and services due to reduced costs of production. ✓✓
- Consumers are able to buy goods and services at lower prices which will increase consumer spending. ✓✓
- Production levels increase resulting in economic growth and creation of more job opportunities ✓✓
- Total income and aggregate demand increase due to an increase in the level of employment ✓✓
- The government will collect more tax revenue as businesses will generate more income from higher production levels. ✓✓
- Export subsidies may increase exports which will improve the balance of payments. ✓✓
- The value of the country's currency would appreciate due to increased level of exports. ✓✓

(Accept any other relevant correct response)

(4 x 2)

Allocate a maximum of 2 marks for mere listing of facts

(8)

[40]

QUESTION 3: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 **Give any TWO examples of goods that are excluded when calculating core inflation.**

- Frozen meat, vegetables and fish ✓
- Fresh meat, fish, fruit and vegetables ✓
- Electricity ✓
- Petrol ✓

(Accept any other relevant correct response)

(2 x 1) (2)

3.1.2 **How does air pollution affect the environment?**

Air pollution contributes towards global warming, depletion of the ozone layer and acid rain which may cause environmental damage or biodiversity loss or health risks ✓✓

(Accept any other relevant correct response)

(1 x 2) (2)

3.2 **DATA RESPONSE**

3.2.1 **Identify in the cartoon and the information above the institution that determines the interest rate.**

Reserve bank/South African Reserve Bank/SARB ✓

(1)

3.2.2 **Name the monetary policy instrument that relates to the selling of government bonds.**

Open market transactions/Open market operations ✓

(1)

3.2.3 **Briefly describe the term *administered price inflation*.**

Measures the change in prices that are set by government or controlled by government appointed authorities. ✓✓

(Accept any other relevant correct response)

(2)

3.2.4 **Explain the benefit of a general price increase for debtors in the economy.**

Debtors gain from a general price increase because they receive money with a high purchasing power when taking credit and repay with money that has low purchasing power. ✓✓

(Accept any other relevant correct response)

(2)

3.2.5 **How would an oversupply of money impact on the economy?**

- May lead to an increase in demand-pull inflation resulting in an increase in the price of goods and services. ✓✓
- The value of money will be reduced which will result in the lower standard of living for the consumers. ✓✓
- Currency may depreciate which makes imports expensive and reduce the country's purchasing power in global markets. ✓✓

(Accept any other correct and relevant response)

(2 x 2) (4)

3.3 DATA RESPONSE**3.3.1 Identify the international agreement that aims at limiting chemical waste.**

Stockholm Protocol ✓

(1)

3.3.2 Name ONE other international measure on climate change.

Paris agreement / United Nations Framework Convention on Climate Change / UNFCCC ✓

(1)

3.3.3 Briefly describe the term *global warming*.

A gradual increase in the average temperature of the earth's atmosphere. ✓✓

(Accept any other correct and relevant response)

(2)

3.3.4 What is the impact of hazardous waste on the environment?

- Hazardous waste has a slow decomposition rate hence it can stay for a long period on the environment. ✓✓

- It can result in deaths to human beings, animals and plants. ✓✓

(Accept any other correct and relevant response)

(2)

3.3.5 Why have international measures to reduce the effects of climate change failed?

- Some countries are not complying to the agreed targets due to lack of punitive measures. ✓✓

- Not all countries are part of the international agreements hence they have no reason to comply. ✓✓

- Some major countries such as USA withdrew from the Kyoto protocol which may influence other countries not to achieve the targets ✓✓

- There is no political or legal obligation for countries to comply with the declarations on reducing climate change ✓✓

- Some countries that rely on fossil fuels are not prepared to make economic sacrifices to reduce climate change ✓✓

- Financial implications make it difficult for some countries to implement the resolutions. ✓✓

(Accept any other correct and relevant response)

(2 x 2)

(4)

3.4 **Briefly discuss the consequences of inflation to *tax payers* and *industrial stability*.**

Tax payers:

- With inflation, taxpayers' nominal income (wages and salaries) rise even when their real income remains unchanged. ✓✓
- When the income tax schedule remains unchanged, inflation increases the average rate of personal income tax. ✓✓
- Individuals will have to pay higher taxes even if they are actually no better off than before. ✓✓
- Tax payers experience bracket creep, resulting from inflation and progressive income tax as well as the government benefits. ✓✓

(Accept any other relevant and correct response)

(Max. 4)

Industrial Stability:

- High inflation often disturbs industrial peace and makes consumers to demand higher wages. ✓✓
- Wage bargaining usually comes because of a decrease in real wages due to high rate of inflation, and are often accompanied by strikes and mass action. ✓✓
- The presence of exceptionally high inflation together with a government that is determined not to yield to wage increase demands, may sometimes spill over into violence, which affects society. ✓✓

(Accept any other relevant and correct response)

(Max. 4)

(8)

Allocate a maximum of 4 marks for mere listing of facts

3.5 Evaluate the impact of climate change on the economy.**Negative impact**

- Climate change may lead to an increase in heat, droughts and cause sudden outbreaks of wildfires, which may negatively affect agricultural production. ✓✓
- Decline in water supply and reduced agricultural supply may threaten food security. ✓✓
- Human beings and animals may face new challenges of survival as they have to cope with dehydration due to extreme heat conditions. ✓✓
- More frequent and intense droughts, storms, rising sea levels directly destroy animals and communities.
- Floods may increase the spread of diseases and damage to the existing infrastructure. ✓✓
- The government may be forced to redirect some of the resources which were meant for certain projects to deal with damages caused by climate change. ✓✓

Positive impact

- Investment in new technology and infrastructure may lead to increased job opportunities. ✓✓
- High level of rainfall may increase production levels in areas where there was no or little rainfall. ✓✓
- Costs of heating bills will be reduced as compared to the costs of using electricity in cold conditions. ✓✓
- Warmer weather conditions can improve the eco system as plants and animals will be able to survive a warm weather condition than cold weather.
- Increased business opportunities through the production of weather cooling systems such as air conditioners.

(Accept any other relevant and correct response)

(4 x 2)

(8)

Allocate a maximum of 2 marks for mere listing of facts

[40]

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

4.1 Answer the following questions.

4.1.1 **Name any TWO redress methods used to redistribute wealth.**

- Affirmative action / Employment Equity Act ✓
- Land restitution ✓
- Land redistribution ✓
- Black Economic Empowerment / Broad-Based Black Economic Empowerment ✓
- Empowerment of historically marginalised groups ✓
- Property subsidies ✓

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

4.1.2 **Why do markets fail (find it difficult) to sustain the environment?**

- The environment is a common resource hence there is no incentive for businesses to economise on its use. ✓✓
- The environment has the feature of non-excludability and markets are unable to charge a price for their use. ✓✓
- Consumers and businesses are frequently careless when using the environment and are continuously harming the environment without considering the future generation. ✓✓
- The market fails because the external costs are borne by others and they are not included in the market price.

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

4.2 **DATA RESPONSE**4.2.1 **Identify in the information above a project that has the most benefits.**

C ✓ (1)

4.2.2 **Name any ONE possible social benefit of building bridge.**

- Shorter / faster / safer journeys ✓
- Easy access to health facilities, schools, towns, etcetera. ✓
- Employment opportunities / income

(Accept any other relevant correct response) (1)

4.2.3 **Briefly describe the term *social cost*.**

The cost of a good or service which is paid by society / The sum of private costs and external costs. ✓✓

(Accept any other relevant correct response) (2)

4.2.4 **Why should the government conduct a cost benefit analysis before starting a new project?**

- To assess whether a new project will be feasible. ✓✓
 - To make objective decisions. ✓✓
 - To ensure a more efficient allocation of resources. ✓✓
- (Accept any other relevant correct response)

(2)

4.2.5 **Determine which project is most beneficial by calculating the Cost- Benefit Ratio for project B. Show ALL calculations**

- CBR = Economic benefit/economic cost
= 13 000 ✓/15 000 ✓
= 0.87 / 0.9 OR 0.87: 1 / 0.9: 1 ✓
- Project A is most beneficial ✓

NOTE: Allocate a mark (1 mark) for the formula where a candidate has omitted one of the steps indicated above.

(4)

4.3 **DATA RESPONSE**

4.3.1 **Identify in the cartoon above the measure that is used as an incentive for people to privately care for the environment.**

Property rights ✓

(1)

4.3.2 **Name the type of tax that is levied on goods that generate external environmental costs.**

Green tax / Eco tax / Environmental tax / Carbon tax ✓

(1)

4.3.3 **Briefly describe the term *conservation*.**

The use of natural resources in a way that does not deplete them or cause damage to the environment / Conservation seeks a creative continuity of the environment while ensuring that change does not reduce the quality of life for both present and future generations ✓✓

(Accept any other relevant correct response)

(2)

4.3.4 **Explain the role played by education in protecting the environment.**

- Education changes people's attitude towards the environment resulting in them (people) getting involved in activities that are not damaging the environment. ✓✓
- Education campaigns help countries to educate people about the importance of natural resources and the impact of their actions on the environment. ✓✓

(Accept any other relevant correct response)

(2)

4.3.5 **How can environmental subsidies be used to ensure environmental sustainability?**

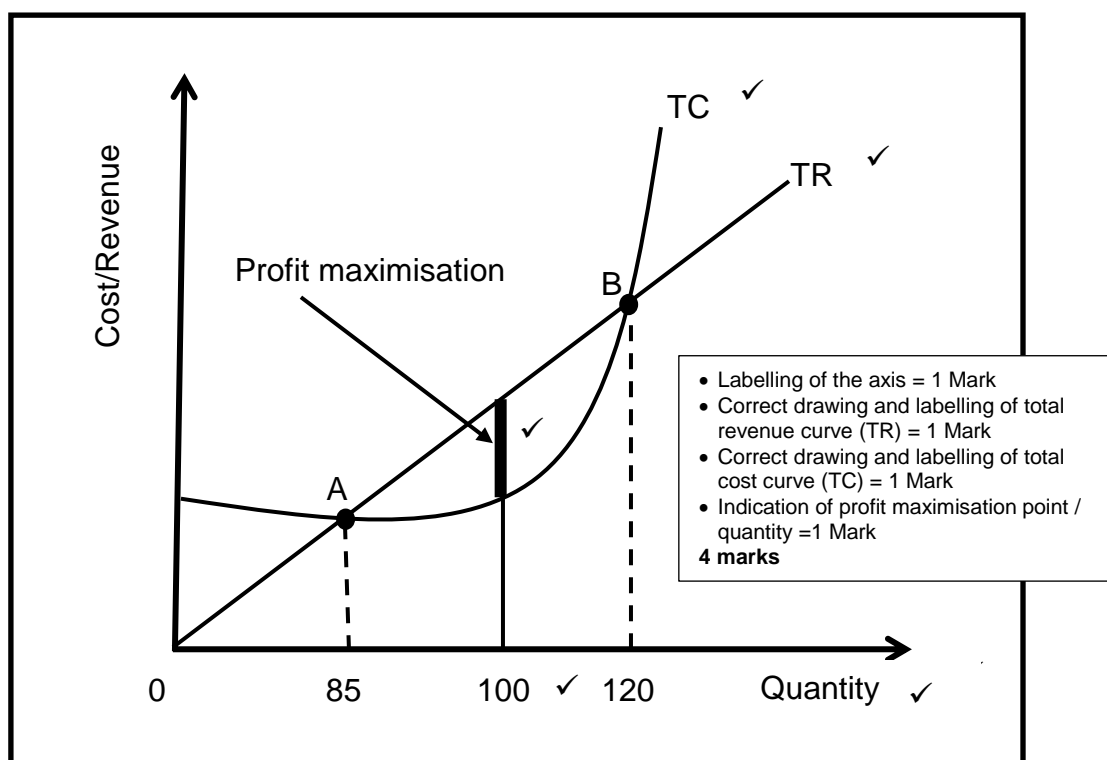
- Serve as an incentive to producers to develop new techniques or equipment, for example use environmentally-friendly energy such as wind, tides and sun. ✓✓
- Encourage production of environment-friendly substitutes such as unleaded petrol. ✓✓
- Encourage recycling of waste such as bottles, cans and cardboard. ✓✓
- Encourage businesses to design and produce new products from waste materials ✓✓

(Accept any other relevant correct response)

(2 x 2)

(4)

4.4 **With the aid of a well-labelled graph, explain profit maximization using the total revenue (TR) and total cost (TC) curves.**



- The firm maximizes profit where the difference between total revenue (TR) and total cost (TC) is the largest. ✓✓
- In the graph above, profit is maximised when the firm produces 100 units. ✓✓
- When the quantities produced are less/below 100, the firm must increase the quantities produced in order to maximize profit. ✓✓
- When the quantities produced are more/above 100, the firm must decrease the quantities produced in order to maximize profit. ✓✓

(Accept any other relevant correct response)

(Max. 4)

(8)

4.5 Evaluate the success of inflation targeting in combating inflation in the country.

Inflation targeting has been successful in combating inflation in the country because of the following; -

- The South African Reserve Bank (SARB) has managed to keep inflation rate below 6% since the introduction of inflation targeting ✓✓
- The inflation targeting framework has helped to improve the credibility of the SARB and its commitment to price stability. ✓✓
- The SARB effectively use the inflation target to control inflation expectations amongst the consumers, workers and businesses ✓✓
- The inflationary pressures have been controlled effectively, which in return has led to lower interest rates and improved economic growth. ✓✓
- Overall, the SARB inflation targeting framework has been successful in achieving its primary objective of maintaining price stability. ✓✓
- There is room for improvement, particularly in terms of balancing the trade-offs between inflation and employment and economic growth. ✓✓

Inflation targeting has been unsuccessful in combating inflation in the country because of the following; -

- The SARB has faced criticism for focusing too much on inflation at the expense of other macroeconomic objectives such as employment and economic growth. ✓✓
- The SARB continuously increased the repo rate during the Covid-19 pandemic despite low consumer spending which reduced the growth potential for the economy ✓✓
- Due to high inflationary pressures from external shocks and electricity crisis, the inflation rate exceeded 6% despite the increases in the repo rate. ✓✓
- The target range of 3%–6% has been criticized by some quarters of the society for being too wide. ✓✓

(Accept any other relevant correct response)

(4 x 2)

(8)

Allocate a maximum of 2 marks for mere listing of facts

[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:

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

- Compare and contrast the market structures of *monopolistic competition* with *an oligopoly* in detail.
- How can collusion negatively affect the economy?

INTRODUCTION

A market is a mechanism that brings together the buyers and the sellers of goods and services / Market structure refers to how the market is organized. ✓✓

(Accept any other correct relevant introduction)

(Max. 2)

BODY**MAIN PART****Number of businesses ✓**

- Monopolistic competition has a large number of sellers ✓ whereas a few large numbers of sellers dominate an oligopoly market. ✓
- There is high degree of competition in monopolistic competition ✓ whereas competition is limited in an oligopoly ✓

Nature of the product ✓

- Goods produced by businesses in a monopolistic competitive market are heterogeneous ✓ while products manufactured in an oligopoly market may be either homogenous or differentiated. ✓
- In both market structures products are slightly different in appearance, shape, size and taste, differences may be imaginary ✓✓

Market entry ✓

- There is freedom to enter into and exit from a monopolistic competition ✓ whereas entry in to an oligopoly market is difficult ✓
- In monopolistic competition there are no barriers to entry ✓ whereas in an oligopoly there are various barriers to entry ✓ such as large amount of capital outlay often needed. ✓

Control over the price ✓

- An individual business in a monopolistic competitive market has little control over price ✓ while oligopoly business has considerable control over the price ✓
- A monopolistic competitor may influence the price of its brand ✓ while oligopolies may collude to control the market price ✓

Market Information ✓

- Information in both oligopoly and monopolistic competition is incomplete. ✓✓
- For instance, variety of products or marginal difference causes a lack of information for sellers and buyers for monopolistic competition whereas oligopolists often do not know how competitors will react to their actions. ✓✓

Examples ✓

- Examples of industries found in monopolistic competition include, among others, fast-food outlets/restaurants, clothing shops ✓ whereas in an oligopoly they may include petrol and oil industries, cell phone network, banks. ✓

Demand curve ✓

- In both oligopoly and monopolistic competitive market structures the demand curve is sloping downwards from left to right. ✓✓
- The demand curve for the firm in the monopolistic competitive market structure is relatively elastic ✓ whereas the demand curve for an oligopolistic firm is kinked. ✓
- The MR curve in both oligopoly and monopolistic competition is lying below the demand curve. ✓✓
- In both market structures the AR curve is also the demand curve ✓✓

Economic profit/loss ✓

- In the short run firms in both monopolistic competition and oligopoly can make either economic profit or loss ✓✓
- In the long run businesses in monopolistic competition make normal profit ✓ while oligopolies earn economic profit. ✓

Decision-making ✓

- In a monopolistic competitive market structure, each firm makes independent decisions ✓ whereas in an oligopolistic market, due to mutual interdependence, firms influence one another's decision making. ✓

Collusion ✓

- In the monopolistic competitive market structure collusion is impossible ✓ whereas in an oligopoly market it is possible for businesses to collude ✓
- Oligopoly businesses often collude as they are few in the market ✓ while in monopolistic competition it is difficult for many businesses to have an agreement to reduce competition ✓

Non-price competition ✓

- Businesses in both monopolistic competition and oligopoly use non-price strategies such as advertising and branding to increase their market shares ✓✓
- Whereas oligopoly businesses avoid price wars monopolistic competitor may compete on prices ✓✓

Productive/Technical efficiency ✓

- Businesses in both market structures do not achieve productive efficiency as they do not produce at the lowest possible average cost. ✓✓

Allocative efficiency ✓

- Businesses in both market structures do not achieve allocative efficiency as the quantities produced do not correspond with quantities demanded by consumers. ✓✓

(Accept any other correct relevant response)

(Max. 26)

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

ADDITIONAL PART

- Collusion can result in higher prices for consumers, as firms agree to fix prices at artificially high levels. ✓✓
- Collusion leads to reduced consumer welfare and higher inflation, particularly if the collusion is widespread and long-lasting. ✓✓
- Firms can be discouraged from investing in new technologies and products, as they may be more interested in maintaining their existing market positions and profits. ✓✓
- Lack of innovation and competitiveness by colluding firms can harm the economy in the long run. ✓✓
- Lower quality products and services may be produced as firms may be less incentivised to invest in quality improvement technologies.
- Consumers may be negatively affected by collusion as it reduces the overall quality and quantity of goods and services available in the market. ✓✓
- Collusion can reduce competition in the market, which can result in higher prices for consumers. ✓✓
- Collusion reduces the competitiveness of businesses in the long run thereby decreasing GDP and employment. ✓✓
- Creates scarcity by producing less in order to increase profit margins while also protecting inefficiency. ✓✓

(Accept any other correct relevant response)

(Max. 10)

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

CONCLUSION

By controlling the price/supply of the product or service in the market, the firm aims to keep prices and profits high. ✓✓

(Accept any other correct relevant conclusion)

(Max. 2)

[40]

QUESTION 6: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 40 MINUTES

- **Examine in detail the effects of tourism.** (26)
- **How can South Africa's tourism profile be used to promote tourism in South Africa?** (10)

INTRODUCTION

Tourism involves the activities of people travelling to and staying in places outside their usual residential environment for not more than one year for leisure, business and other purposes. ✓✓

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

BODY**MAIN PART:****Gross Domestic Product (GDP) ✓**

- Tourism impacts more on the service industry and contributes to the country's GDP directly and indirectly to the economy. ✓✓
- The **direct contribution** of travel and tourism reflects internal spending on travel and tourism by residents and non-residents for business and leisure purposes on items such as food, accommodation, transport, etc. ✓✓
- The **indirect contribution** includes purchases from suppliers of goods and services by the sectors dealing directly with tourists, including purchases of cleaning services by hotels, fuel and catering services by airlines, and services by travel agents. ✓✓

Employment ✓

- Tourism industry employs the majority of the South African workforce, and is potentially regarded as the largest provider of jobs and earner of foreign exchange. ✓✓
- The industry is ideal for providing employment in areas that offer few employment opportunities. ✓✓
- Tourism is labour intensive because it has the lowest ratio of investment to employment creation. ✓✓
- The tourism industry can create many jobs within a short period of time. ✓✓
- For instance, if one quarter of tourist accommodation establishments in South Africa starts to offer live entertainment to guests, thousands of entertainers could be employed within days. ✓✓
- Tourism provides entrepreneurial opportunities and uses different skills, from accountants to hairdressers. ✓✓

Poverty ✓

- The income earned by the tourism industry contributes to the country's growth and development. ✓✓
- The Department of Tourism is involved in poverty relief projects that promote community owned tourism products and services. ✓✓
- The industry allows rural people to share in the benefits of tourism development, thereby promoting more balanced and sustainable forms of development. ✓✓

- Tourism provides an alternative to urbanisation, permitting people to continue a rural family lifestyle and enfranchising both women and the youth. ✓✓
- Poverty relief programme manages and administers poverty relief proposals and spin-off projects in the tourism and environment sectors. ✓✓
- Tourism offers opportunities to diversify sources of income for poor people by creating partnerships which link up with mainstream tourism businesses supplying goods or services. ✓✓
- Their focus is on infrastructure investment (e.g. information centres, tourist ablution facilities, walkways) and product development (for example, heritage sites, rock art and conservation). ✓✓
- Tourism is an effective mechanism for distributing resources to rural areas to develop them as tourist sites. ✓✓

Tourism externalities ✓

- Tourism activities may result in benefits or costs to third parties who are not part of the buyer-seller market. ✓✓
- Tourism could have both positive and negative externalities that extend into the future ✓✓
- **Negative externalities:** While tourism attracts large amounts of revenue, it can cause undue environmental damage that can harm the very foundation on which it depends. ✓✓
- Tourism can cause inflation, which makes some goods unaffordable to locals. ✓✓
- Other examples/costs: Traffic and congestion, extra policing due to crime, increased health services and sanitation, destruction of flora and fauna, spoiling views of the landscape, increased maintenance of infrastructure. ✓✓
- **Positive Externalities:** Gautrain provides links to different areas speedily especially to the airport. ✓✓
- Other benefits are new recreational amenities, increased direct and indirect tax revenue. ✓✓

The environment ✓

- The influx of tourists and vehicles into conservation areas damages grass cover affecting plant and animal species. ✓✓
- Tourism involves transport which is a major source of pollution. ✓✓
- Policy should be in place to ensure tourists are transported in the most environmentally friendly way. ✓✓ for example, Rickshaw at the beachfront, horse-riding, cycling. ✓
- The challenges faced by the environment are divided into four main categories:
 - permanent environmental restructuring like airports direct environmental stress caused by tourist activities. ✓✓
 - waste product generation, such as biological and non-biological waste that damages fish production, creates health hazards and detracts from the attractiveness of a destination. ✓✓
 - direct environmental stress caused by tourist activities, ✓✓ for example, the destruction of coral reefs, vegetation, and dunes. ✓
 - effects on population dynamics, such as migration and increased urban densities accompanied by declining populations in other rural areas. ✓✓

Investment/infrastructure ✓

- Tourism leads to increased demand, which makes business more willing to invest in capital goods and labour. ✓✓
- Government expenditure on infrastructure is encouraged because it can generate income. ✓✓
- Tourism infrastructure includes fixed passenger transportation investment, destination services such as power, water and sewerage, cleaning and health, fixed communications investments. ✓✓
- South Africa has a first-world infrastructure; however, there is a lack of infrastructure in the rural areas, which limits the participation of the rural communities in the tourism industry. ✓✓
- The absence of adequate transportation services also prevents rural communities from participating in the tourism industry, both as potential suppliers of products, and as tourists themselves. ✓✓
- Energy infrastructure like electricity is needed by tourists at tourist sites. ✓✓
- Tourists need basic services like clean water and refuse removal. ✓✓

(Accept any other correct relevant response)

(Max. 26)

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

ADDITIONAL PART:

- Tourism profile can be used to promote the tourism industry through increased marketing and advertising of tourism destinations. ✓✓ For example, TV magazine programmes like Shot 'left inform people about local places of interest. ✓
- Improved infrastructure such as communication and transport can be used to attract tourists in rural areas where tourist sites are situated
- Developing new tourist attraction sites and properly maintain the existing ones improves South Africa's tourist profile and thereby attracting more tourists. ✓✓
- Recognizing/rewarding businesses and individuals who improve the quality of services given to the tourists so that they can return. ✓✓
- Effectively manage tourist sites and other tourist attractions to improve tourism profile of the country ✓✓ For example, maintenance, upgrading, security etc. ✓
- Enhancing efficiency of tourist information outlets that supply pamphlets and information about a specific area. ✓✓
- Promoting special holiday packages such as Special off-season rates to make it possible for domestic tourists to enjoy cheaper holidays ✓✓
- Using tourism indaba to show case South Africa's best tourism products and attracts international visitors and media from across the world. ✓✓
- Promoting local culture and offering tourists an authentic village experience at cultural villages, such as Shangana in Mpumalanga ✓✓
- Promoting cultural significance of World Heritage Sites, such as Robben Island ✓✓
- Taking tourists who are interested in arts to festivals, such as the National Arts Festival in Grahamstown ✓✓

(Accept any other correct relevant response)

(Max. 10)

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

CONCLUSION

The cause of the uneven distribution of tourists may not be in the attractions themselves but due to the supporting services / It is therefore worthwhile to improve the supporting services and facilities for tourism growth.✓✓

(Accept any other correct relevant conclusion)

(Max. 2)

[40]

TOTAL SECTION C:

40

GRAND TOTAL:

150