



# basic education

Department:  
Basic Education  
**REPUBLIC OF SOUTH AFRICA**

**NATIONAL  
SENIOR CERTIFICATE**

**GRADE 12**

**ECONOMICS  
NOVEMBER 2010**

**MARKS: 300**

**TIME: 3 hours**

**This question paper consists of 17 pages.**

**INSTRUCTIONS AND INFORMATION**

1. Answer SIX questions as follows in the ANSWER BOOK:
  - SECTION A: COMPULSORY
  - SECTION B: Answer any THREE of the five questions.
  - SECTION C: Answer any TWO of the four 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. Non-programmable pocket calculators may be used.
10. Write neatly and legibly.

**SECTION A (COMPULSORY)****QUESTION 1****50 MARKS – 25 MINUTES**

1.1 Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A – C) next to the question number (1.1.1 – 1.1.12) in the ANSWER BOOK.

1.1.1 The distance of the fluctuation of a variable from the trend-line is measured by the ...

- A moving average.
- B amplitude.
- C frequency.

1.1.2 The public sector in South Africa has ... levels.

- A two
- B five
- C three

1.1.3 The value of the multiplier increases if the marginal propensity to ... increases.

- A consume
- B save
- C to invest

1.1.4 An oligopoly can be described as a market structure with ... business(es)/firm(s).

- A one
- B few
- C many

1.1.5 Maximum profit is earned at the point where marginal revenue is equal to ...

- A average cost.
- B total cost.
- C marginal cost.

1.1.6 An example of a cartel is ...

- A the Organisation of Petroleum Exporting Countries (OPEC).
- B Coca-Cola.
- C Pick n Pay.

1.1.7 The aim of the ... is to develop Africa as an economic and monetary union.

- A Southern African Development Community (SADC)
- B European Union (EU)
- C African Union (AU)

1.1.8 Small, medium and micro enterprises (SMMEs) create employment for ... unemployed people.

- A seasonally
- B structurally
- C frictionally

1.1.9 Economic development impacts mainly on ...

- A the standard of living.
- B the real gross domestic product.
- C aggregate supply.

1.1.10 Due to inflation the buying power in 2009, compared to 1995, ...

- A increased.
- B decreased.
- C remained the same.

1.1.11 The ... sector creates the most jobs globally.

- A tourism
- B farming
- C telecommunication

1.1.12 Greenhouse gases form part of ... pollution.

- A water
- B land
- C air

(12 x 2) (24)

1.2 Give ONE term for each of the following descriptions by choosing a term from the list below. Write only the term next to the question number (1.2.1 – 1.2.5) in the ANSWER BOOK.

depression; unregulated market; gross domestic product (GDP);  
black economic empowerment (BEE); poor infrastructure;  
a good infrastructure; regulated market; Asgisa;  
gross domestic expenditure (GDE)

- 1.2.1 The total value of all final goods and services that are produced within the borders of a country
- 1.2.2 High unemployment, low wages and decreased purchasing power of households
- 1.2.3 A market where there is no government interference
- 1.2.4 A redress policy used by the South African government
- 1.2.5 A reason for the development of the tourism industry (5 x 2) (10)

1.3 Choose a description from COLUMN B that matches an item in COLUMN A. Write only the letter (A – I) next to the question number (1.3.1 – 1.3.8) in the ANSWER BOOK.

	COLUMN A		COLUMN B
1.3.1	Social services	A	produces given goods at a lower input cost than other countries
1.3.2	Comparative advantage	B	at a price less than average cost (AC)
1.3.3	Shut-down point	C	an indicator of inflation
1.3.4	Marginal cost	D	the objectives of government to improve the livelihoods of the poor
1.3.5	Dualistic	E	cost incurred when production increases by an additional unit
1.3.6	South African Reserve Bank (SARB)	F	dumping of waste material
1.3.7	Environmental pollution	G	at a price less than average variable cost (AVC)
1.3.8	Consumer price index (CPI)	H	the monetary authority in South Africa
		I	a country where a developed component co-exists with a developing component
			(8 x 2)

(16)

**TOTAL SECTION A: 50**

**SECTION B**

Answer any THREE of the five questions from this section in the ANSWER BOOK.

**QUESTION 2****50 MARKS – 25 MINUTES**

2.1 Choose the correct word from those given in brackets. Write only the word next to the question number (2.1.1 – 2.1.4) in the ANSWER BOOK.

2.1.1 The situation where a change in spending causes a larger than proportional change in aggregate demand, is the (multiplier/marginal propensity to consume).

2.1.2 (Restrictive/Expansionary) fiscal policy promotes economic activity.

2.1.3 (Nationalisation/Privatisation) is a process whereby state-owned enterprises are sold to individuals.

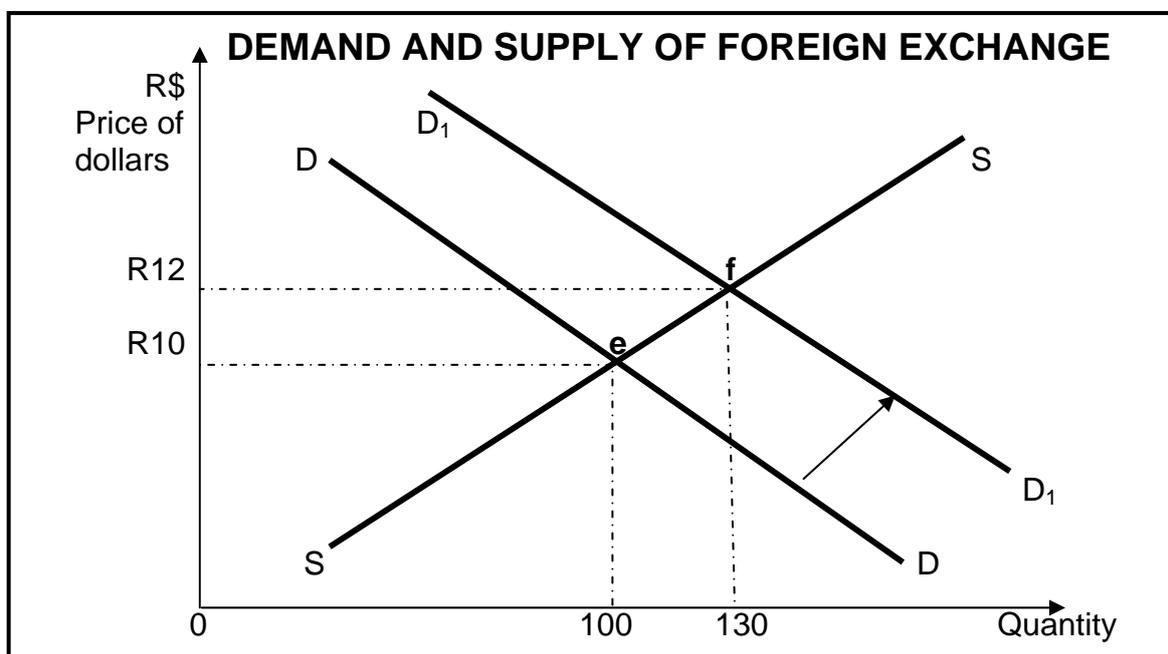
2.1.4 Countries with sustained balance of payments problems are usually assisted by the (World Bank/International Monetary Fund).

(4 x 2) (8)

2.2 List the THREE economic indicators used in forecasting of business cycles.

(3 x 2) (6)

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



2.3.1 At what point on the graph does equilibrium for foreign exchange originally occur? (2)

2.3.2 What happens to the demand for dollars when DD shifts to  $D_1D_1$ ? Give ONE reason. (4)

2.3.3 What happens to the value of the rand when DD shifts to  $D_1D_1$ ? Motivate your answer. (4)

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

<b>TERMS OF TRADE</b>			
<b>Year</b>	<b>Index of export prices</b>	<b>Index of import prices</b>	<b>Terms of trade</b>
2005	100	100	100
2010	105	101	<b>A</b>

2.4.1 Calculate the terms of trade for **A**. Show ALL calculations. (3)

2.4.2 What does a decrease in the terms of trade mean? (2)

2.4.3 What is the base year according to the table? (2)

2.4.4 Describe the movement in the terms of trade from 2005 – 2010. (3)

2.5 Explain *leakages* and *injections*. (8)

2.6 Discuss the Monetarist approach as a cause of business cycles. (8)

**[50]**

**QUESTION 3****50 MARKS – 25 MINUTES**

- 3.1 Choose the correct word from those given in brackets. Write only the word next to the question number (3.1.1 – 3.1.4) in the ANSWER BOOK.
- 3.1.1 Collusion is typical of the (oligopolistic/monopolistic) market.
- 3.1.2 The market for water and electricity is an example of a/an (natural/artificial) monopoly.
- 3.1.3 The demand curve of a perfect competitor is the same as his marginal (revenue/cost) curve.
- 3.1.4 The market supply (can/cannot) be controlled by the monopolist. (4 x 2) (8)
- 3.2 List any THREE characteristics of monopolistic competition. (3 x 2) (6)
- 3.3 Study the extract below and answer the questions that follow.

**R53 MILLION FINE FOR PRICE FIXING*****COLLUSION: Health group fixed prices of medical supplies***

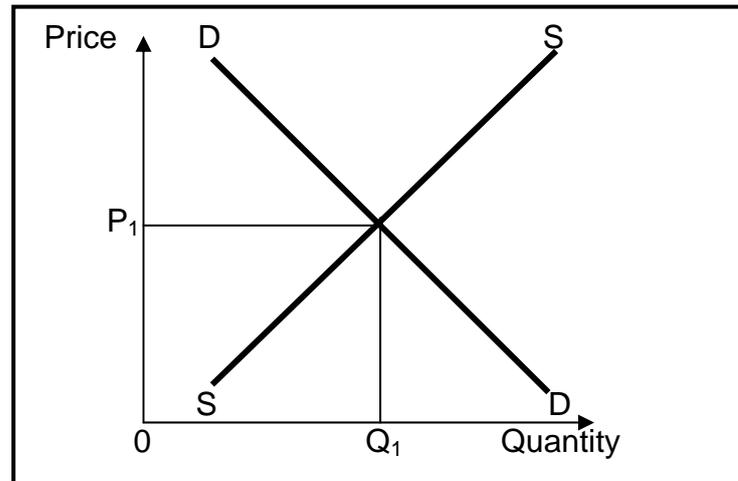
Tiger Brands CEO says their firm is 'upset and embarrassed' by the involvement of Adcock Ingram Critical Care (AICC) in collusion, for which it will pay a R53 million penalty. This follows yesterday's announcement that AICC admitted to being involved in collusive tendering with its competitors for a state tender for intravenous medical products.

The Competition Commission said the penalty it imposed on AICC equates to eight percent of the division's annual turnover, and that the penalty is the highest imposed by it to date – in percentage terms – for collusive behaviour. The commission has referred the matter to its sister body, the Competition Tribunal, to confirm the order.

[Adapted from: *Business Times*, 2007]

- 3.3.1 State TWO aims of the competition policy in South Africa. (4)
- 3.3.2 Explain the role played by the Competition Tribunal regarding AICC's anti-competitive behaviour. (3)
- 3.3.3 Which body/institution can AICC approach if it had not been happy with the penalty imposed by the Competition Tribunal? (3)

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



- 3.4.1 Which type of market does the graph represent? (2)
- 3.4.2 Explain how price is determined in the above market. (4)
- 3.4.3 Copy the above graph to the ANSWER BOOK and show what would happen if new firms enter at this market. (4)
- 3.5 Discuss how non-price competition influences the behaviour of oligopolists. (8)
- 3.6 Draw a fully labelled graph to illustrate economic profit for a monopolist in the short run. (8)
- [50]**

**QUESTION 4****50 MARKS – 25 MINUTES**

- 4.1 Choose the correct word from those given in brackets. Write only the word next to the question number (4.1.1 – 4.1.4) in the ANSWER BOOK.
- 4.1.1 The (World Trade Organisation/World Bank) helps to promote free trade by persuading countries to abolish import tariffs.
- 4.1.2 The (European Union/New Partnership for Africa's Development) plays a central role in promoting economic recovery in Africa.
- 4.1.3 The growth, employment and redistribution programme formulates general economic (guidelines/strategies).
- 4.1.4 The (human/poverty) development index focuses on living a long and healthy life, being educated and having a decent standard of living. (4 x 2) (8)
- 4.2 List any THREE arguments in favour of free trade. (3 x 2) (6)
- 4.3 Study the extract below and answer the questions that follow.

**DEPARTMENT OF TRADE AND INDUSTRY TO SPEED UP REGIONAL INDUSTRIAL DEVELOPMENT**

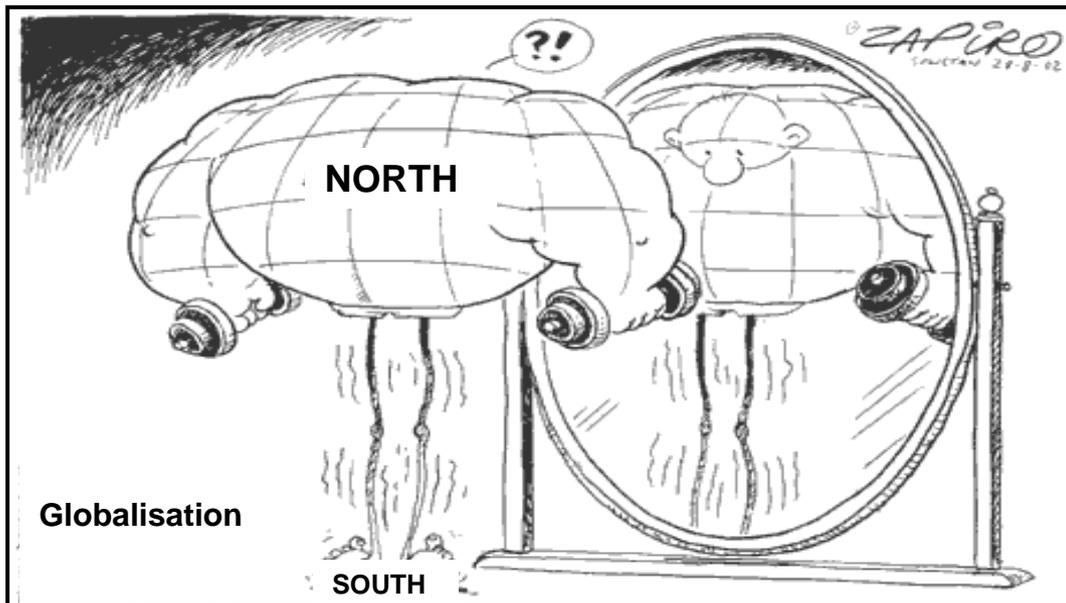
The Department of Trade and Industry's Enterprise and Industry Development Division's (EIDD) purpose is to provide leadership in the development of policies and strategies that create an enabling environment for competitiveness, equity and enterprise development.

Incentives which comply with the EIDD's objectives include CIP and IDZs. The IDZs have been linked to the major international airports and ports. By the mid-2008, IDZs existed at Coega in East London, at Richards Bay in KwaZulu-Natal and in the one linked with OR Tambo International Airport in Gauteng.

[Adapted from: SA Year Book, 2008/2009]

- 4.3.1 What does the abbreviation *IDZ* mean? (2)
- 4.3.2 State any THREE aims of the IDZs in the South African economy. (6)
- 4.3.3 What is the purpose of the EIDD? (2)

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



- 4.4.1 Briefly explain the North-South divide as illustrated in the above cartoon. (4)
- 4.4.2 Explain the negative effects of globalisation on South Africa. (6)
- 4.5 Discuss dumping as an argument in favour of protectionism. (8)
- 4.6 Discuss the difference between *economic growth* and *economic development*. (8)
- [50]**

**QUESTION 5****50 MARKS – 25 MINUTES**

- 5.1 Choose the correct word from those given in brackets. Write only the word next to the question number (5.1.1 – 5.1.4) in the ANSWER BOOK.
- 5.1.1 When aggregate spending in the economy increases faster than output, (demand-pull/cost-push) inflation occurs.
- 5.1.2 A decrease in the general price level is called (deflation/stagflation).
- 5.1.3 Globalisation provides an injection to (national/international) tourism.
- 5.1.4 Environmental taxation is an example of (government/market) related measures to ensure sustainability. (4 x 2) (8)
- 5.2 List any THREE characteristics of cost-push inflation. (3 x 2) (6)
- 5.3 Study the extract below and answer the questions that follow.

**A TOUGH CATCH**

The relentless hunt for tuna is harming not just the fish but businesses, consumers and the planet, because if you take the top predators out, the ecosystem begins to get out of balance.

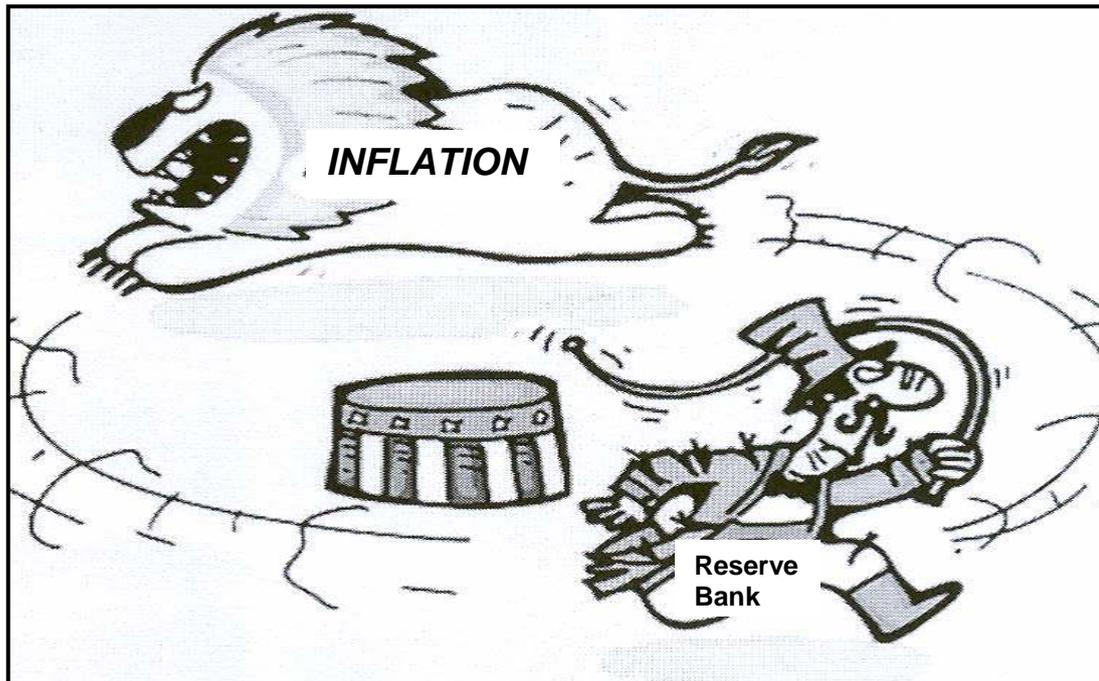
In comparison with 1950 where 600 000 tons of tuna were caught worldwide, last year's figures of 6 million tons, is staggering! At the world's biggest tuna market in Tsukiji, tuna is sold daily at \$50 per kg. Realising that a Blue fin can live for decades, growing more than 3 m long – weighing up to 680 kg, this can be seen as a temporary money-making machine.

The hunt is relentless – throwing the entire food chain off. A process not controlled by countries, but by companies, worried only about the industry and keeping the jobs. Maybe the only solution will be by supporting Greenpeace or the WWF to increase marine reserves and manage the ones that already exist more effectively.

[Adapted from: *Time* magazine, 9 November 2009]

- 5.3.1 How, according to you, will the relentless hunt for tuna harm the consumer? (3)
- 5.3.2 Why is tuna seen as a money-making machine? (3)
- 5.3.3 Give any TWO solutions to the problems mentioned in the above extract. (4)

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



- 5.4.1 Describe the message in the cartoon above. (2)
- 5.4.2 Name ONE instrument of the fiscal policy to combat inflation. (2)
- 5.4.3 What is the inflation target in South Africa? (2)
- 5.4.4 Do you think that the inflation target will be attainable? Explain. (4)
- 5.5 Distinguish between renewable and non-renewable resources. (8)
- 5.6 Explain *hyperinflation* and *stagflation*. (8)
- [50]**

**QUESTION 6****50 MARKS – 25 MINUTES**

- 6.1 Choose the correct word from those given between brackets. Write only the word next to the question number (6.1.1 – 6.1.4) in the ANSWER BOOK.
- 6.1.1 Real and money flows move in the (same/opposite) direction.
- 6.1.2 Factors of production are sold in the (resource/money) market.
- 6.1.3 When a country produces more goods and services than in the previous year, it is known as economic (growth/decline).
- 6.1.4 The main electricity supplier in South Africa is (Eskom/Sasol). (4 x 2) (8)
- 6.2 List THREE methods by which the gross domestic product can be calculated. (3 x 2) (6)
- 6.3 Study the table below and answer the questions that follow.

**NATIONAL INCOME AND PRODUCTION ACCOUNTS OF SOUTH AFRICA**

	<b>2009 R millions</b>
Compensation of employees	1 086 907
Net operating surplus	728 426
Consumption of fixed capital	332 824
<b>Gross value added at factor cost</b>	<b>2 148 157</b>
Plus other taxes on production	38 173
Less other subsidies on production	5 092
<b>Gross value added at basic prices</b>	<b>2 181 238</b>
Taxes on products	245 198
Less subsidies on products	3 113
<b>Gross domestic product at market prices</b>	<b>2 423 323</b>

[Source: SARB, Quarterly Bulletin, March 2010]

- 6.3.1 Explain the item *subsidies on products*. (3)
- 6.3.2 Explain the item *consumption of fixed capital*. (3)
- 6.3.3 Calculate the compensation of employees as a percentage of GDP at market prices. Show ALL calculations. (4)

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

**LIFE EXPECTANCY AND ADULT LITERACY IN SOUTH AFRICA**

<b>PROVINCE</b>	<b>LIFE EXPECTANCY AT BIRTH (YEARS)</b>	<b>ADULT LITERACY RATE (%)</b>
Eastern Cape	60,41	76,47
Free State	52,78	88,77
Gauteng	59,62	98,13
KwaZulu-Natal	52,98	89,17
Mpumalanga	53,49	79,42
Northern Cape	55,62	83,79
Limpopo	60,10	73,16
North West	53,29	95,76
Western Cape	60,83	95,76

[Source: SAIRR, 2009]

- 6.4.1 Define the term *life expectancy*. (3)
- 6.4.2 Which province has the highest life expectancy? (3)
- 6.4.3 Give TWO possible reasons for a low adult literacy rate. (4)
- 6.5 Discuss the role of households (consumers) in the economic circular flow model. (4 x 2) (8)
- 6.6 Discuss capital and technology as factors that are necessary for economic growth. (2 x 4) (8)

**[50]**

**TOTAL SECTION B: 150**

**SECTION C**

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

## I. Essay responses:

- Should include an introduction, body and conclusion.
- For the introduction and conclusion 5 marks will be allocated.
- Five marks will be allocated for the interpretation of the topic.
- A maximum of 40 marks will be allocated for the body.

## II. Non-essay responses:

- Can include: formal letters, minutes, reports or memoranda.
- Five marks will be allocated for the interpretation of the topic.
- In addition 5 marks will be allocated for the format.
- A maximum of 40 marks will be allocated for the content.

**QUESTION 7****50 MARKS – 40 MINUTES**

Due to problems experienced in the Department of Public Enterprises, Nomsa Dlamini, the Minister of Public Enterprises, writes a memorandum to personnel in her Department to discuss the necessity of the public sector and the macroeconomic objectives of the government in detail.

Write the memorandum on behalf of Mrs Nomsa Dlamini.

**[50]****QUESTION 8****50 MARKS – 40 MINUTES**

Discuss FIVE reasons for market failures and briefly describe the South African government's attempts to improve income distribution.

**[50]****QUESTION 9****50 MARKS – 40 MINUTES**

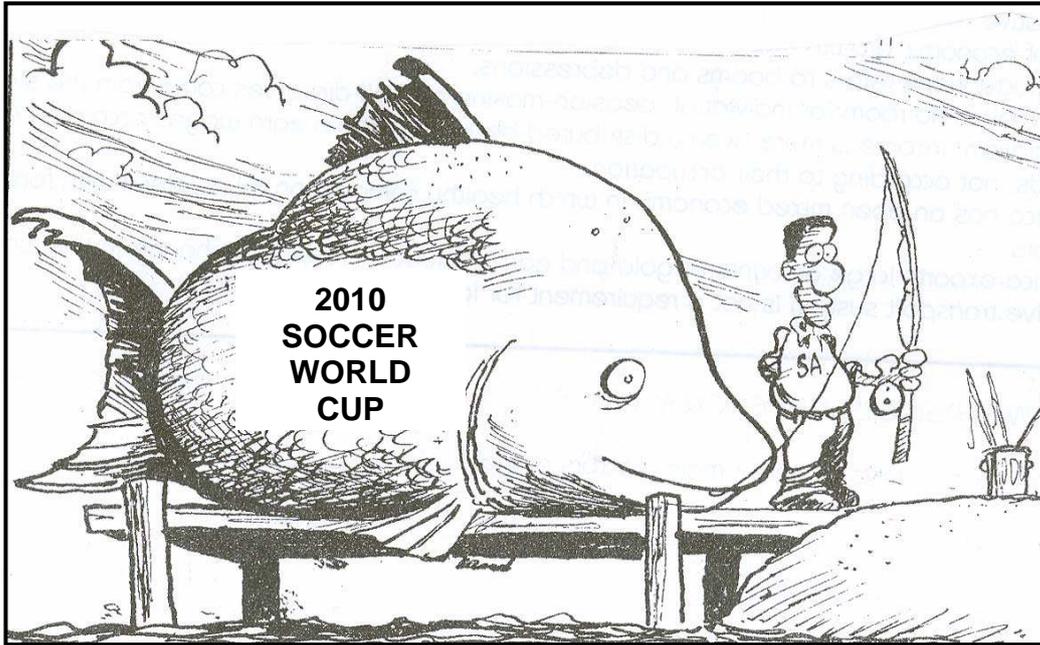
Discuss and assess the economic indicators as depicted below, in terms of the state of the South African economy.

**ECONOMIC INDICATORS MEASURE THE PERFORMANCE OF THE ECONOMY**

	<b>2008</b>	<b>2009</b>
R(GDP) - % change	-2%	-6%
PER CAPITA R(GDP)	R22 622	R23 403
CPI	9,0%	6,2%
REPO RATE	10,5%	7,5%
GINI COEFFICIENT	57,8	57,8

[Economic Indicators for South-Africa, *Quarterly Bulletin SARB*, June 2009]

**[50]**

**QUESTION 10****50 MARKS – 40 MINUTES**

Discuss the positive impact of tourism, highlighting the contribution of the 2010 Soccer World Cup, on the South African economy.

**[50]**

**TOTAL SECTION C: 100**  
**GRAND TOTAL: 300**



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**REPUBLIC OF SOUTH AFRICA**

## **NATIONAL SENIOR CERTIFICATE**

**GRADE 12**

**ECONOMICS**

**NOVEMBER 2010**

**MEMORANDUM**

**MARKS: 300**

**This memorandum consists of 31 pages.**

**SECTION A (COMPULSORY)****QUESTION 1 LO1 – LO4**

1.1 Various options are provided as answers to the following questions.

- |        |   |          |      |
|--------|---|----------|------|
| 1.1.1  | B – amplitude ✓✓  |          |      |
| 1.1.2  | C – three ✓✓  |          |      |
| 1.1.3  | A – consume ✓✓  |          |      |
| 1.1.4  | B – few ✓✓  |          |      |
| 1.1.5  | C – marginal cost ✓✓  |          |      |
| 1.1.6  | A – Organisation of Petroleum Exporting Countries (OPEC) ✓✓ |          |      |
| 1.1.7  | C - African Union (AU) ✓✓                                   |          |      |
| 1.1.8  | B - structurally ✓✓   |          |      |
| 1.1.9  | A - standard of living ✓✓                                   |          |      |
| 1.1.10 | B – decreased ✓✓  |          |      |
| 1.1.11 | A – tourism ✓✓  |          |      |
| 1.1.12 | C – air ✓✓  | (12 x 2) | (24) |

1.2 Give ONE term for each of the following descriptions by choosing a term from the list.

- |       |                                     |         |      |
|-------|-------------------------------------|---------|------|
| 1.2.1 | Gross Domestic Product (GDP) ✓✓     |         |      |
| 1.2.2 | Depression ✓✓                       |         |      |
| 1.2.3 | Unregulated market ✓✓               |         |      |
| 1.2.4 | Black Economic Empowerment (BEE) ✓✓ |         |      |
| 1.2.5 | A good infrastructure ✓✓            | (5 x 2) | (10) |

1.3 Choose a description from COLUMN B that matches an item in COLUMN A.

- |       |   |         |      |
|-------|---|---------|------|
| 1.3.1 | D - The objectives of government to improve the livelihoods of the poor. ✓✓         |         |      |
| 1.3.2 | A - Produces given goods at a lower input cost than other countries ✓✓              |         |      |
| 1.3.3 | G - At a price less than average variable cost (AVC) ✓✓                             |         |      |
| 1.3.4 | E - Cost incurred when production increases by an additional unit ✓✓                |         |      |
| 1.3.5 | I - A country where a developed component co-exists with a developing component. ✓✓ |         |      |
| 1.3.6 | H - The monetary authority in South Africa. ✓✓                                      |         |      |
| 1.3.7 | F - Dumping of waste material. ✓✓   |         |      |
| 1.3.8 | C - An indicator of inflation. ✓✓   | (8 x 2) | (16) |

**[50]**

**SECTION B**

Answer any **THREE** of the five questions from this section in the ANSWER BOOK.

**QUESTION 2**

2.1 **Choose the correct word from those given in brackets:**

2.1.1 Multiplier ✓✓

2.1.2 Expansionary ✓✓

2.1.3 Privatisation ✓✓

2.1.4 International Monetary Fund (IMF) ✓✓ (4 x 2) (8)

2.2 **List the THREE economic indicators used in forecasting of business cycles.**

- Leading ✓✓
- Lagging ✓✓
- Coincident ✓✓ (Any 3 x 2) (6)

2.3 **Study the graph below and answer the questions that follow:**

2.3.1 At point e / e / **at the point where DD intersects SS / at a price of R10 and a quantity of 100** ✓✓ (2)

2.3.2 Increased ✓✓

Reasons:

- Increase in the number of South African's visiting USA ✓✓
- South Africans buy more American financial assets. ✓✓
- Increased imports from the USA. ✓✓
- Increased exports to South Africa. ✓✓
- Services (shipping, insurance) from USA. ✓✓
- Payments of interest and dividend on foreign capital. ✓✓
- Payment of installments on repayments of overseas loans. ✓✓
- Other payments to foreign countries, which take place from time to time. ✓✓
- **Foreign currencies speculations** ✓✓
- **(Accept any other country using the dollar as currency)**

(Any 1 x 2) (4)

2.3.3 Depreciated/Decreased ✓✓

Motivation:

- Increased demand for dollars ✓✓ OR
- Decreased demand for rand ✓✓
- **More rand for dollars ✓✓**
- **More expensive to buy dollars ✓✓**
- **One dollar cost R12,00 instead of R10,00** (Any 1 x 2)

2.4 **Study the table below and answer the questions that follow.**

- 2.4.1 Export prices X 100  
Import prices  
 $\frac{105}{101} \times 100 = 103,9 / 104$  (3)
- 2.4.2 Indicates that a country is poorer since greater volumes of exports to be produced to afford the same value of imports / **A decrease in export prices / an increase in import prices ✓✓** (2)
- 2.4.3 2005 ✓✓ (2)
- 2.4.4 The terms of trade increased from 2005 – 2010 ✓✓ An increase in the terms of trade indicates an improvement in the welfare ✓ of the country since fewer exports are needed to buy the same amount of imports. ✓  
 Accept any other relevant facts. (Max 3) (3)

2.5 **Explain leakages and injections.**

- Leakages is any flow that does not give rise to a further round of income ✓✓ also known as withdrawals ✓✓ because it represents a withdrawal of money from the economy. ✓✓
- (e.g.) of leakages are taxes (T) ✓✓ expenditure on imports (Z/M) ✓✓ and savings (S) ✓✓ (Max 4)
- Injections represent the introduction of additional money into the economy ✓✓
- (e.g.) of injections are government spending (G) ✓✓ income earned from exports (X) ✓✓ investment spending (I) ✓✓ (Max 4) (8)

**2.6 Discuss the Monetarist approach as a cause of business cycles.**

- Also called the sunspot theory / exogenous approach ✓✓
- Believe markets are inherently stable. ✓✓
- Departures from the equilibrium state are caused by factors outside of the market system. ✓✓
- Market forces (supply and demand) kick in and bring the economy back to its natural state or equilibrium route. ✓✓
- These interferences are not part of the normal forces operating in the market. ✓✓
- Governments should not interfere in the markets. ✓✓
- Major cause of economic fluctuations are inappropriate government policies ✓✓, undesirable increases and decreases in money supply ✓✓ weather conditions ✓✓ shocks (September 11) ✓✓ structural changes ✓✓ severe increases in the price of fuel ✓✓ and wars ✓✓  
(Maximum 4 marks for examples)

(Any 4 x 2)

(8)  
[50]

**QUESTION 3****3.1 Choose the correct word from those given in brackets:**

3.1.1 Oligopolistic ✓✓

3.1.2 Natural / artificial ✓✓

3.1.3 Revenue ✓✓

3.1.4 Can ✓✓

(4 x 2)

(8)

**3.2 List any THREE characteristics of monopolistic competition.**

- Large number of producers / diverse businesses ✓✓
- Product is differentiated ✓✓
- Entry to the market is free ✓✓
- Businesses have little/some control over the price of the product ✓✓
- Incomplete information for buyers and sellers ✓✓
- Hybrid structure ✓✓
- It's often local ✓✓

(Any 3 x 2)

(6)

**3.3 Study the extract below and answer the questions that follow:**

- 3.3.1
- Increase efficiency in the market ✓✓
  - Improve equity in the markets ✓✓
  - Contribute to developmental objectives ✓✓
  - Prevent monopoly power / abuse of economic power ✓✓
  - Regulate growth of acquisitions (takeovers) and mergers ✓✓
  - Prevent restrictive practices ✓✓
  - Promote competition ✓✓
  - Exploit advantages of scale to benefit society in general ✓✓
  - Eliminate price fixing ✓✓

Accept any other relevant response

(Any 2 x 2)

(4)

3.3.2 Grant the order / **confirm** the penalty (**order**) imposed on the company by the Competition Commission. ✓✓✓

(3)

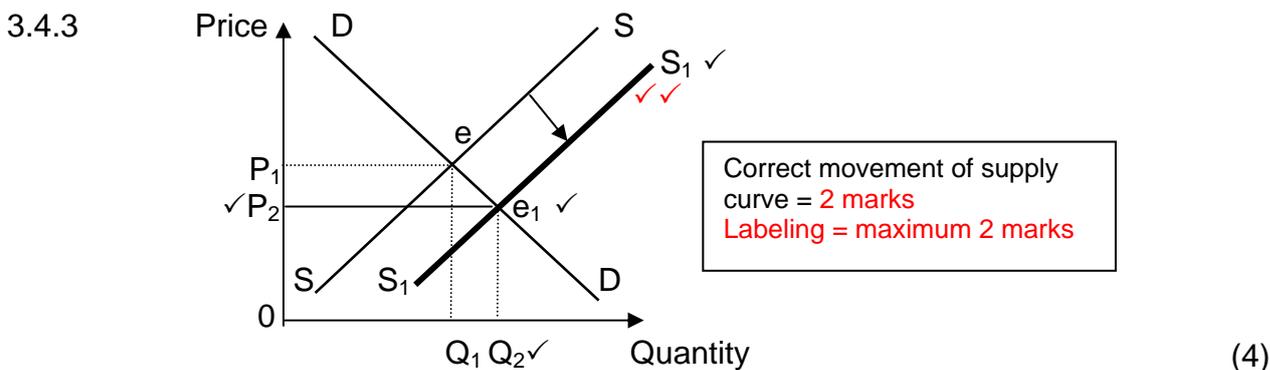
3.3.3 Competition Appeal Court. ✓✓✓

(3)

## 3.4 Study the graph below and answer the questions that follow:

3.4.1 Perfect market / goods and services / factor market ✓✓ (2)

3.4.2 The individual producer on the market is a price taker /  
Market demand and supply establish the price /  
Price determined by market forces / where demand and supply  
 interact or meet ✓✓✓✓ (4)  
 Accept any other relevant fact.



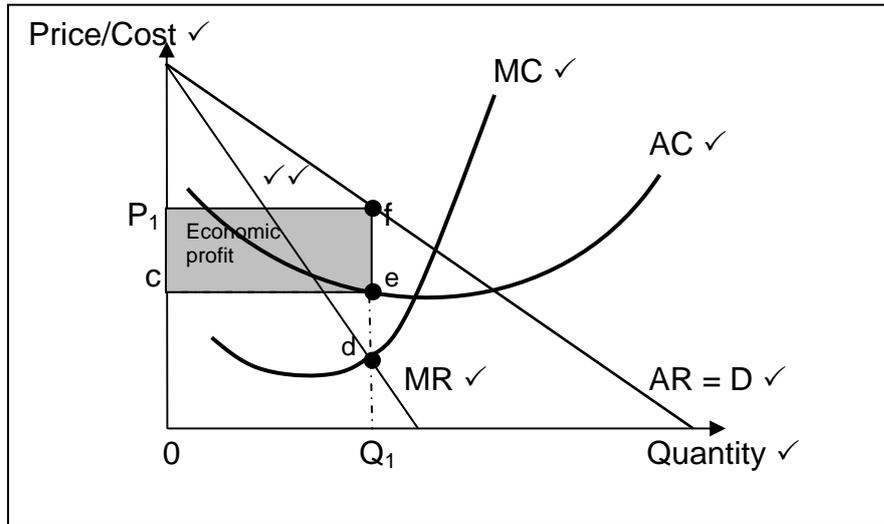
## 3.5 Discuss how non-price competition influences the behaviour of oligopolists.

- Oligopolists do not compete with each other on price because price wars will not benefit them. ✓✓
- Prices are determined by mutual agreement. ✓✓
- They compete with each other on product differentiation and efficient service. ✓✓
- Convenience shopping ✓✓
- E.g. extended shopping hours ✓✓
- Firms make use of advertisements to increase awareness and to lure customers towards their products. ✓✓
- E.g. Pick n Pay use extensive advertising to increase market share. ✓✓
- Non-price competition builds brand loyalty and product recognition. ✓✓
- E.g. after sales service, loyalty rewards. ✓✓  
 (Accept examples for maximum of 2 marks)

(Any 4 x 2) (8)

3.6

Draw a fully labelled graph to illustrate economic profit for a monopolist in the short run.



Labelling of axes = 2 marks  
 Labelling of curves = 4 marks  
 Indicating economic profit = 2 marks  
**TOTAL = 8 MARKS**

(8)  
[50]



environment) ✓✓

- Promote and develop links between domestic and zone-based industries ✓✓
- Enable exploitation of resource-intensive industries ✓✓ (Any 3 X 2) (6)

4.3.3 **What is the purpose of the EIDD?**

To provide leadership in the development of policies and strategies /to enable competitiveness in the environment, equity and enterprise development ✓✓ (2)

4.4 **Study the cartoon below and answer the questions that follow:**

4.4.1 **Briefly explain the North-South divide as illustrated in the above cartoon.**

The socio-economic and political division, which exists between wealthy developed countries collectively known as the North ✓✓ and the poorer developing countries, collectively known as the South, ✓✓ is referred to as the North-South Divide. ✓✓  
Any relevant example ✓✓ (Any 2 x 2) (4)

4.4.2 **The negative effects of globalisation on South Africa:**

Poverty ✓ There is a growing gap between the rich and the poor. ✓✓  
Growth ✓ South Africa is unable to attract adequate FDI, to ensure sustainable economic growth / **unemployment** ✓✓  
Trade ✓ Rich countries continue to subsidize agricultural production, making it difficult for South Africa to compete on the global market / dumping ✓✓  
**Environment** ✓ dumping of nuclear waste ✓✓  
**Imported inflation** ✓ leads to an increase in production costs in import country ✓✓ (Any 2 X 3) (6)

4.5 **Discuss dumping as an argument in favour of protectionism.**

- Foreign enterprises may engage in dumping because government subsidies permit them to sell goods at very low prices or below cost ✓✓ or because they are seeking to raise profits through price discrimination ✓✓
- In the latter case the initial reason for exporting products at a low price may be to dispose of accumulated stocks of goods. ✓✓
- **In the short term, consumers in the importing country will benefit.** ✓✓
- However, their long-term objective may be to drive out domestic producers and gain strong market position. ✓✓
- In this case consumers are likely to lose out as a result of the reduction in choice and the higher prices that the exporters will be able to charge. ✓✓
- **Protectionism prevents foreign industries from dumping their surpluses and out-of-season goods at low prices, which may be harmful to home industries** ✓✓

(Any 4 X 2)

(8)

4.6 **Discuss the difference between economic growth and economic development.**

- *Economic growth* consists of growth of real GDP ✓✓ and implies an increase in capacity of economy ✓✓ to produce more goods and services ✓✓ It requires policies that empower the economy ✓✓
- *Economic development* consists of growth of per capita real GDP ✓✓ and implies an increase in standard of living / capacity of population to produce more goods and services. ✓✓ It requires policies that empower people ✓✓

(2 X 4)

(8)

**QUESTION 5: LO4 CONTEMPORARY ECONOMIC ISSUES, AS1 – AS4****5.1 Choose the correct word from those given in brackets:**

5.1.1 demand-pull ✓✓

5.1.2 deflation ✓✓

5.1.3 international ✓✓

5.1.4 government ✓✓

(4 x 2)

(8)

**5.2 List any THREE characteristics of cost-push inflation.**

- Sudden decrease in the supply of key inputs / Supply shocks / key inputs (increase in price of oil) ✓✓
- Increase in factor prices/wages (cost of labour) / **input costs rise** ✓✓
- Sudden rise in interest rates ✓✓
- Deterioration/depreciation in exchange rate ✓✓
- **Increase in profits** ✓✓
- **Increase in taxes / revenue for Government** ✓✓
- **Increase in the price of imports related to cost of production**
- **Decrease in productivity levels** ✓✓
- **Natural disasters** ✓✓

(Any 3 x 2)

(6)

**5.3 Study the extract below and answer the questions that follow.**

5.3.1 Tuna, becoming extinct, will disappear from shopping lists ✓✓✓  
It might lead to a definite forced change in taste and habits at the side of consumer ✓✓✓  
Accept any other relevant fact. (3)

5.3.2 Tuna fetches very high prices / worldwide (\$50 per kg) / and one fish may weigh up to 680 kg. ✓✓✓ (3)

5.3.3 Support Greenpeace or WWF financially so that marine reserves can increase ✓✓  
Restrict by using quota system ✓✓  
Make employees/stakeholders aware of this endangered species ✓✓  
Better management of fish resources ✓✓  
Accept any other relevant solutions. (Any 2 x 2) (4)

## 5.4 Study the cartoon below and answer the questions that follow.

- 5.4.1 Inflation is out of control and the SARB is trying to control it. ✓✓  
Accept any other relevant answer. (2)
- 5.4.2
- Increased direct taxes ✓✓
  - Increased indirect taxes ✓✓
  - Reducing government expenditure ✓✓
  - Tax rebates to improve productivity ✓✓
  - Financing the budget on a non-inflationary basis ✓✓
  - A loan levy can be introduced ✓✓
  - Imposing a surcharge on imported goods ✓✓ (Any 1 x 2) (2)
- 5.4.3 3% – 6% ✓✓ (2)
- 5.4.4 Yes ✓✓ e.g. the current inflation figure is within the target range ✓✓  
No ✓✓ e.g. continuous interest rate cuts may push inflation above the upper level of the target ✓✓  
Accept relevant answer (4)

## 5.5 Distinguish between renewable and non-renewable resources.

RENEWABLE	NON-RENEWABLE
<ul style="list-style-type: none"> <li>• Resources that can be generated, <u>replaced</u> or replenished ✓✓</li> <li>• <u>Limiting factor</u> of the availability is the <u>rate</u> at which they can be <u>produced</u> ✓✓</li> </ul> <p><u>E.g.</u> timber, forest products, agricultural products ✓✓</p>	<ul style="list-style-type: none"> <li>• Once these materials are extracted they are <u>gone for ever</u> ✓✓</li> <li>• Once used, they <u>cannot be replaced</u> ✓✓</li> <li>• <u>E.g.</u> mineral resources, fossil fuels, such as oil, petrol, copper, gold and coal ✓✓</li> </ul> <p>Examples: maximum 2 marks</p>

Accept if not tabulated.

(Any 2 x 4)

(8)

**5.6 Explain hyperinflation and stagflation.**

Hyperinflation:

- Most extreme form of inflation / runaway inflation / inflation out of control ✓✓
- 50% or more per month ✓✓
- National currency is almost worth nothing ✓✓
- Leads to exchange of goods for goods (barter) – widespread phenomenon ✓✓
- E.g. Zimbabwe ✓✓
- People lose confidence/faith in the economy ✓✓
- It can occur in times of war ✓✓

(Any 2 x 2)

Stagflation:

- Low economic growth rate exists due to strong monetary and fiscal policies to curb high inflation rates ✓✓
- Conditions of high inflation and high unemployment rates at the same time ✓✓
- Occurs in economies that lost the ability to create new jobs ✓✓

(Any 2 X 2)

(8)  
[50]

**QUESTION 6: LO1 & LO3, AS1 – AS4****6.1 Choose the correct word from those given in brackets:**

6.1.1 opposite ✓✓

6.1.2 resource ✓✓

6.1.3 growth ✓✓

6.1.4 Eskom ✓✓ (4 x 2) (8)

**6.2 List THREE methods by which Gross Domestic Product can be calculated.**

- Production method / Value Added Method ✓✓
- Income method ✓✓
- Expenditure method ✓✓ (3 x 2) (6)

**6.3 Study the table below and answer the questions that follow.**

6.3.1 A subsidy (grant) on a product is paid on the outputs to reduce the price to make it more affordable ✓✓ E.g. R1 for each loaf of bread ✓ (3)

6.3.2 Consumption of Fixed Capital is the diminishing value of an asset over a period of time, also called depreciation ✓✓ E.g. depreciation in the value of equipment, machinery, vehicles ✓ (3)

6.3.3  $\frac{1\ 086\ 907}{2\ 423\ 323} \times \frac{100}{1}$   
= 44,85 % / 44,9% / 45 % ✓✓ (4)

**6.4 Study the table below and answer the questions that follow.**

6.4.1 Life expectancy is the expected number of years **a person** would live ✓✓✓ (3)

6.4.2 Western Cape ✓✓✓ (3)

6.4.3

- Lack of education and training ✓✓
- Ignorance ✓✓
- Apartheid regime ✓✓
- Poverty trap ✓✓

Any other relevant reason. (4)

6.5 **Discuss the role of households (consumers) in the economic circular flow model.**

- Owns four factors of production and presents on input market ✓✓
- Receives income (rent, interest, wages and profit) in return ✓✓
- Primary sector of consumption of goods and services ✓✓
- Pays taxes to the government e.g. income tax ✓✓
- Enjoy collective goods and services delivered by the state ✓✓
- Spending on goods and services (domestic and foreign) ✓✓
- Saving as source of investment ✓✓
- Primary participant in the economy ✓✓

Accept any other relevant fact.

(Any 4 x 2)

(8)

6.6 **Discuss capital and technology as factors that are necessary for economic growth.**

**CAPITAL:**

- Definition of capital: resources used in production of other goods and services ✓✓
- Capital is necessary for the production of goods and services ✓✓
- The more capital we have, the more goods and services can be produced ✓✓
- For effective production to take place, we need both human/social and physical capital ✓✓
- Increase in the production capacity will lead to economic growth ✓✓

(Any 2 x 2)

**TECHNOLOGY:**

- Definition of technology: new scientific knowledge in the form of inventions and innovations / sometimes referred to as fifth factor of production ✓✓
- Sustained economic growth requires technological progress and innovation ✓✓
- Technological progress means new kinds of capital goods as well as new production processes ✓✓
- Technological progress can lead to economic growth ✓✓ (Any 2 X 2)

(8)

[50]

**TOTAL SECTION B:**

**150**

**SECTION C**

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

## I. Essay responses:

- Should include an introduction, body and conclusion.
- For the introduction and conclusion 5 marks will be allocated.
- Five marks will be allocated for the interpretation of the topic.
- A maximum of 40 marks will be allocated for the body.

## II. Non-essay responses:

- Can include: formal letters, minutes, reports or memoranda.
- Five marks will be allocated for the interpretation of the topic.
- In addition, 5 marks will be allocated for the format.
- A maximum of 40 marks will be allocated for the content.

**QUESTION 7**

**Due to problems experienced in the Department of Public Enterprises, Nomsa Dlamini, the Minister of Public Enterprises, writes a memo to personnel in her Department to discuss the necessity of the public sector and the macroeconomic objectives in detail.**

**Write the memo on behalf of Mrs Nomsa Dlamini.**

**[50]**

**DEPARTMENT OF PUBLIC ENTERPRISES ✓**

**MEMORANDUM ✓**

**TO : ALL PERSONNEL ✓**

**FROM : MINISTER OF PUBLIC ENTERPRISES, NOMSA DLAMINI ✓**

**SUBJECT : NECESSITY OF THE PUBLIC SECTOR AND ITS OBJECTIVES. ✓**

**DATE : \_\_\_\_\_ ✓ (Format: maks 5)**

All countries have public sectors and there are good reasons for the existence of such sectors. ✓✓ The public sector is **necessary** for the following reasons.

**1. To provide public goods ✓✓**

- Public goods are mostly in the form of services. ✓✓
- Government use policies such as taxation and government spending ✓✓
- Community goods ✓✓ are characterized by non-excludability and non-rivalness. ✓✓ Non-excludability (e.g.) defence force ✓✓ The protection available to everyone living in a country irrespective of whether they are willing to pay for it or not. ✓✓
- Collective goods ✓✓ e.g. parks, beaches ✓✓ can exclude free-riders by levying

fees ✓✓

**2. To take care of common resources** ✓✓

- Environment consists of resources that no one owns yet everyone can use free of charge. ✓✓
- (e.g.) oceans for fishing / the air we breathe / natural scenery we enjoy ✓✓
- Governments have to intervene in order to protect the environment and prevent the creation of negative externalities / protection and enforcement of legal structure ✓✓

**3. To manage the economy.** ✓✓

- Governments manage the collective interests of its people ✓✓
- Government has to ensure a social and legislative environment in which businesses and individuals can pursue their own interests to the maximum ✓✓
- Government must also apply suitable and credible economic and other policies in order to achieve internationally respected economic objectives. ✓✓
- Public policy needed to secure high employment, price stability and socially desired rate of economic growth ✓✓

**4. Externalities** ✓✓

- benefits or costs from production of goods and services ✓✓
- government can subsidize or restrict production ✓✓

**5. Merit and demerit goods** ✓✓

- merit goods benefit the public more than private goods ✓✓
- e.g. health care and education ✓✓
- demerit goods are goods considered to be harmful to society ✓✓
- government impose taxes and regulations to discourage consumption ✓✓
- e.g. cigarettes ✓✓

**6. Monopolies and imperfect competition** ✓✓

- Government should intervene and prevent economically inefficient and imperfect competition from occurring ✓✓

In developing countries governments have **FIVE macroeconomic objectives.**

**A. Economic growth** ✓✓

- Refers to an increase in the production of goods and services in the economy. ✓✓
- it is measured in terms of real GDP ✓✓
- For economic development to occur, economic growth rate must be higher than the population growth rate. ✓✓
- Growth and development in a country benefits its citizens because it often leads to a higher standard of living. ✓✓

**B. Full employment** ✓✓

- Accept any relevant definition ✓✓
- Government is always trying to attain high levels of employment. ✓✓

- Unemployment rate increased from 14,0% in 1994 to 26,5% in 2005.✓✓
- Employment increased mainly due to informal sector activities.✓✓
- The GEAR strategy was implemented to create a climate that was conducive to employment creation by the private sector.✓✓

### C. Exchange rate stability ✓✓

- The government should manage the economy through effective fiscal and monetary policies, so that the exchange rate remains relatively stable.✓✓
- Depreciations and appreciation of a currency could create uncertainties for producers and traders and should be limited.✓✓
- The SARB changed the exchange rate from a managed floating system to a free-floating exchange rate system.✓✓

### D. Price stability ✓✓

- SARB has succeeded in keeping inflation within the target range of 3% - 6% ✓✓
- Market economies produce better results in terms of economic growth and development when prices are relatively stable.✓✓
- Interest rates, based on the repo rate are the main instrument used in the stabilization policy.✓✓
- The stable budget deficit also has a stabilizing effect on the inflation rate.✓✓

### E. Economic equity ✓✓

- Redistribution of income and wealth is essential in market economies.✓✓
- In South Africa, the progressive tax system is used. ✓✓
- Progressive income tax ✓✓ tax on profits ✓✓, wealth and expenditure are used to finance free social services✓✓ (e.g.) health ✓✓ education ✓✓ and to pay cash grants to the poor✓✓ (e.g.) pensions✓✓ and other vulnerable people ✓✓

**(max 40)**

\_\_\_\_\_ ✓  
**MRS NOMSA DLAMINI**  
**MINISTER OF PUBLIC ENTERPRISE** } ✓

\_\_\_\_\_ ✓  
**DATE**

Use the following assessment grid in conjunction with the above to assess the discussion:

MARKS	INTERPRETATION OF TOPIC
-------	-------------------------

0	Candidate has shown no understanding of the topic.
1	Candidate has shown some understanding of topic but has missed important aspects of topic. (1 - 15)
3	Candidate has interpreted topic correctly but has not linked facts to topic. (16 - 30)
5	Candidate has interpreted topic correctly and has linked facts to topic. (31 - 45)

**[50]**

**QUESTION 8**

**Discuss FIVE reasons for market failures and briefly outline the South African government's attempts to improve income distribution.**

**INTRODUCTION**

- Market failures occur when the market is not efficient. Sometimes free markets fail to produce maximum of goods and services from a given set of resources / The market also fails to produce the optimal mix of goods and services desired by consumers. ✓✓✓

**(max 3)****BODY****REASONS:**1. **Externalities** ✓✓

- **Known as spill-over effects** ✓✓
- Sometimes in ideal market conditions some people gain or suffer due to the existence of externalities ✓✓
- Are cost and benefits to third parties which are not included in the market price ✓✓
- Private costs (internal costs) and benefits are determined the market mechanism ✓✓
- Externalities do not go through the market mechanism and thus do not have a price attached to them ✓✓
- Externalities converts private costs and benefits are converted to social costs and benefits ✓✓
- Externalities are difference between social costs and benefits and private costs and benefits ✓✓
  - Private costs ✓✓ price of bicycle of R990 ✓✓
  - Private (internal) benefits ✓✓ e.g. profit for the producer ✓✓
  - Social costs ✓✓ e.g. additional costs like disposing waste products, decreasing appeal of area ✓✓ **optimal social and market allocation** ✓✓
  - Social benefits ✓✓ e.g. clean water leading to few illnesses, healthier workforce, higher productivity ✓✓

**(max 6)**2. **Public goods** ✓✓

- Markets incomplete – do not meet demand for certain goods – public sector provides these goods known as public goods ✓✓
- Divided into community (water drainage and light houses) and collective goods (parks, pavements) ✓✓
- Public goods are not provided by price mechanism – producer cannot withhold goods for non-payment ✓✓
- State finance public goods through taxation and provide it themselves ✓✓
- In SA – most goods and services private goods – have rivalry in consumption and excludability ✓✓
- Features of public goods:
  - non-rivalry ✓✓ consumption by one person does not reduce consumption by another individual e.g. lighthouse ✓✓
  - non-excludability ✓✓ consumption of public goods cannot be confined to those who pay for it (free riders e.g. radio and television licenses) ✓✓
  - social benefits outstrip private benefits ✓✓ large social benefits relative to private benefits e.g. health care and education ✓✓

- infinite consumption ✓✓ once provided, marginal cost of supplying one more individual is zero (traffic lights) ✓✓
- non-reject ability ✓✓ individuals may not be able to abstain from consuming them even if they want to (e.g. street lighting) ✓✓ **(max 6)**

### 3. Merit and demerit goods ✓✓

#### MERIT GOODS (✓)

- Some goods highly desirable for general welfare – not highly rated by market – leads to too little consumed – market failed ✓✓
- E.g. health care and education, safety – merit goods – special form of private goods ✓✓
- Few people would pay for education if they had to meet full cost – results in market failure ✓✓
- In pure market system – consumers' spending on merit goods determined by private benefits ✓✓
- Merit goods have positive externalities – social benefits derived from their consumption exceed private benefits ✓✓

#### DEMERIT GOODS (✓)

- E.g. cigarettes, alcohol and non-prescription drugs – over-consumed ✓✓
- Consumer unaware of true cost of consuming them e.g. increased health costs, social decay = negative externalities ✓✓ **(max 6)**

### 4. Imperfect competition ✓✓

- Competition often reduced by power in market economies – power lies with producers ✓✓
- Conditions of imperfect competition: restrict output, raise prices where price exceeds marginal cost, prevent new businesses to enter, prevent full adjustment to changes in demand ✓✓
- Modern market does not allow for price negotiations ✓✓
- Advertising promote producer sovereignty – encourage consumer to buy products – delay products from market until it is in businesses' financial interest ✓✓
- E.g. businesses had technology to produce long-life light bulbs/allows cars to be driven by fuels other than fossil fuels/cure for common cold ✓✓ **(max 6)**

### 5. Lack of information ✓✓

- Information is not always available to make rational decisions. ✓✓
- Consumers ✓✓ – need detailed information to maximize their utility – technology increase information but it is not perfect. ✓✓
- Workers ✓✓ unaware of job opportunities, advantages and disadvantages, health risks of current jobs ✓✓
- Entrepreneurs ✓✓ lack of information about costs, availability and productivity of some factors of production – operating on basis of incorrect info about reliability and life span of machines in use ✓✓ **(max 6)**

### 6. Immobility of factors of production ✓✓

- Most markets do not adjust rapidly to changes in supply and demand – due to lack of info, resources not mobile ✓✓

- Labour ✓✓ takes time to move occupationally and geographically – adjust slowly and inadequately ✓✓
- Unskilled workers ✓✓ not able, willing or have time to gain necessary skills ✓✓
- Physical capital ✓✓ infrastructure like telephone lines – can move from one location to another at irregular intervals ✓✓
- Structural changes ✓✓ occur slowly – demand increases or decreases – technology used like robots – takes time for labour-intensive textile production to be switched to computer assisted production ✓✓ **(max 6)**

### 7. Imperfect distribution of income and wealth ✓✓

- Market system is neutral to income distribution ✓✓
- Market economy provides opportunities to earn an income, but it's not equal – no equal education and skills ✓✓
- Results in minority groups like women and disabled people earning less ✓✓ **(max 6)**

### 8. Price discrimination ✓✓

- A situation in which identical goods and services are sold at different prices to different consumers ✓✓
- Leads to a situation where some consumers pay lower prices ✓✓
- E.g. when airlines sell tickets on the same flight at different prices to different customers ✓✓ **(max 6)**

**(Any 5 x 6) (30)**

## GOVERNMENT'S ATTEMPT TO REDISTRIBUTE INCOME

- Taxation to provide free goods and services ✓✓
- Subsidising goods and services ✓✓
- Transferring income to the poor ✓✓
- Job creation programmes / Expanded Public Works Programme ✓✓
- Labour legislation: Basic Conditions of Employment Act, Employment Equity Act ✓✓.
- Preferential access to the disadvantaged to government contracts ✓✓.
- BEE policies ✓✓
- Affirmative action ✓✓.
- Land redistribution ✓✓
- Land restitution ✓
- Property subsidies ✓✓
- RDP ✓✓
- Minimum wages ✓✓
- Maximum prices ✓✓
- Minimum prices ✓✓
- Free education and training ✓✓ **(max 10)**

**[50]**

## CONCLUSION

Any suitable conclusion. ✓✓

**(Max 2)**

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**QUESTION 9**

**Discuss and assess the economic indicators as depicted below in terms of the state of the South African economy.**

**[50]****INTRODUCTION**

A statistic that shows the behaviour of one or other economic variable /  
Any suitable introduction. ✓✓✓

**(Max 3)****BODY****1. Real Gross Domestic Product (Production)**

- Definition: The GDP is the total value of all final goods and services produced within the borders of a country in one year. ✓✓
- The GDP measures the total production of an economy. ✓✓
- An increase in the Real GDP will cause economic growth, which is defined as the annual rate of increase in total production. ✓✓
- Nominal GDP cannot be used because its magnitude is partly caused by price increases and not by an increase in the physical numbers. ✓✓
- The real GDP is obtained when the effect of inflation is removed from the data. (GDP-Deflator) ✓✓
- RGDP is used to describe business cycles. ✓✓
- An important use of the RGDP is therefore to express real aggregate economic activity and to describe the movement of business cycles. ✓✓
- It is also used in forecasting, e.g. if the index of leading indicators starts to increase after a continuous decrease, it is an indication that the cycle has turned. ✓✓

Assessment:

- The total value of production decreased with 4% over the period 2008/2009. ✓✓
- It is a clear that South Africa's economy was trapped into a recession. (negative growth for two consecutive quarters) ✓✓
- As a result one will find the following:
  - Increase in the unemployment rate/ layoffs ✓✓
  - Increase number of bankruptcies / debt ✓✓
  - Poor profit margins etc. ✓✓

**(Max 5 X 2) (10)****2. Per Capita Real Gross Domestic product (Standard of living)**

- If the population grows at a faster rate than the economy, everybody may be seen worse off despite increases in the quantities of goods and services. ✓✓  
(For this reason the per capita RGDP is calculated)
- Calculation: per capita RGDP = RGDP / population number ✓✓
- The per capita figures are use for three purposes:
  - To indicate economic development ✓✓
  - To indicate living standards ✓✓
  - To compare living standards ✓✓

Assessment:

- As a result of the global and domestic recession we find our self in the position where many people is been laid off and with out income, ✓✓
  - this will have a negatively impact on the GDP and also on the per capita RGDP. ✓✓
  - That will indicate a drop in the standard of living and contributes to our growing poverty problem. ✓✓
- (Max 5 X 2) (10)**

### 3. Consumer Price Index (Price changes)

- Consumer price indexes show price changes of a representative basket of goods and services that consumers buy. ✓✓
- The index covers metropolitan and other urban areas. ✓✓
- It is an overall index and the weights are obtained from the expenditures of different income categories of households. ✓✓
- It is the most comprehensive indicator measuring consumer inflation in South Africa. ✓✓
- It shows changes in the general purchasing power of the rand. ✓✓

Assessment:

- The CPI decreases to within the inflation target of 3-6% over the period ✓✓
  - What means that inflation is for the time being, under control because of strict monetary measures by the SARB ✓✓ and
  - The negative perception from consumers of the economy due to the global recession. ✓✓
- (Max 5 X 2) (10)**

### 4. Repo rate (Monetary conditions)

- Interest rates are the main determinant of investment on a macroeconomic scale. ✓✓
- The key rate of interest, on which all other interest rates are founded, is the repo rate. ✓✓
- Interest rates are very important indicators, if they move up, the debt of households and businesses require bigger repayments. ✓✓
- This includes hire purchases and housing and other property loans. ✓✓
- It may be signal that a downturn in the business cycle is pending. ✓✓
- means that household incomes may fall as some workers lose their jobs. ✓✓

Assessment:

- Against the background of a slowing global and domestic economy and the improved medium-term outlook for inflation, the MPC has decided to reduce the repurchase rate (Repo Rate) ✓✓
- (Max 5 X 2) (10)**

**5. Gini Coefficient (Distribution of income)**

- The Gini coefficient is calculated from the information provided by a Lorenz curve.✓✓
- A Lorenz curve shows the distribution of income among proportions of the population.✓✓
- The Gini coefficient is therefore, the ratio of the proportion of the population who lives on less than the proportional income.✓✓
- The value of the Gini coefficient can vary between 0 and 1.✓✓
- The higher the value the more unequal the distribution of income is.✓✓

Assessment:

- Gini coefficients for countries with highly unequal distribution are typically between 0.50 and 0.70. It is therefore clear that South Africa can be classified as a country, which is highly unequal.✓✓

**(Max 5 X 2) (10)**  
**(Any 4 x 10) (40)**

**CONCLUSION**

Any suitable conclusion ✓✓

**(Max 2)**

Use the following assessment grid in conjunction with the above to assess the discussion:

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5	Candidate has interpreted topic correctly and has linked facts to topic. (31 - 45)

**[50]**

**QUESTION 10**

**Discuss the positive impact of tourism on the South African economy, highlighting the contribution of the 2010 Soccer World Cup.**

**[50]**

**INTRODUCTION**

Tourism represents a unique industry in an economy because its effects extend far beyond the tourism industry itself. Tourism is an industry that provides a substantial economic stimulus to other industries ✓✓✓ **(Max 3)**

## BODY

### POSITIVE EFFECT OF TOURISM:

#### 1. Gross Domestic Product (GDP) / Economic growth / Direct foreign spending by tourists ✓✓

- Direct impact amount to 3.9% of GDP in 2005 ✓✓
- Indirect impact is about 9.0% in real terms – more than contribution of gold mining ✓✓
- Differs from country to country – Mauritius gets about 1/3 of its National Income from this sector ✓✓
- Biggest impact on services industry than on agriculture or manufacturing ✓✓
- Contribution (own opinion) ✓✓

#### 2. Employment / Entrepreneurial opportunities and the informal sector ✓✓

- World Travel and Tourism Council (WTTC) estimates ½ million jobs directly created by tourism in 2002 – 1/3 of economy's workforce ✓✓
- Largest provider of jobs and earner of foreign exchange, ✓✓ due to: tourism is labour intensive ✓✓ employs many skills ✓✓ can provide immediate employment ✓✓ provides entrepreneurial opportunities ✓✓
- Indirectly 6.9% of workforce involved with tourism in SA ✓✓
- Significant part of tourist expenditure goes towards informal sector activities ✓✓
- Tourism contributes equally to GDP and job-creation – indicates how labour intensive the sector is ✓✓
- DEAT shows current focus of government on sector's potential to create entrepreneurial and employment opportunities for historically disadvantaged ✓✓
- Contribution (own opinion) ✓✓

#### 3. Poverty relief ✓✓

- Tourism makes a substantial contribution to economic growth and job creation – not sufficient to ensure poverty eradication – affect lives of the poor in many ways / fast and effective distribution mechanism in development of rural areas ✓✓
- Sensible policy guidelines can counteract the potentially negative effects of tourism ✓✓
- Prime tourism attractions located in rural areas ✓✓

- Promote balanced and sustainable development ✓✓
- Provides alternative to urbanization, permitting people to continue – enfranchising both women and youth ✓✓
- Offers diversity of income sources to poor people: allowing them a stake, empowering them, creating partnerships ✓✓
- Contribution (own opinion) ✓✓

#### 4. Externalities ✓✓

- Benefits that arise from economic activities that are not reflected in the actual prices of transactions – refer to economic side-effects of certain transactions ✓✓
- Tourism strategy will maximize external benefits and minimize external costs of various externalities ✓✓
- Such benefits are normally measured in terms of an impact or cost-benefit analysis ✓✓
- Attracts large amounts of revenue, but cause undue environmental damage ✓✓
- Rapid growth aimed at short-term benefits ✓✓
- Global tourism will grow due to increased population and increased living standards ✓✓
- Potential: attract revenue to country, alleviate poverty, conserve cultural and natural assets – needs conscious planning ✓✓
- Needs to achieve ethical and sustainable tourism must respect tradition and customs of area, plough back earnings into local community – area must be protected as attractive tourist resort ✓✓
- Contribution (own opinion) ✓✓

#### 5. Environmental effects ✓✓

- People have become more aware of the negative environmental consequences and implications for consumption and waste ✓✓
- Tourism's relationship with environment is complex – involves many activities that have adverse environmental effects ✓✓
- Led to emphasis on ecotourism development - involves guidelines for managing social, economic and environmental impact of tourism ✓✓
- Objective is to achieve an equitable spread of benefits across the entire population ✓✓
- Local communities engaged in tourism to achieve local empowerment ✓✓

- Ecotourism development embraces principles of ecological preservation ✓✓
- Permanent environmental restructuring ✓✓ e.g. highways, airports ✓✓
- Contribution (own opinion) ✓✓

## 6. Infrastructure ✓✓

- SA has modern, world-class infrastructure, sophisticated transport system ✓✓  
low-cost and widely available energy and advanced telecommunication system ✓✓
- Quality infrastructure will increase volume of tourism – need good travel facilities, well-maintained road network and excellent tourist accommodation, such as hotels and lodges ✓✓
- Most centres have good transport lines, superior road and highway infrastructure ✓✓
- Proper infrastructure planning needed to accommodate growth in tourism ✓✓
- Development of infrastructure is seen as public investment ✓✓
- Contribution (own opinion) ✓✓

## 7. Measuring tourism ✓✓

- There should be a purpose for the visit and activity ✓✓
- No remuneration should be earned ✓✓
- The minimum length of stay is one night ✓✓
- The maximum length of stay is one year ✓✓
- The travelling distance should be more than 160 km ✓✓

## 8. Foreign exchange generator ✓✓

- Every time money is spent locally, it helps to ensure the balance of payments equilibrium ✓✓

## ADVANTAGES:

### 1. Households ✓✓

- Income is earned through employment ✓✓
- Infrastructure is created for use by both tourists and local people ✓✓
- Skills require education and training – offered as school subjects: Tourism, Hospitality ✓✓

### 2. Businesses ✓✓

- Economic and basic services infrastructure provided by public sector forms foundation for superstructure ✓✓

- E.g. accommodation, transport, built attractions, retailing and recreation services ✓✓
- Combinations of public sector, private sector combinations (PPP) develop ✓✓
- Informal opportunities like car rental, arts and craft also exist ✓✓

### 3. Government ✓✓

- Levy of taxes ✓✓ with two purposes:
- Recover external costs (showers on the beach) ✓✓
- Raise revenue (tourists seen as part of tax base) ✓✓

### 4. Infrastructure (✓✓)

- Residents and visitors enjoy adequate and well-maintained physical and basic services essential in tourist destinations ✓✓
- DEAT, SDI, corridors and PPPs with tourism as focus ✓✓
- Also require social infrastructure e.g. ambulance services ✓✓

(Max 40)

(Max 10 for contribution)

## CONCLUSION

From the above discussion it is clear that tourism plays a very important role in any economy, but that certain effects of tourist activities can be harmful to the community as such. ✓✓

Accept any other relevant conclusion.

(Max 2)

Use the following assessment grid in conjunction with the above to assess the discussion:

MARKS	INTERPRETATION OF TOPIC
0	Candidate has shown no understanding of the topic.
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TOTAL SECTION C: 100

GRAND TOTAL: 300

[50]