education

Department:
Education
REPUBLIC OF SOUTH AFRICA

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

ECONOMICS

FEBRUARY/MARCH 2010

MARKS: 300

TIME: 3 hours

This question paper consists of 15 pages.

INSTRUCTIONS AND INFORMATION

1.   Answer SIX questions as follows:

         SECTION A: COMPULSORY
         SECTION B: Answer any THREE questions in your ANSWER BOOK.
         SECTION C: Answer any TWO questions in your ANSWER BOOK.

2.   Write the question number above each answer.

3.   Number the answers correctly according to the numbering system used in this
         question paper.

4.   Read the questions carefully.

5.   Start each question on a NEW page.

6.   Leave 2 – 3 lines between subsections of questions.

7.   Answer the questions in full sentences.

8.   Answer only the required number of questions. Additional answers will NOT
         be marked.

9.   Use only black or blue ink.

10.   Non-programmable pocket calculators may be used.

11.   Write neatly and legibly.

MARKS: 300   **TIME: 180 MINUTES**

SECTION A (COMPULSORY)

QUESTION 1: OBJECTIVE ITEMS (50 MARKS – 25 MINUTES)

SECTION B (ANSWER ANY THREE QUESTIONS FROM THIS SECTION.)

QUESTION 2: MACRO-ECONOMICS (50 MARKS – 25 MINUTES)

QUESTION 3: MICRO-ECONOMICS (50 MARKS – 25 MINUTES)

QUESTION 4: ECONOMIC PURSUITS (50 MARKS – 25 MINUTES)

QUESTION 5: CONTEMPORARY ECONOMIC ISSUES (50 MARKS – 25 MINUTES)

**QUESTION 6: MACRO-ECONOMICS AND ECONOMIC PURSUITS
          (50 MARKS – 25 MINUTES)**

SECTION C: (ANSWER ANY TWO QUESTIONS FROM THIS SECTION.)

QUESTION 7: MACRO-ECONOMICS (50 MARKS – 40 MINUTES)

QUESTION 8: MICRO-ECONOMICS (50 MARKS – 40 MINUTES)

QUESTION 9: ECONOMIC PURSUITS (50 MARKS – 40 MINUTES)

QUESTION 10: CONTEMPORARY ECONOMIC ISSUES (50 MARKS – 40 MINUTES)

SECTION A (COMPULSORY)

QUESTION 1

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   A characteristic of public goods is that they are …

        A   excludable.
        B   rival.
        C   non-rival.

    1.1.2   South Africa uses a system of national accounts recommended by the …

        A   UN.
        B   IMF.
        C   World Bank.

    1.1.3   A demand for US dollar will occur when …

        A   placing a deposit with an American bank.
        B   buying shares in South African firms.
        C   receiving interest from the World Bank.

    1.1.4   Because of its lack in market power, the perfectly competitive business is a …

        A   price maker.
        B   price taker.
        C   price competitor.

    1.1.5   If two producers control a market structure, it is known as a …

        A   monopoly.
        B   cartel.
        C   duopoly.

    1.1.6   The largest or dominant business in the steel or food industry is referred to as a/an …

        A   price taker.
        B   price leader.
        C   oligopoly.

    1.1.7   Economic development …

        A   is the same as economic growth.
        B   leads to an increase in poverty.
        C   is an increase in the level of economic welfare.

1.1.8   The national government's initiative aimed at economic development of specific locations in South Africa, is called …

A   SDI.
B   DTI.
C   DOT.

1.1.9   Dumping …

A   increases government's revenue.
B   stabilises the balance of payments.
C   increases unemployment.

1.1.10   If the rand depreciates, prices and the rate of inflation will …

A   decrease.
B   increase.
C   remain the same.

1.1.11   Goods that have an external benefit will be … in the market.

A   undersupplied
B   freely supplied
C   oversupplied

1.1.12   Tourism could lead to socio-economic problems such as …

A   pollution.
B   unemployment.
C   poverty.   (12 x 2)   (24)

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

tertiary sector; duopoly; urban; cartel; leading indicators; CPI; rural; PPI; secondary sector; lagging indicators

1.2.1   Net new companies registered

1.2.2   Collusion between oligopolies to form a collective monopoly

1.2.3   The sector that contributes most to total production in the South African economy

1.2.4   This indicator measures increases in the cost of production

1.2.5   Most of the indigenous tourist attractions are situated in these areas   (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.

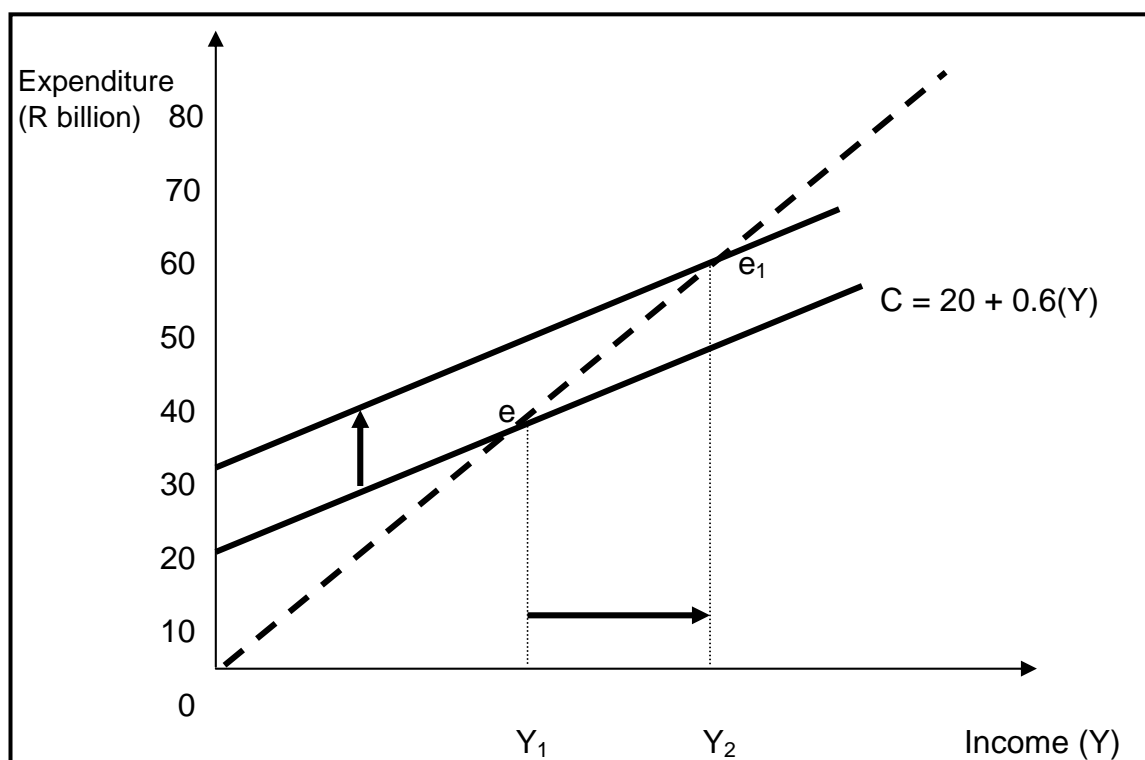| COLUMN A		COLUMN B	
1.3.1	New economic paradigm	A	the main spin-off benefit derived from tourism
1.3.2	GDE	B	benefits enjoyed by someone other than the firms producing the goods
1.3.3	Positive externalities	C	stabilising markets using monetary and fiscal policy
1.3.4	Economies of scale	D	research on tourism is done through this office
1.3.5	Free trade	E	large-scale production results in lower unit costs
1.3.6	Quota	F	total value of spending by the permanent residents of a country
1.3.7	WTTC	G	total value of spending inside the borders of a country
1.3.8	Foreign exchange	H	absence of restrictions on imports and exports
		I	a drastic measure to restrict imports

(8 x 2)   (16)

TOTAL SECTION A: 50

SECTION B

Answer any THREE questions from this section in your ANSWER BOOK.

QUESTION 2

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   Payment for goods and services represent a (real/money) flow in the circular-flow model.

       2.1.2   Business cycles are measured from trough to (peak/trough).

       2.1.3   The curve that helps one to understand the impact of tax on work effort is the (Lorenz/Laffer) curve.

       2.1.4   The method of predicting the future of a business cycle, based on historical data, is known as (estimation/extrapolation).   (4 x 2)   (8)

2.2   List any THREE arguments in favour of privatisation.   (3 x 2)   (6)

2.3   Study the graph below of the multiplier in a two-sector model where the consumption function is given by $C = \bar{c} + c(Y)$ and answer the questions that follow.
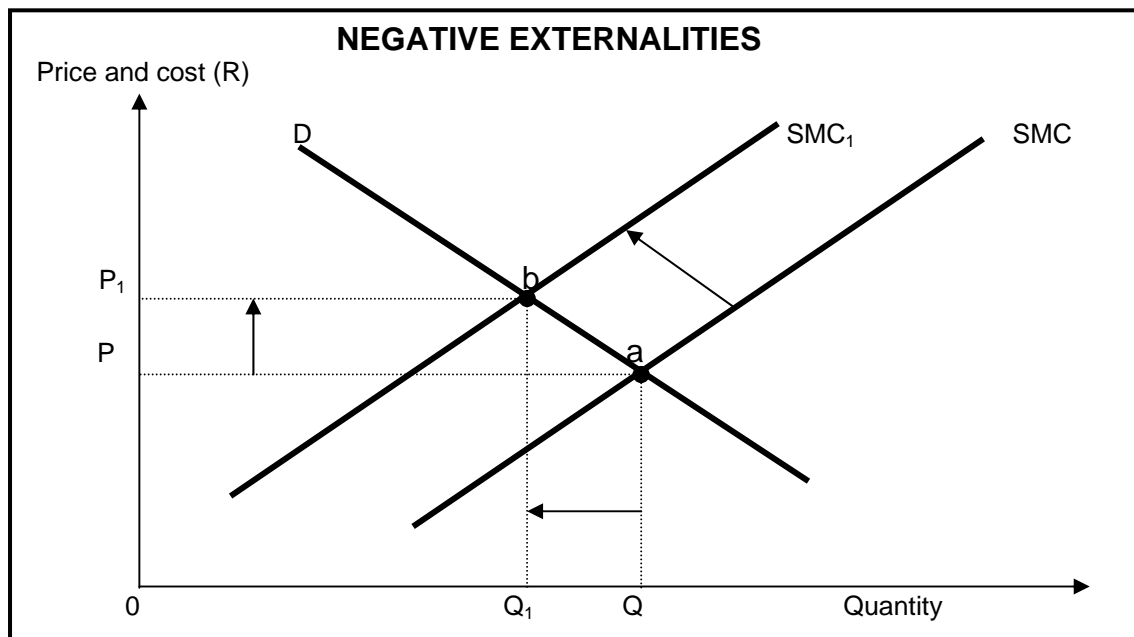
2.3.1   Define the term *multiplier.*   (3)

2.3.2   With reference to the graph, name the TWO sectors involved in deriving the macro-economic multiplier.   (4)

2.3.3   Indicate what is represented by the dotted line.   (2)

2.3.4   What is the value of autonomous consumption for the original consumption function?   (2)

2.3.5   Suppose the marginal propensity to save (MPS) = 0,4. Use the multiplier formula to calculate the eventual change in aggregate income, if there was an injection of R10 billion into the economy. Show ALL the calculations. (HINT: Determine the size of the multiplier first.)   (6)

2.3.6   Describe the relationship between the MPC and the multiplier.   (3)

2.4   Explain inefficiency as a problem in providing public goods and services.   (16)

[50]

QUESTION 3

3.1   Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question number (3.1.1 – 3.1.4) in the ANSWER BOOK.

3.1.1   Profit is maximised when marginal revenue equals (marginal/ average) cost.

3.1.2   The inefficient allocation of resources is referred to as (scarcity/ market failure).

3.1.3   Traffic lights are referred to as (public/private) goods.

3.1.4   A combination of a monopoly and perfect competition is best described as (monopolistic competition/a mixed market system).

(4 x 2)   (8)

3.2   List any THREE characteristics of a monopoly.   (3 x 2)   (6)

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

NEGATIVE EXTERNALITIES

3.3.1 Define the concept *negative externality*. (2)

3.3.2 Give any TWO examples of negative externalities. (4)

3.3.3 Name TWO measures used by the state to reduce the impact of negative externalities. (6)

3.3.4 Give TWO reasons why the shift of SMC to SMC_1 occurs. (4)

3.3.5 Explain how negative externalities will impact on price and quantity, using the given data in the above graph. (4)

3.4 Distinguish between *oligopolies* and *perfect competition*, with reference to profit, cost and price. (16)

[50]

QUESTION 4

4.1 Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question number (4.1.1. – 4.1.4) in the ANSWER BOOK.

4.1.1 Rail transport forms part of the (physical/social) infrastructure.

4.1.2 One of the technological institutions for the development of industry in South Africa is the (CSIR/HSRC).

4.1.3 A disadvantage of export promotion is a (lack of competition/ decrease in domestic production).

4.1.4 The Critical Infrastructure Programme [Framework] provides a tax-free (cash grant incentive/loan). (4 x 2) (8)

4.2   List any THREE methods to encourage import substitution.   (3 x 2)   (6)

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

IN IT TOGETHER

Technical glitches, floods, overruns and a bitter legal battle between Rand Merchant Bank (RMB) and farmers have changed into a model for public-private partnerships (PPP). A 155 km pipeline provides export fruit farmers in this fertile but drought-prone region between Blyde River Canyon and the Kruger National Park with an efficient and reliable water supply for the first time. This has boosted exports, attracted new farming ventures, including one of two   R1 billion biofuel plants developed by the IDC. This will lead to substantial water savings that will be allocated to black farmers. Wildlife estates worth hundreds of millions of rand have also been developed. The total revenue from this scheme rose from R38 million in 1995 to R840 million in 2005.

It has demonstrated how private-sector investment and expertise can generate infrastructure that drives the economy of a region. In 1998 the National Water Act (36 of 1998) came into force, requiring redistribution of South Africa's water resources from white commercial to black emerging farmers. The so-called *Blyde 800* was thus intended as a flagship agricultural empowerment project and its share of pipeline costs, running at R2,3 million per year, is covered by government. Problems occurred in the production of the pipeline, and RMB opted to take ownership and complete it with additional finance.

[Adapted from: *Financial Mail*, 27 July 2008]

4.3.1   What does the abbreviation *IDC* stand for?   (2)

4.3.2   Which benefit in kind has been provided by the private sector?   (3)

4.3.3   What has been the major advantage of a public-private partnership (PPP) to the farming community in Mpumalanga?   (3)

4.3.4   Give an example from the extract that shows government involvement in the agricultural sector.   (3)

4.3.5   Which positive effect will this PPP have on the balance of payments?   (3)

4.3.6   Which redress policy is addressed through this PPP scheme?   (2)

4.3.7   State any TWO advantages of this PPP.   (4)

4.4   Discuss the arguments in favour of free trade.   (8 x 2)   (16)

[50]

QUESTION 5

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   (Indigenous/Endogenous) knowledge systems refer to the culture, history and environment that is unique to the local people.

      5.1.2   Pollution occurs when the flow of residual emissions from human activity is (less/greater) than the natural environments' capacity to absorb them.

      5.1.3   (Robben/Seal) Island is a World Heritage Site.

      5.1.4   Prices of resources (increase/decrease) as they become scarce.

                                                    (4 x 2)   (8)

5.2   List any THREE enterprises that are dependent on tourism.   (3 x 2)   (6)

5.3   Study the following table and answer the questions that follow:

Expected GDP: R51,1 billion		
Tourist group	**Volume of domestic tourism market (number of trips)**	**Value of domestic market (%)**
Visits to friends and relatives	32	37,2
Holidaymakers	8,1	44,5
Religion	5,3	4
Business	3,8	12,8
Medical visits	0,8	1,4

                                                            [Fictional figures]

      5.3.1   Which tourist group contributed the most (%) to the domestic economy?   (3)

      5.3.2   Calculate the expected percentage contribution to the GDP by the visits to friends and relatives.   (4)

      5.3.3   Give TWO possible reasons why religion's contribution to the economy is less than that of business, although more religious trips were made.   (4)

      5.3.4   Name TWO factors that led to an increase in tourism to South Africa after the end of apartheid.   (4)

      5.3.5   Has tourism relieved poverty in South Africa? Give any TWO reasons for your answer.   (5)

5.4   Discuss, with relevant examples, how the impact of pollution can be reduced.

                                                            (8 x 2)   (16)

                                                                  [50]

QUESTION 6

6.1   Choose the correct word(s) from those given in brackets. Write only the
        word(s) next to the question number (6.1.1 – 6.1.4) in the ANSWER BOOK.

        6.1.1   In (micro/macro) -economics we study individual markets.

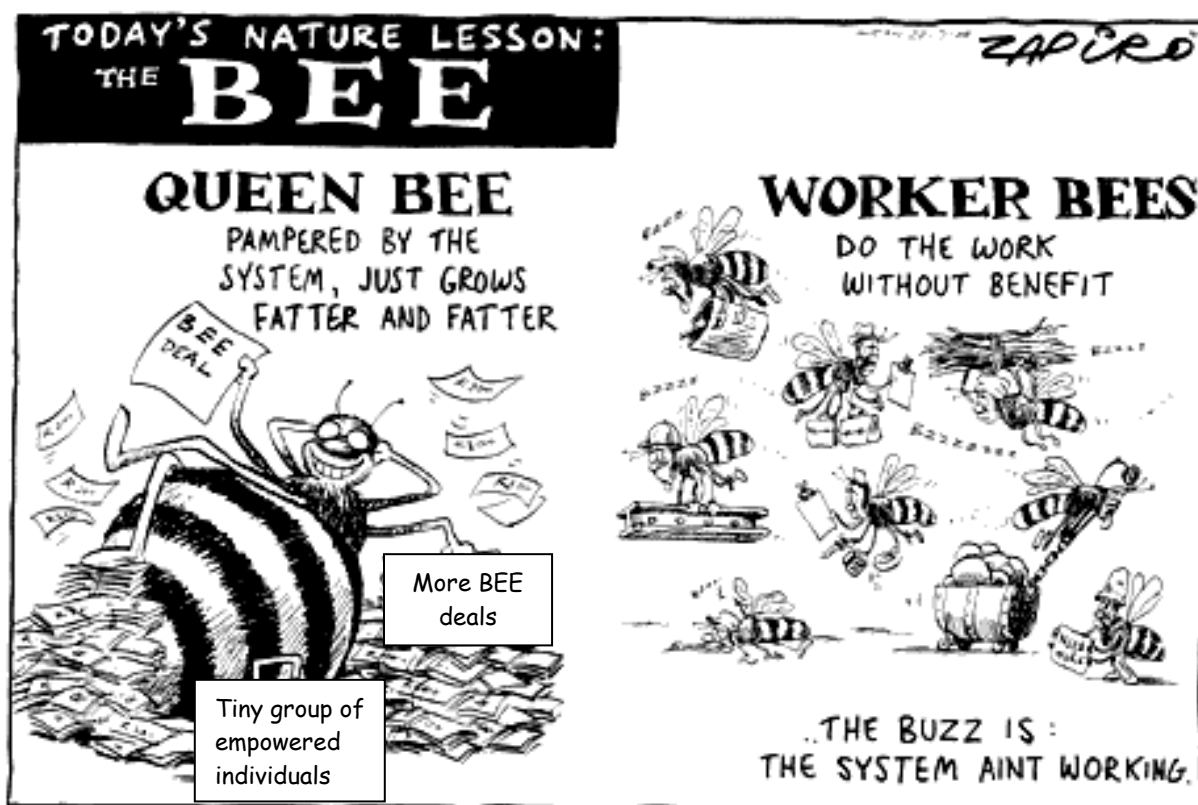   6.1.2   The tendency for an increase in the propensity to save to reduce
                  the level of total spending, refers to the (Giffen paradox/paradox of
                  thrift).

        6.1.3   When taxes are paid to the government sector, it represents a/an
                  (injection/leakage) regarding the circular flow.

        6.1.4   The money, capital and foreign exchange markets are part of the
                  (stock/financial) market.   (4 x 2)   (8)

6.2   Give any THREE reasons for the unequal standard of living between the
        developed and developing countries.   (3 x 2)   (6)

6.3   Study the following cartoon and answer the questions that follow:

[Zapiro, *Mail & Guardian,* October 2007]

        6.3.1   Who is represented by the queen bee in the cartoon?   (3)

        6.3.2   What does the acronym *BEE* stand for?   (3)

6.3.3   Why do the worker bees not benefit from BEE?   (3)

6.3.4   Why is BEE seen as an industrial development policy?   (3)

6.3.5   How is the Gini coefficient linked to BEE?   (4)

6.3.6   Which other development policies can be used by government to
          alleviate poverty related to the headcount index?   (4)

6.4   Differentiate between *exogenous* and *endogenous* reasons for business
      cycles.   (8 x 2)   (16)
                                                                          [50]

                                      TOTAL SECTION B: 150

SECTION C

Answer any TWO questions from this section in your ANSWER BOOK.
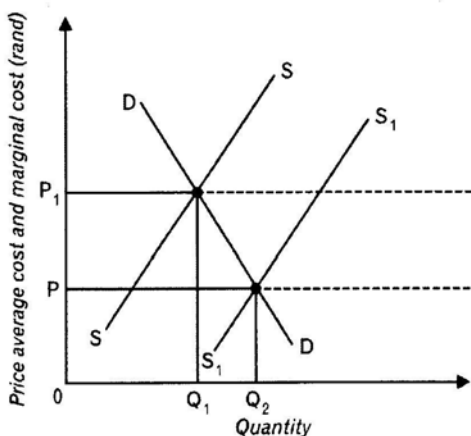
ESSAY RESPONSES

- Answers should include an introduction, body and conclusion.
- For the introduction and conclusion, 5 marks will be allocated.
- In addition, 5 marks will be allocated for the interpretation of the topic.
- A maximum of 40 marks will be allocated for the body.
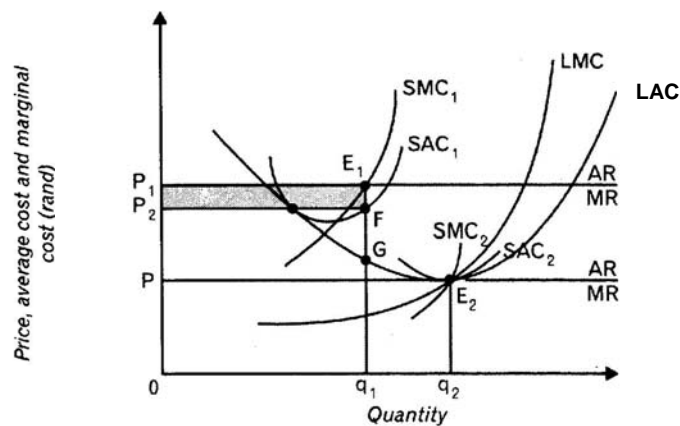
QUESTION 7

ESSAY RESPONSE

Analyse the components of the balance of payments and suggest ways in which the government can correct a sustained deficit.   **[50]**

QUESTION 8

ESSAY RESPONSE

With the aid of the graphs below, examine the dynamics of long-term equilibrium in the individual firm and industry under conditions of perfect competition.

THE INDUSTRY   THE FIRM   **[50]**

QUESTION 9

ESSAY RESPONSE

"The aim of the Department of Social Development is to ensure the provision of comprehensive, integrated, sustainable and quality social-development services, and to create an enabling environment for sustainable development."

[*2006/07 SA Yearbook*]

Analyse and discuss the South African key social performance indicators and their uses. **[50]**

QUESTION 10

ESSAY RESPONSE

Write an essay on the different kinds and characteristics of inflation, highlighting the measures applied by the SARB to combat inflation. **[50]**

TOTAL SECTION C: 100

GRAND TOTAL: 300