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Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 12

ECONOMICS

FEBRUARY/MARCH 2012

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. 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 in full sentences and ensure that the format, content and context of your responses comply with the requirements of the questions.
8. Answer only the required number of questions. Answers in excess will NOT be marked.
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****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 Indicators which change before the business cycle changes are called ... indicators.

- A leading
- B lagging
- C coincident

1.1.2 The purchase of shares on the JSE by a foreigner is an example of ... investments.

- A indirect
- B gilt-edged
- C portfolio

1.1.3 The new economic paradigm is embedded in ... side policies.

- A demand-
- B supply-
- C demand- and supply-

1.1.4 To reduce cost without producing fewer goods, refers to ...

- A productive inefficiency.
- B productive efficiency.
- C opportunity cost.

1.1.5 In the case of merit goods, the market tends to ... these goods.

- A oversupply
- B undersupply
- C tax

1.1.6 A firm will increase production when ...

- A $MC = MR$.
- B $MR > MC$.
- C $P = MC$.

- 1.1.7 Globalisation is increased by trade ...
- A liberalisation.
 - B restrictions.
 - C barriers.
- 1.1.8 To reap the benefits of efficient markets, countries rely on the principle of ... advantage.
- A comparative
 - B competitive
 - C relative
- 1.1.9 The policy which reflects the demographic and gender profile of the country is known as the ... policy.
- A Black Economic Empowerment
 - B land restitution
 - C affirmative action
- 1.1.10 A national demand for higher wages will lead to ...
- A demand-pull inflation.
 - B cost-push inflation.
 - C deflation.
- 1.1.11 Tourists are fascinated by local community practices, food preparation and rituals. This complex set of knowledge and skills is known as ...
- A indigenous knowledge systems.
 - B infrastructure development.
 - C the tourism product.
- 1.1.12 A firm will spend less on pollution reduction equipment because of its small marginal ...
- A private cost.
 - B social cost.
 - C private benefit.
- (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.

AsgiSA; monopolistic competition; open-market transactions;
Kyoto Protocol; terms of trade; oligopoly

- 1.2.1 Buying and selling of government bonds to influence the amount of money in circulation
- 1.2.2 The ratio of the index of export prices to the index of import prices
- 1.2.3 The aim of this initiative is to halve poverty and unemployment in South Africa by 2014
- 1.2.4 Many buyers and sellers with relatively easy entrance into the market
- 1.2.5 An international agreement aimed at reducing greenhouse gases

(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 Fiscal policy	A \$1= R7,40
1.3.2 SETA	B government spending and taxation
1.3.3 Exchange rate	C workplace skills and leadership
1.3.4 Non-price competition	D minimum earnings required to prevent the entrepreneur from leaving the industry
1.3.5 Normal profit	
1.3.6 Ad valorem	E the price level rises so rapidly that people lose confidence in the value of the currency of a country
1.3.7 Hyperinflation	
1.3.8 Ecotourism	F advertising campaigns
	G a tariff as a percentage of the value of imported goods
	H equal to economic profit
	I the enjoyment and appreciation of undisturbed nature

(8 x 2)

(16)

TOTAL SECTION A: 50

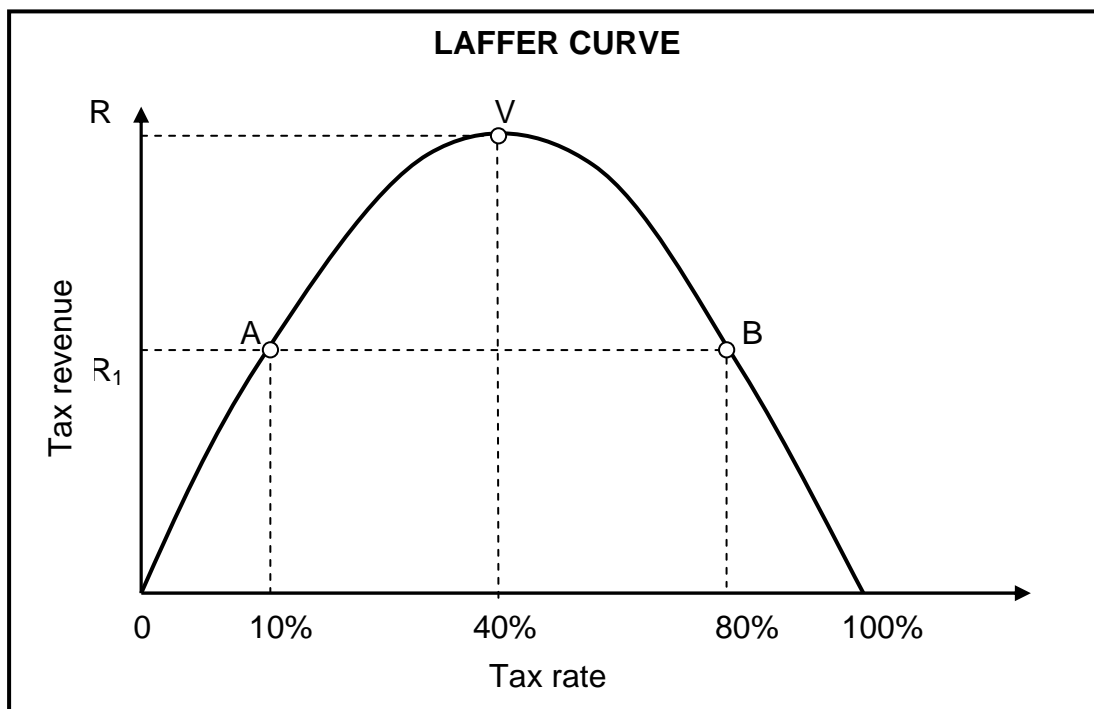
SECTION B

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

QUESTION 2**50 MARKS – 25 MINUTES**

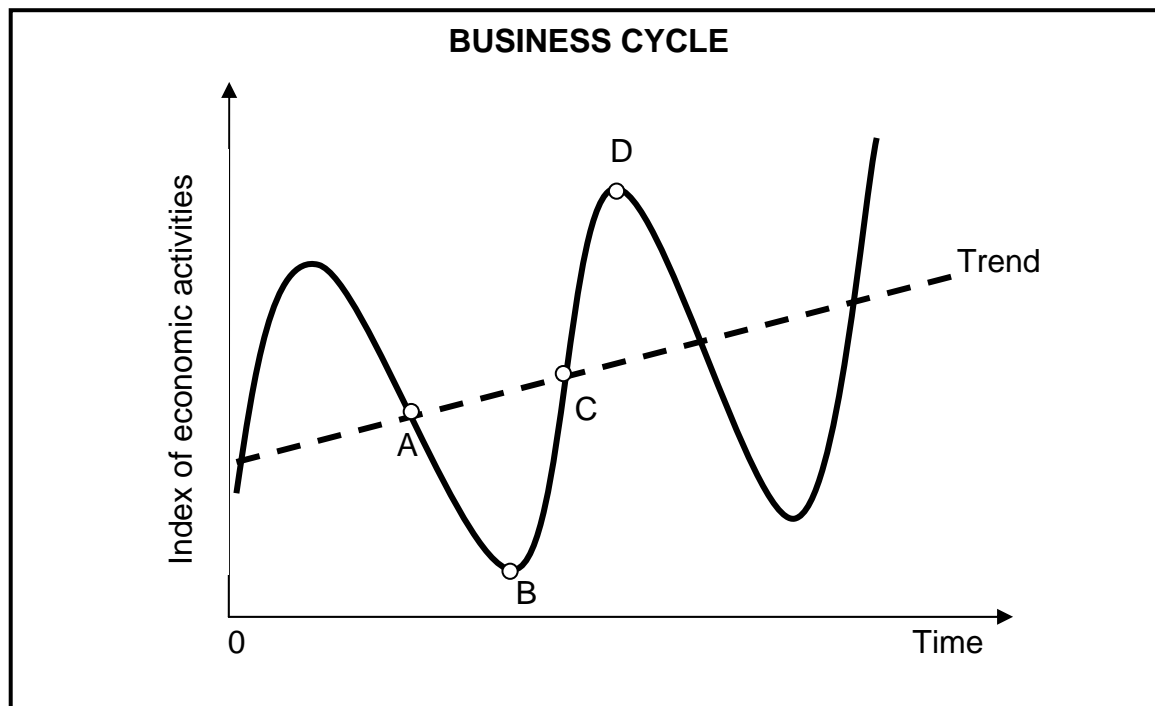
- 2.1 Choose the correct word from those given in brackets. Write only the word next to the question number (2.1.1–2.1.4) in the ANSWER BOOK.
- 2.1.1 In the circular flow, savings is an example of a/an (leakage/injection).
- 2.1.2 Direct investments include investment in (antiques/fixed property).
- 2.1.3 The budget is presented to parliament by the Minister of (Finance/Public Enterprises).
- 2.1.4 Government intervention was condemned by the (Keynesians/Monetarists). (4 x 2) (8)
- 2.2 List the THREE sectors that are used to calculate the gross value added at basic prices. (3 x 2) (6)

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



- 2.3.1 What is illustrated by the Laffer curve? (2)
- 2.3.2 At what point will government revenue maximise? (2)
- 2.3.3 What will be the effect on government revenue if the tax rate increases from 40% to 80%? (2)
- 2.3.4 What is the implication for the government if the tax payer is taxed at 100%? (2)
- 2.3.5 What illegal behaviour by the worker will be encouraged if the tax rate is too high? (2)

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



2.4.1 Name ONE turning point in the business cycle. (2)

2.4.2 What is indicated by the trend? (2)

2.4.3 Explain how the government can stimulate economic activity in an effort to smooth out business cycles. (4)

2.4.4 What impact, do you think, will a huge investment, such as the Gautrain project, have on the business cycle? (2)

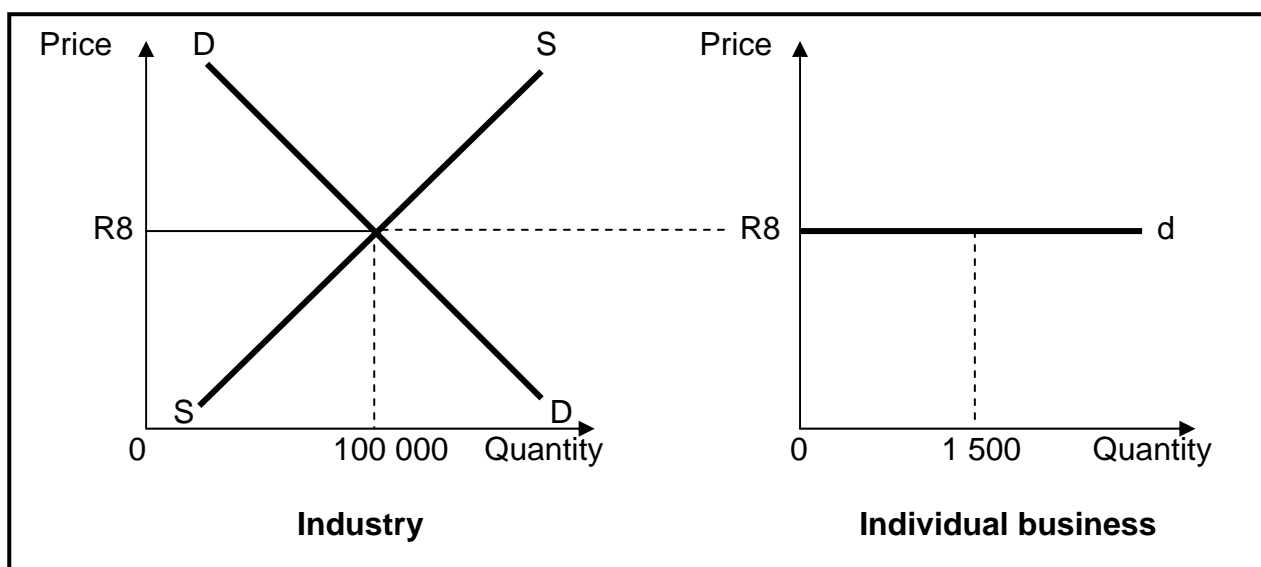
2.5 Explain the role of the foreign sector as a participant in the circular flow. (4 x 2) (8)

2.6 Discuss changes in exchange rates as a method to correct the balance of payments disequilibria. (4 x 2) (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 Decisions without interference from the government, describe a/an (regulated/ unregulated) market.
- 3.1.2 Costs which remain the same regardless of the level of production are called (fixed/variable) costs.
- 3.1.3 Pollution is a form of a (private/social) cost.
- 3.1.4 Eskom is an example of a/an (natural/artificial) monopoly. (4 x 2) (8)
- 3.2 List the THREE institutions that control anti-competitive behaviour in South Africa. (3 x 2) (6)
- 3.3 Study the graphs below and answer the questions that follow.



- 3.3.1 Which type of market structure is represented by the graphs? (2)
- 3.3.2 How is the price for an individual business determined? (2)
- 3.3.3 Copy the graph of the industry into your ANSWER BOOK and show what would happen to the price if most of the firms decide to leave this market. (6)

- 3.4 Study the extract below and answer the questions that follow.

COLLUSION IN A BOTTLE

Europe enjoyed the benefit of cheap glass bottles, due to a very competitive market. However, prices of glass bottles sky-rocketed in the US and South Africa.

The glass bottle industry experienced a change in market structure. The shortage of glass bottles is keeping wine from getting to markets worldwide. It seems as if glass manufacturers like Consol and Nampak (SA) and Owens Illinois (US) is putting the squeeze on the wine industry. This may be an opportunity to go green and use refillable wine bottles – like in French supermarkets where you fill up your bottle from a stainless steel tank.

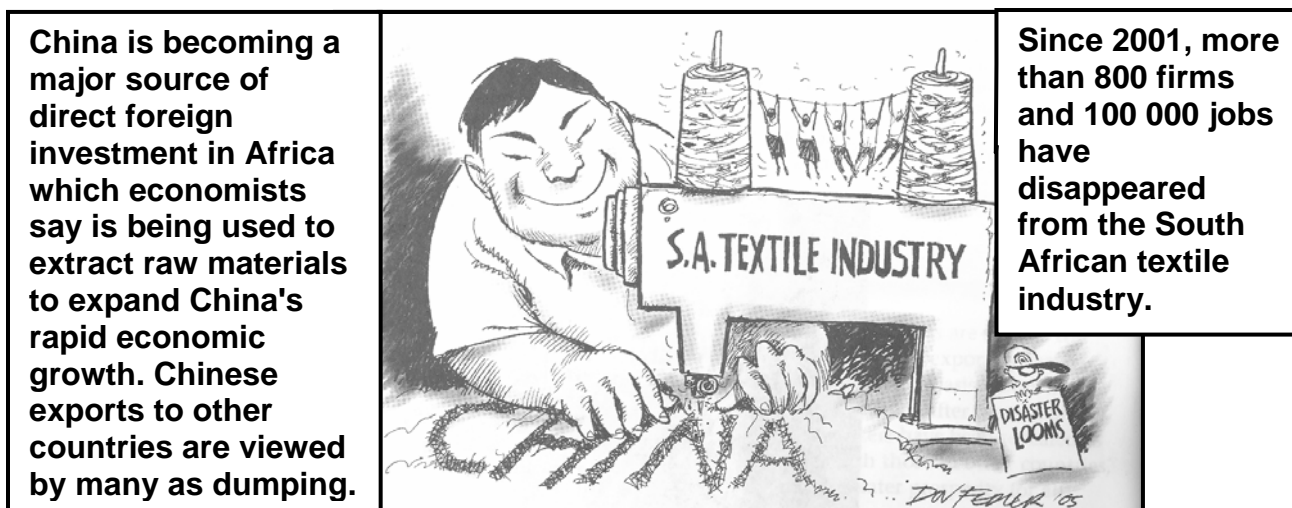
Local producers in South Africa are considering exporting wine in bulk or to import glass from Europe.

[Source: Adapted from Stormhoek.com, 29 July 2007]

- 3.4.1 Explain the concept *collusion*. (2)
- 3.4.2 Which characteristic of the oligopoly features clearly in the extract? Motivate your answer. (4)
- 3.4.3 How can government intervention resolve this shortage in the production of glass? (2)
- 3.4.4 How will the import of bottles from Europe affect local wine prices? (2)
- 3.5 Discuss how the provision of public goods and services can lead to market failure. (4 x 2) (8)
- 3.6 Draw a fully labelled graph to illustrate the shut-down point in a perfect market. (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 A budget deficit of less than (3%/10%) of the GDP is an acceptable benchmark in line with international best practice.
- 4.1.2 Economic growth consists of growth of real (per capita GDP/GDP).
- 4.1.3 Export processing zones are (free-trade/protectionist) areas linked to a harbour or airport.
- 4.1.4 Loans to the public and private sector for infrastructure development are granted by the (SARB/DBSA). (4 x 2) (8)
- 4.2 Name any THREE macroeconomic policy objectives in South Africa. (3 x 2) (6)
- 4.3 Study the cartoon below and answer the questions that follow.

[Source: Adapted from *Oxford Economics Textbook*, 2007]

- 4.3.1 Explain the term *dumping*. (2)
- 4.3.2 What effect do cheap imports from China have on the textile industry of South Africa? (2)
- 4.3.3 Name ONE measure that the government can employ to reduce cheap Chinese imports. (2)
- 4.3.4 Give TWO reasons why investment from China does not really benefit Africa. (4)

- 4.4 Study the extract below and answer the questions that follow.

ENERGISING REGIONAL ECONOMIC GROWTH

Load-shedding occurs when power systems are overloaded and power utilities disconnect part of the power supply system in an attempt to prevent the entire system failing. SADC are urging individuals and industries to save power, in an attempt to manage demand.

Inadequate investment into the generation and transmission of energy infrastructure over the past 20 years has also contributed to this situation.

The SADC Energy division's main objective is to ensure the availability of sufficient, least cost energy services that will assist in achieving economic efficiency and the eradication of poverty, whilst ensuring an environmentally sustainable use of energy resources.

[Source: Adapted from *Skyways*, March 2011]

- 4.4.1 Give ONE reason why authorities use load-shedding. (2)
- 4.4.2 Name ONE member country of the South African Development Community (SADC). (2)
- 4.4.3 What is meant by *energy infrastructure*? (2)
- 4.4.4 Name TWO advantages for the government in using low-cost energy services. (4)
- 4.5 Discuss the Gini coefficient. (4 x 2) (8)
- 4.6 Explain *Spatial Development Initiatives (SDIs)*. (4 x 2) (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 A combination of increasing unemployment and high inflation is known as (deflation/stagflation).
- 5.1.2 Inflation generally benefits (pensioners/debtors).
- 5.1.3 Domestic tourism refers to people travelling (outside/within) the borders of a country.
- 5.1.4 Meeting the needs of the present generation without compromising the needs of future generations is called (sustainable/rural) development. (4 x 2) (8)
- 5.2 Name any THREE causes of demand-pull inflation. (3 x 2) (6)
- 5.3 Study the extract below and answer the questions that follow.

THE IMPACT OF NATURAL DISASTERS ON SUSTAINABILITY

Floods in central Europe, wildfires in Russia, widespread flooding in Pakistan, earthquakes and tsunamis hitting Japan, are weather-related natural catastrophes we are dealing with right now. Before the World Climate Summit in November 2010 in Cancun, Mexico, there appeared to be a link between the increasing weather extremes and climate change.

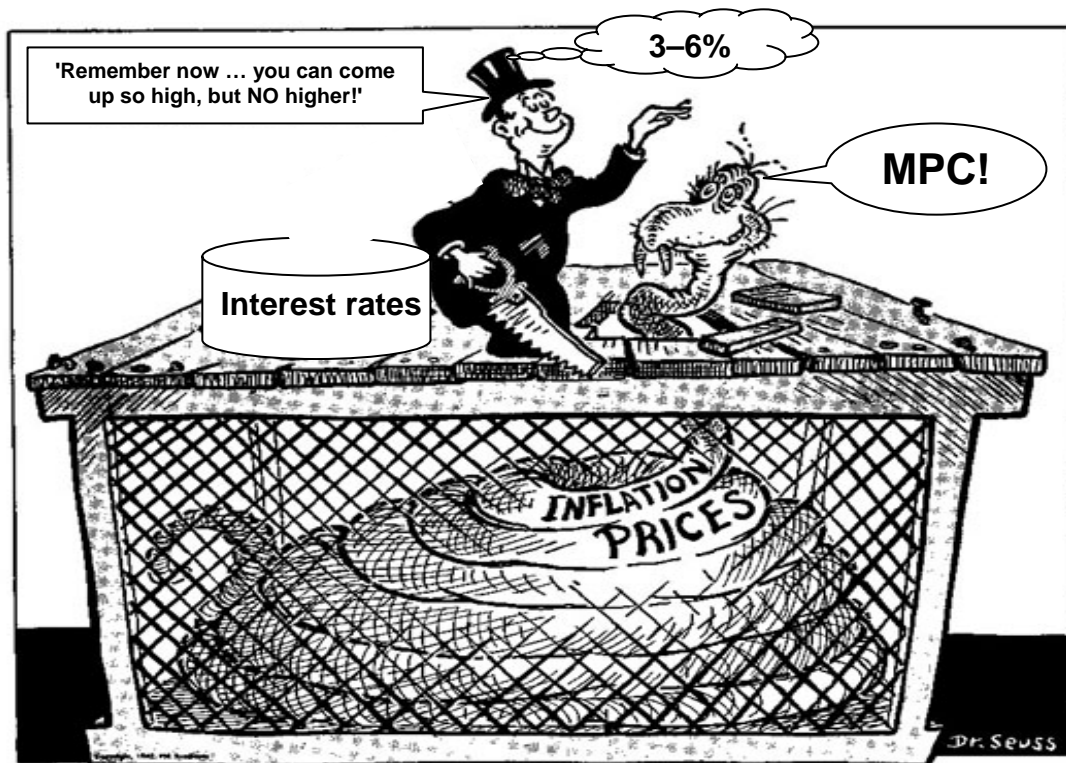
In the last 30 years, there has been a sharp increase in loss, related to weather events. Total economic losses rose from \$50 billion in 2009 to \$130 billion in 2010.

A total of 950 natural disasters were recorded in 2010. 56 000 people died in the Russian heat wave and 220 000 from the Haiti earthquake.

[Source: Adapted from *Associated Press*, 4 January 2011]

- 5.3.1 Define the concept *environmental sustainability*. (2)
- 5.3.2 Which international agreement is referred to in the extract? (2)
- 5.3.3 What effect do the natural disasters above have on renewable resources? (2)
- 5.3.4 How will earthquakes and tsunamis lead to water pollution? (4)

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



[Source: Zapiro, *Mail and Guardian*, 2008]

- 5.4.1 Which institution plays a key role in controlling inflation? (2)
- 5.4.2 What does the abbreviation *MPC* in the above cartoon stand for? (2)
- 5.4.3 What rates are used to influence consumer spending? (2)
- 5.4.4 What does 3–6% refer to? (2)
- 5.4.5 Which policy is used by the government to control the money supply in South Africa? (2)
- 5.5 Discuss any TWO fiscal measures that can be used to combat inflation. (2 x 4) (8)
- 5.6 Discuss any TWO public sector intervention measures to ensure environmental sustainability. (2 x 4) (8)
- [50]**

QUESTION 6**50 MARKS – 25 MINUTES**

- 6.1 Choose the correct word from those given in brackets. Write only the word next to the question number (6.1.1–6.1.4) in the ANSWER BOOK.
- 6.1.1 The (HDI/RDP) focuses on living a long and healthy life, being educated and having a decent standard of living.
- 6.1.2 Economies that have developed and developing components are known as (industrialised/dualistic) economies.
- 6.1.3 Price discrimination occurs when (identical/different) goods are sold at different prices.
- 6.1.4 A cost-benefit analysis is normally done for projects in the (public/private) sector. (4 x 2) (8)
- 6.2 Give any THREE examples of social indicators used in South Africa. (3 x 2) (6)
- 6.3 Study the extract below and answer the questions that follow.

MANUFACTURING

The manufacturing sector focuses on stimulating the growth of activities, such as services, job creation and economic empowerment.

Primary aspects of the Integrated Manufacturing Strategy (IMS) involve:

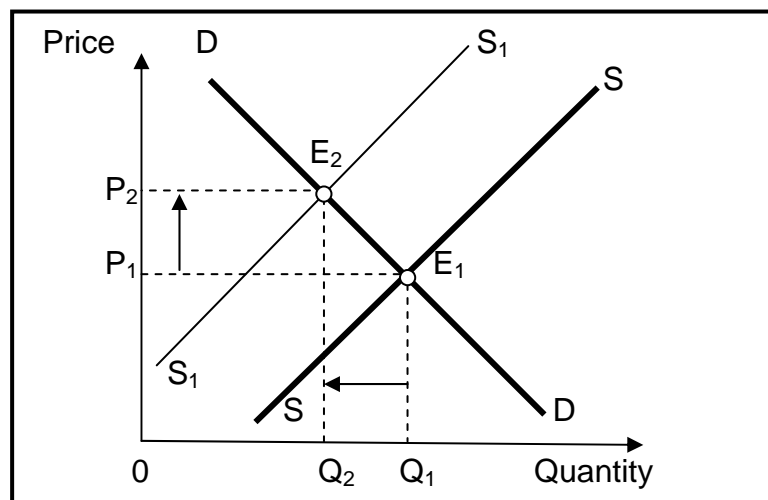
- Improving market access for South African products in key growth sectors
- Finding ways to harness skills and expertise in South Africa so that they can be sold to other countries

The IMS also promotes BEE and small-business development.

[Source: Adapted from *Yearbook 2009/2010*]

- 6.3.1 Define the *manufacturing sector*. (2)
- 6.3.2 Why, do you think, the promotion of small-business development is important to the IMS? (2)
- 6.3.3 Give ONE example of a key growth sector. (2)
- 6.3.4 Why, do you think, the Integrated Manufacturing Strategy promotes BEE? (4)

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



6.4.1 Define the term *externality*. (2)

6.4.2 Which type of externality is depicted by this graph? (2)

6.4.3 At which output level is production taking place on the market? (2)

6.4.4 Explain how this externality leads to market failure. (4)

6.5 Draw a comparison between economic growth and economic development. (2 x 4) (8)

6.6 Explain how government intervention can improve income distribution when markets fail. (4 x 2) (8)
[50]

TOTAL SECTION B: 150

SECTION C

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

Essay responses:

- Responses 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**50 MARKS – 40 MINUTES**

Discuss the problems of public sector provisioning.

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

Discuss monopoly as a market structure and illustrate, with the aid of a graph, how a monopolist can achieve economic profit.

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

Discuss export promotion as part of South Africa's foreign trade policy.

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

Discuss the benefits of tourism to the different sectors in the South African economy.

[50]

TOTAL SECTION C: 100
GRAND TOTAL: 300