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Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 12

ECONOMICS

FEBRUARY/MARCH 2013

MARKS: 300

TIME: 3 hours

This question paper consists of 18 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. Answer only the required number of questions. Additional answers will NOT be marked. In SECTION B only the first THREE questions will be marked and in SECTION C only the first TWO.
3. Number the answers correctly according to the numbering system used in this question paper.
4. Write the question number above each answer.
5. Read ALL the questions carefully.
6. Start EACH question on a NEW page.
7. Leave 2–3 lines between subsections of questions.
8. Answer the questions in full sentences and ensure that the format, content and context of your responses comply with the cognitive requirements of the questions.
9. Use only black or blue ink.
10. Non-programmable pocket calculators may be used.
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 The study of individual households in an economy is known as ... economics.

- A macro-
- B micro-
- C international

1.1.2 Policymakers who watch trends and change policies when the economy is not performing satisfactorily make use of ... stabilisers.

- A automatic
- B manual
- C discretionary

1.1.3 The curve which illustrates the degree of inequality in the distribution of income in South Africa, is known as the ... curve.

- A Lorenz
- B Laffer
- C Gini

1.1.4 The revenue derived from the sale of an additional unit is ... revenue.

- A marginal
- B additional
- C average

1.1.5 A market where the government does not interfere is regarded as a(n) ... market.

- A regulated
- B unregulated
- C labour

1.1.6 The goods of a monopolistic competitor are ...

- A similar.
- B differentiated.
- C unique.

- 1.1.7 Many developing countries do not have the ... to sustain large-scale manufacturing operations.
- A capital
 - B wages
 - C industrial policies
- 1.1.8 Interfacing and interaction of economies, with trade as a key element, is known as ...
- A free trade.
 - B globalisation.
 - C industrialisation.
- 1.1.9 The Maputo Corridor is found in the ... province.
- A Eastern Cape
 - B Gauteng
 - C Mpumalanga
- 1.1.10 The current inflation target set by the South African government is ...
- A 1–6%.
 - B 6–12%.
 - C 3–6%.
- 1.1.11 A firm will spend less on pollution reduction equipment because of its low marginal ...
- A private benefit.
 - B social benefit.
 - C private cost.
- 1.1.12 South Africa's environmental uniqueness is represented by ...
- A uShaka Marine World.
 - B the Addo Elephant Park.
 - C the Cape Fynbos Region.
- (12 x 2) (24)

1.2 Give the economic term/concept for each of the following descriptions. Write only the term/concept next to the question number (1.2.1–1.2.5) in the ANSWER BOOK.

- 1.2.1 The group of economists that believe markets are inherently unstable
- 1.2.2 Money taken from the economy, for example savings, taxes and imports
- 1.2.3 The technique used to evaluate the total social cost and total social benefit associated with an economic project
- 1.2.4 The effect that results from the heat trapped in the atmosphere
- 1.2.5 Payments by the government without receiving a productive service in return (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	Residual item	A	flow of goods and services between households and businesses
1.3.2	Real flow	B	ratio of export prices and import prices
1.3.3	Pareto efficiency	C	a balancing figure in the calculation of the gross domestic product – GDP(E)
1.3.4	Economies of scale	D	low growth, high unemployment and high prices
1.3.5	Terms of trade	E	oil, gold and coal
1.3.6	Tariffs	F	an increase in production that results in a decrease in long-term average cost
1.3.7	Stagflation	G	ad valorem or specific taxes on imported goods
1.3.8	Non-renewable resources	H	it is impossible to make someone better off without making someone else worse off
		I	the flow of income and spending

(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: MACROECONOMICS**50 MARKS – 25 MINUTES**

- 2.1 Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question number (2.1.1–2.1.4) in the ANSWER BOOK.
- 2.1.1 The rate at which one currency is traded for another is called the (investment/exchange) rate.
- 2.1.2 The (amplitude/trend line) measures the intensity of upswings and downswings in economic activity.
- 2.1.3 The sale of public assets and enterprises to the private sector is known as (nationalisation/privatisation).
- 2.1.4 The purchase of equities or bonds where the investor is only interested in the expected financial returns, is known as (direct/portfolio) investments. (4 x 2) (8)
- 2.2 List the THREE participants in a closed economy. (3 x 2) (6)
- 2.3 Study the table below and answer the questions that follow.

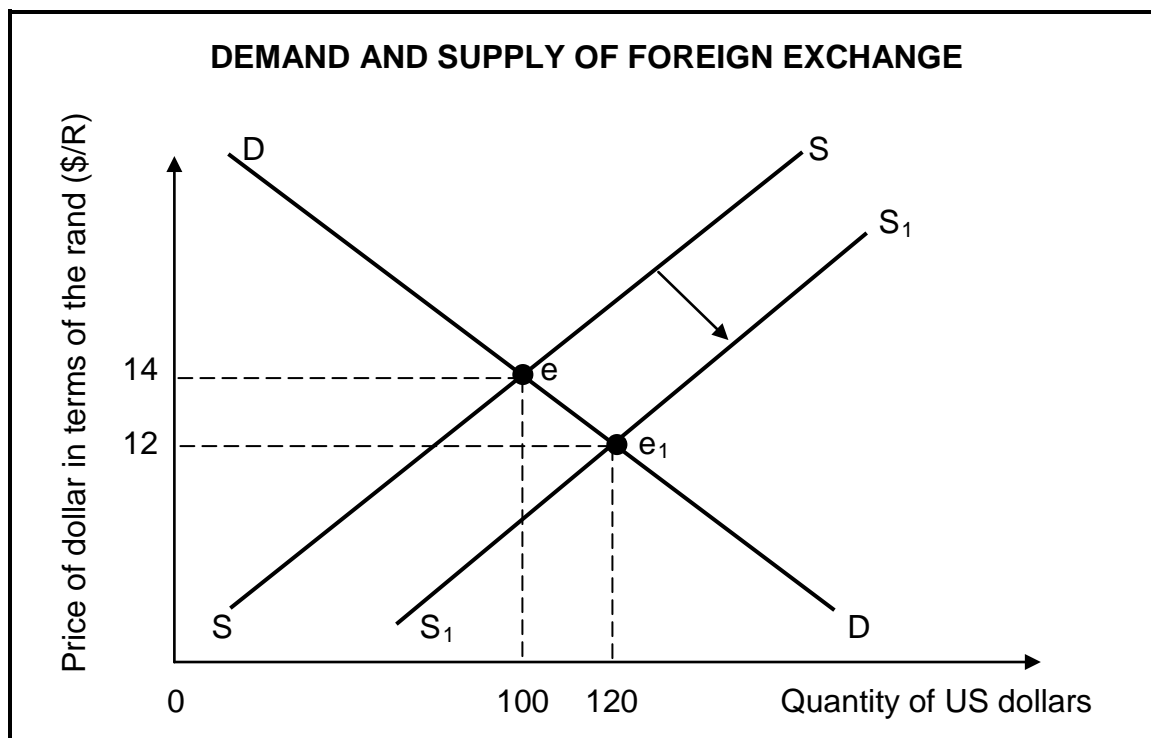
SOUTH AFRICA IN THE PROCESS OF CHANGE

YEAR	% CHANGE IN GROSS DOMESTIC PRODUCT (GDP)	% CHANGE IN PRIVATE CONSUMPTION EXPENDITURE (PCE)	% DIFFERENCE BETWEEN GDP AND PCE	BALANCE ON CURRENT ACCOUNT R (MILLION)
2006	5,5	3,0	+2,5	-5 000
2008	7,0	7,5	-0,5	-15 000
2010	4,5	7,8	-3,3	-28 000

[Source: Adapted from *US Business School*, 2011]

- 2.3.1 Define the *balance of payments*. (2)
- 2.3.2 Name an institution in South Africa that publishes regular detailed data on some of the most important economic indicators. (2)
- 2.3.3 What impact did the difference between production and consumption have on imports in 2010? (2)
- 2.3.4 What is the correlation between the figures in the last two columns? (4)

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



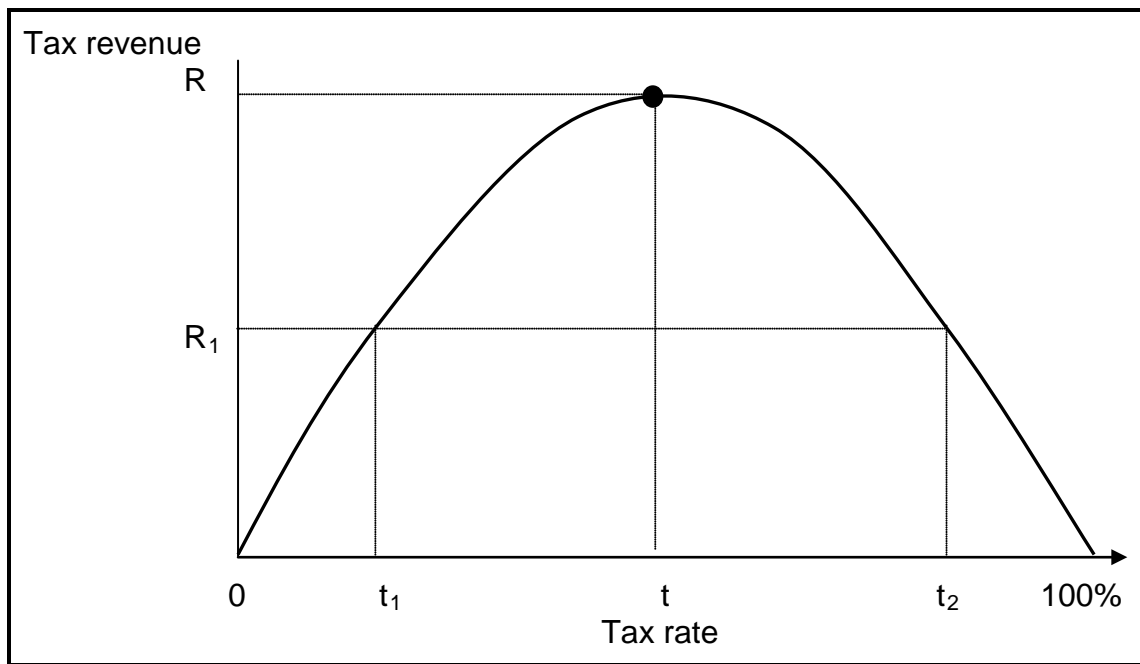
2.4.1 Identify the original point of equilibrium. (2)

2.4.2 What happens to the quantity of dollars when the supply curve shifts from SS to S_1S_1 ? Give a possible reason for this shift. (4)

2.4.3 What happens to the value of the rand in terms of the US dollar when SS shifts to S_1S_1 ? Motivate your answer. (4)

2.5 Explain how the gross domestic product (GDP) at market prices is derived by using the expenditure method – GDP(E). (4 x 2) (8)

- 2.6 Study the Laffer curve below and explain the relationship between the tax rate and taxable income.

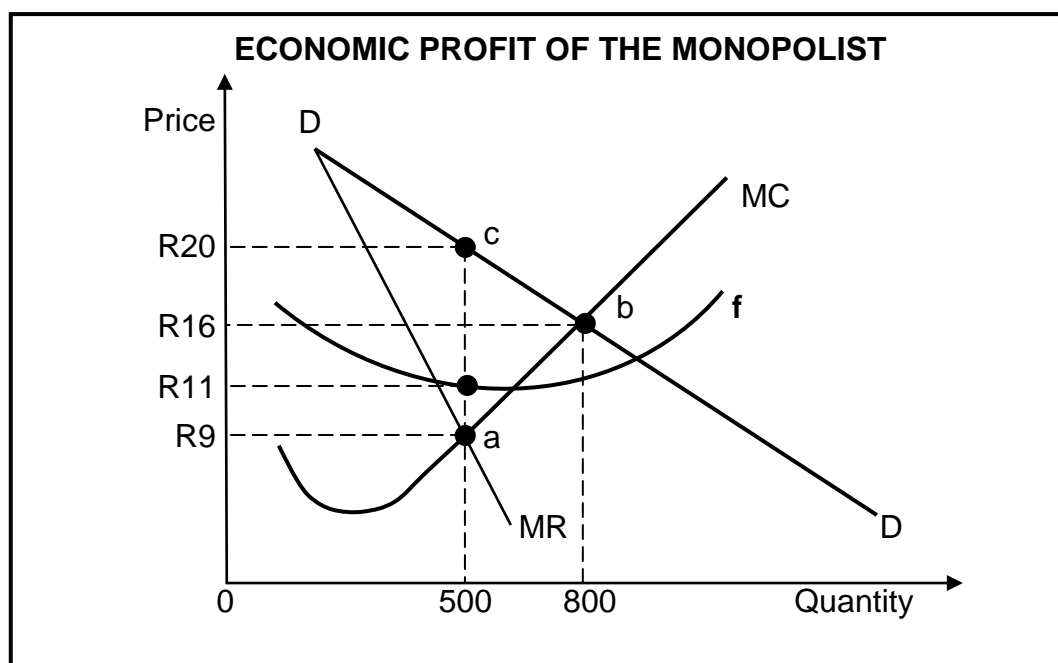


(4 x 2)

(8)
[50]

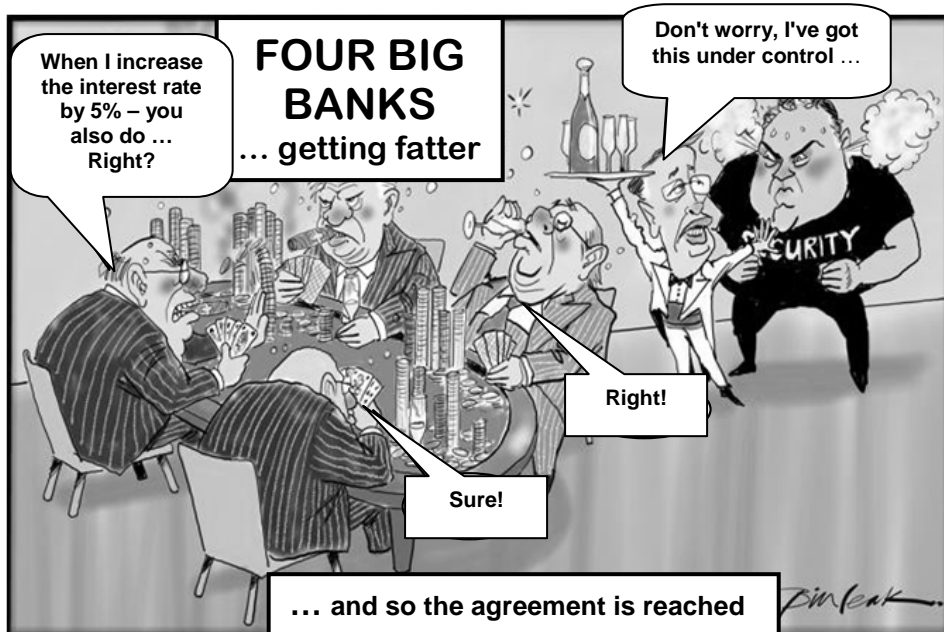
QUESTION 3: MICROECONOMICS**50 MARKS – 25 MINUTES**

- 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 When income equals total cost in perfect market conditions, it is called (normal/economic) profit.
- 3.1.2 The cost of inputs that are owned by the entrepreneur and used in the production process is known as (explicit/implicit) costs.
- 3.1.3 Community goods, for example street lights, is (non-excludable/rival) in nature.
- 3.1.4 Under perfect market conditions the price is determined by the (market/individual) supply and demand curves. (4 x 2) (8)
- 3.2 List any THREE conditions/characteristics of a perfect market. (3 x 2) (6)
- 3.3 Study the graph below and answer the questions that follow.



- 3.3.1 At which point is maximum profit made? (2)
- 3.3.2 Identify the curve marked f. (2)
- 3.3.3 What unit price will the monopolist charge to maximise profit? (2)
- 3.3.4 Calculate the economic profit that this monopolist makes. Show ALL calculations. (4)

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



[Source: *The Star*, August 2011]

- 3.4.1 What type of market structure is depicted in the cartoon? (2)
- 3.4.2 Which economic term best describes the behaviour of the men at the table? (2)
- 3.4.3 Give an example of a non-price strategy used by this type of market structure. (2)
- 3.4.4 Draw a typical demand curve for the above-mentioned market structure. (4)
- 3.5 Name and discuss the role of any TWO institutions involved in South Africa's competition policy. (Any 2 x 4) (8)
- 3.6 Make a comparison between a *perfect market* and a *monopoly* with regard to prices, profit, quantities and cost. (8)
- [50]**

QUESTION 4: ECONOMIC PURSUITS**50 MARKS – 25 MINUTES**

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 The institution that determines monetary policy in South Africa is the (South African Reserve Bank/JSE Securities Exchange Ltd).

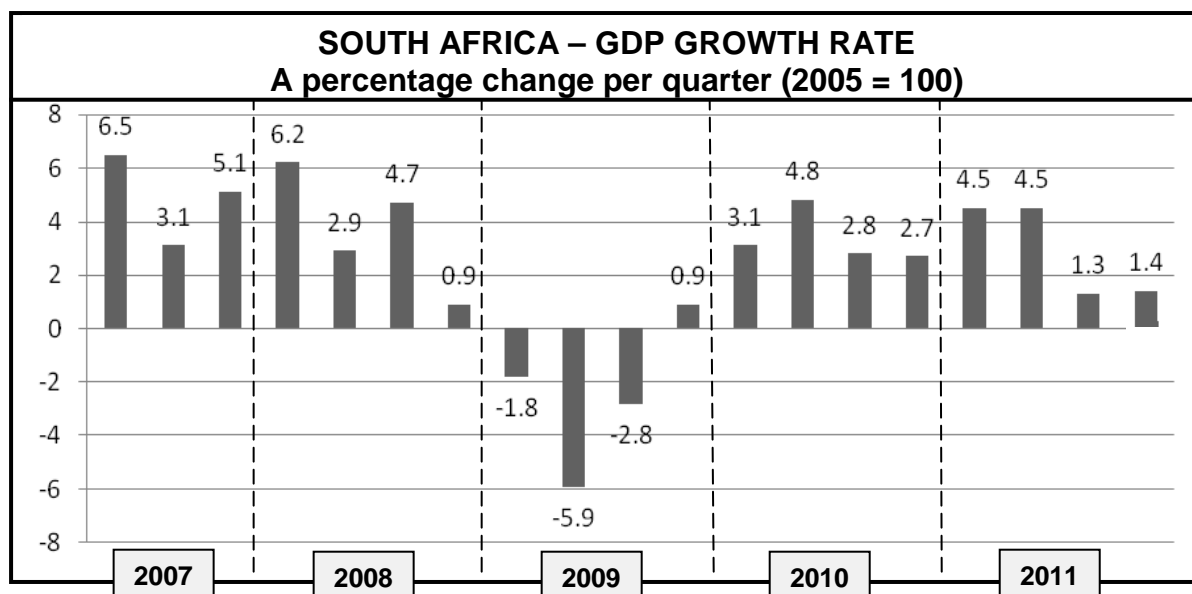
4.1.2 Government policies relating to manufacturing are often called (industrial/development) policies.

4.1.3 An advantage of import substitution is that the domestic economy becomes more (specialised/diversified).

4.1.4 The international organisation that requires standardisation of indicators from its members is the (World Trade Organisation/International Monetary Fund). (4 x 2) (8)

4.2 List any THREE advantages of export promotion. (3 x 2) (6)

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



4.3.1 From what source was the data above obtained? (2)

4.3.2 What year does the South African Reserve Bank use as the base year? (2)

4.3.3 Give a reason for the negative growth rate in 2009. (2)

4.3.4 Give TWO reasons for the positive growth rate in 2010. (4)

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

DEEP THINKING

South Africa is one of the world's, and Africa's, most important mining countries in terms of the variety of minerals mined. It has the world's largest reserves of chrome, gold, vanadium and manganese. Combined, this represents 6,5% of the country's GDP. In fact, the gold industry remains the largest employer, responsible for more than 50% of total employment in this sector.

The move towards black economic empowerment in this industry is progressing, but not fast enough. There is also a move within government towards accommodating small mining companies, creating opportunities for junior operations to start up.

[Source: Adapted from *Skyways*, 2012]

- 4.4.1 Define the term *economic growth*. (2)
- 4.4.2 Give reasons why the gold industry is of economic importance to South Africa. (2 x 2) (4)
- 4.4.3 Why is black economic empowerment necessary in South Africa's mining industry? (4)
- 4.5 Discuss employment as an economic indicator and suggest solutions for the unemployment problem in South Africa. (4 x 2) (8)
- 4.6 Tabulate the major differences between the developed countries in the north and the developing countries in the south (North-South Divide). (2 x 4) (8)
- [50]**

QUESTION 5: CONTEMPORARY ECONOMIC ISSUES 50 MARKS – 25 MINUTES

- 5.1 Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question number (5.1.1–5.1.4) in the ANSWER BOOK.
- 5.1.1 Barter may take place where communities experience (hyperinflation/stagflation).
- 5.1.2 The single most important cause of cost-push inflation is an increase in (salaries and wages/leisure time).
- 5.1.3 Outbound tourists have a (positive/negative) effect on the balance of payments.
- 5.1.4 Electricity forms part of (energy/communication) infrastructure. (4 x 2) (8)
- 5.2 List any THREE causes of demand-pull inflation. (3 x 2) (6)
- 5.3 Study the extract below and answer the questions that follow.

FOOD FOR THOUGHT

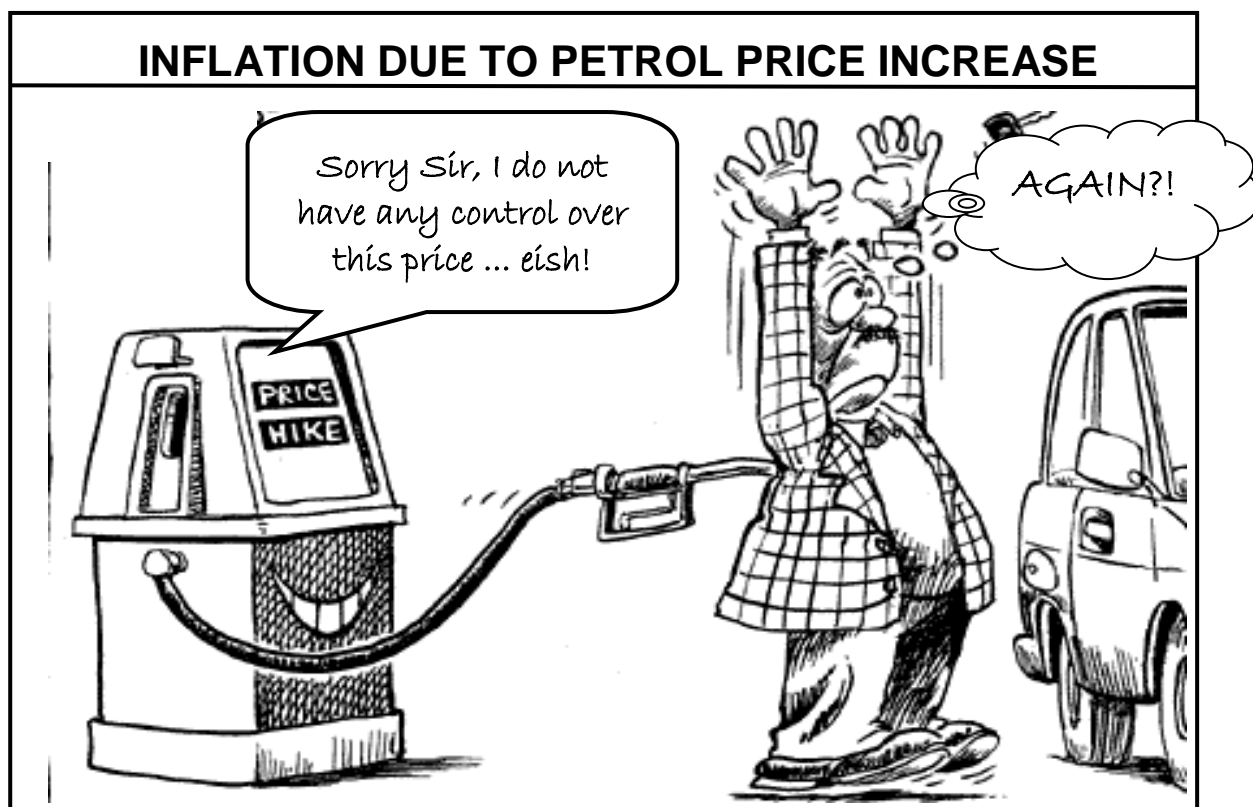
The global food system is failing 1 billion people. Twenty years after the first global conference on environmental sustainability, almost a quarter of the world's population still doesn't get enough to eat. Climate change is also expected to make their situation much worse due to a serious shortage in food production. Poor communities are affected more due to their small capacity to cope. Serious shortages in agricultural land and water will increase resource competition. This will lead to unplanned urbanisation and increased problems for government.

Climate change intensifies the hunger-risk. There is only one solution to this problem: food security, meaning increased production and availability of nutritious food. New strategies must come into place for countries to be able to produce enough healthy food for the whole community and to help farmers to cope.

[Source: Adapted from Skyways, February 2012]

- 5.3.1 Define the concept *environmental sustainability*. (2)
- 5.3.2 State any factor that challenges sustainable development. (2)
- 5.3.3 How will climate change intensify the hunger-risk? (4)
- 5.3.4 What can the government do to ensure food security? (2)

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



[Source: *Mail & Guardian*, January, 2012]

- 5.4.1 Define the concept *inflation*. (2)
- 5.4.2 Who regulates the petrol price in South Africa? (2)
- 5.4.3 Give the economic term for prices of goods and services set by government. (2)
- 5.4.4 Explain the effect of an unfavourable rand/dollar exchange rate on the petrol price. (4)
- 5.5 Discuss government policy with regard to the preservation of the environment. (4 x 2) (8)
- 5.6 Distinguish between *consumer price index (CPI)* and *producer price index (PPI)*. (2 x 4) (8)
- [50]**

QUESTION 6: MACROECONOMICS AND CONTEMPORARY ECONOMIC ISSUES
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 The policy that stimulates economic activity by increasing the size of the money supply is a(n) (restrictive/expansionary) monetary policy.
- 6.1.2 Large state-owned enterprises that run on the same principles as businesses in the private sector, are called (parastatals/partnerships).
- 6.1.3 Foreign currency brought into the country by tourists is similar to (imports/ exports).
- 6.1.4 New production techniques, like (fossil fuel/biodiesel), will result in a cleaner environment. (4 x 2) (8)
- 6.2 Give THREE reasons for the necessity of the public sector. (3 x 2) (6)
- 6.3 Study the extract below and answer the questions that follow.

MULTIPLIER

Assume an economy is initially in equilibrium where income (Y) equals R100 000m, savings (S) R40 000m and consumption (C) R60 000m.

[Source: *Enjoy Economics*, 2012]

- 6.3.1 Define the *macroeconomic multiplier*. (2)
- 6.3.2 What does the term *equilibrium* in this extract refer to? (2)
- 6.3.3 Calculate the marginal propensity to consume (mpc). (2)
- 6.3.4 Calculate the value of the multiplier. Show ALL calculations. (4)

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

COMPARISON BETWEEN URBAN AND RURAL AREAS

PRODUCT	RURAL FOOD PRICES JULY 2011 (R)	URBAN FOOD PRICES JULY 2011 (R)	PRICE DIFFERENCE JULY 2011 (R)
Full-cream long-life milk 1 ℓ	11,03	9,68	1,35
Loaf of brown bread 700 g	8,04	7,99	0,05
Loaf of white bread 700 g	9,04	8,90	0,14
Maize meal 5 kg	25,78	23,95	1,83
Margarine 500 g	17,56	16,24	1,32
Rice 2 kg	24,87	20,35	4,52
Five Roses teabags	8,95	7,32	1,63
White sugar 2,5 kg	24,04	20,75	3,29
TOTAL	R129,31	R115,18	R14,13

[Source: Adapted from *Business Report*, 2011]

- 6.4.1 Rice shows the biggest price difference among the products. Name ONE substitute good for rice in the list above. (2)
- 6.4.2 Why do you think food prices in rural areas differ from those in urban areas? (4)
- 6.4.3 Which ONE of the above-mentioned areas is more negatively affected by price change? Motivate your answer. (4)
- 6.5 Briefly discuss lagging indicators as a feature underpinning forecasting. (4 x 2) (8)
- 6.6 Explain monetary measures that are used to combat inflation. (4 x 2) (8)
- [50]**

SECTION C

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

MARK ALLOCATION FOR ESSAY RESPONSES

STRUCTURE OF ESSAY		MARK ALLOCATION
Introduction		Max 3
Body:		
• <i>Main part:</i>	For example discuss/distinguish/differentiate/explain/analyse/evaluate/assess	Max 30
• <i>Additional part:</i>	For example draw a graph or diagram/deduce/outline/briefly explain/expand on/your own opinion/support	Max 10
Conclusion		Max 2
Interpretation		Max 5
TOTAL		50

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

The public sector in South Africa has been confronted by major challenges in recent years.

- Evaluate the problems of public sector provisioning in South Africa. (30)
 - Outline examples of problems you have observed in your own community or elsewhere in South Africa. (10)
- [50]**

QUESTION 8: MICROECONOMICS**50 MARKS – 40 MINUTES**

Market failures commonly occur in a free market system.

- Discuss the causes of market failure. (30)
 - Use a graph to illustrate how a negative externality influences price and quantity. (10)
- [50]**

QUESTION 9: ECONOMIC PURSUITS**50 MARKS – 40 MINUTES**

It is essential for developing countries to protect their local industries against unfair foreign competition.

- Discuss the arguments in favour of protection. (30)
 - Explain how successful South Africa is in protecting the local textile industry against foreign competition. (10)
- [50]**

QUESTION 10: CONTEMPORARY ECONOMIC ISSUES 50 MARKS – 40 MINUTES

South Africa's tourism industry has grown tremendously over the past few years.

- Discuss the benefits of tourism. (30)
 - Briefly explain how marketing, as a policy, can contribute to growth in tourism. (10)
- [50]**

TOTAL SECTION C: 100
GRAND TOTAL: 300