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**GAUTENG PROVINCE**  
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# **JUNE EXAMINATION GRADE 12**

**2025**

## **MARKING GUIDELINES**

**ECONOMICS  
(PAPER 2)**

**21 pages**



**SECTION A****QUESTION 1****1.1 MULTIPLE-CHOICE**

- 1.1.1 C – Homogenous ✓✓
- 1.1.2 Accept A/B/C /D ✓✓
- 1.1.3 A – Public goods will not be supplied ✓✓
- 1.1.4 B – Market structure ✓✓
- 1.1.5 D – oligopolies markets ✓✓
- 1.1.6 C – Price discrimination ✓✓
- 1.1.7 A – It determines the firm's profit-maximising output level. ✓✓
- 1.1.8 B – Firms are free to enter and leave the market. ✓✓ (8 x 2) (16)

**1.2 MATCH COLUMN**

- 1.2.1 H ✓ – all the businesses producing a particular kind of product or service
- 1.2.2 C ✓ – monopolistic competitors use various approaches to communicate with the consumers with the primary aim of increasing market share
- 1.2.3 A ✓ – the government can regulate companies that produce negative externalities by enacting new laws or by using the existing legislative framework.
- 1.2.4 B ✓ – when one firm takes over another firm and that firm then ceases to exist
- 1.2.5 F ✓ – a market structure where two firms dominate the market
- 1.2.6 E ✓ – expenses that have already been incurred and cannot be recovered, regardless of future decisions
- 1.2.7 I ✓ – some countries sell their surplus goods in a foreign country at lower prices than it cost them to produce the goods
- 1.2.8 D ✓ – commercial healthcare providers find it unprofitable to provide these services, resulting in a rural population lacking access to affordable healthcare (8 x 1) (8)



**1.3 GIVE THE TERM**

1.3.1 Productive efficiency/Technical efficiency ✓

1.3.2 Marginal revenue ✓

1.3.3 Natural monopolies ✓

1.3.4 Branding ✓

1.3.5 Externalities ✓

1.3.6 Producer subsidies/Subsidies ✓

(6 x 1) (6)

**TOTAL SECTION A: 30**

**SECTION B**

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

**QUESTION 2: MICROECONOMICS**

2.1 Answer the following questions.

2.1.1 **Name any TWO examples of explicit costs**

- Wages ✓
- Electricity ✓
- Rent ✓

(Accept any other correct relevant response)

(2 x 1) (2)

2.1.2 **Why is it important to adjust future values to their present-day equivalents in a cost-benefit analysis?**

- Adjusting future values to present values is critical in a cost-benefit analysis because it ensures that projects are evaluated based on their true economic viability. ✓✓
- Money available today is worth more than the same amount of money in the future. This is because money today can be invested and earn a return (interest), growing over time

(Accept any other correct relevant response)

(1 x 2) (2)

**2.2 DATA RESPONSE**

2.2.1 **Identify the profit maximisation point in the graph above.**

$e/MR=MC$  ✓

(1)

2.2.2 **Name the missing curve in the above diagram.**

$MC/AVC$  ✓

(1)

2.2.3 **Briefly describe the term *economic profit*.**

- The profit that is earned in addition to normal profit ✓✓

(Accept any other correct relevant response)

(2)





2.2.4 **Explain how the assumptions of perfect markets differ from the real-world marketplace.**

- Perfect competition assumptions often differ due to unequal access to market information, product differentiation, high barriers to entry, and the dominance of large firms in industries. ✓✓
- Deviations also occur from consumer irrationality, unaccounted externalities (e.g., environmental costs in mining), and government interventions such as BEE and subsidies. These factors highlight variations from the ideal model of perfect competition. ✓✓

**(Accept any other correct relevant response)**

(2)

2.2.5 **Calculate the equilibrium position of the firm above. Show ALL calculations**

$$\begin{array}{ll}
 (TR - TC) & (AR - AC) \times Q \\
 (80 \times 100) \checkmark - (50 \times 100) \checkmark & (80 - 50) \checkmark \times 100 \checkmark \\
 8000 - 5000 & 30 \times 100 \\
 = R3\,000 \checkmark \text{ (Economic profit)} \checkmark & = R3\,000 \checkmark \text{ (Economic profit)} \checkmark
 \end{array}$$

**(Accept any other correct method used to calculate the total economic profit.)**

(4)

2.3 **DATA RESPONSE**

2.3.1 **Identify an example of non-price competition used by monopolistic competitors in the cartoon above.**

- Branding ✓
- Marketing ✓
- Advertising ✓

(1)

2.3.2 **How many markets are combined to form a hybrid market structure?**

Two/2 ✓

(1)

2.3.3 **Briefly describe the term *allocative efficiency*.**

- Allocative efficiency means that goods produced meet the needs and preferences of consumers ✓✓
- The point where the indifference curve is tangent to the production possibility curve ✓✓

**(Accept any other correct relevant response)**

(2)

2.3.4 **What are the new barriers to entry for new spaza shops in the given market?**

- **Registration and licensing** are used to ensure that spaza shops and street vendors adhere to all the relevant legislation and by-law ✓✓

**(Accept any other correct relevant response)**

(2)



**2.3.5 How does the availability of substitutes influence pricing decisions in imperfect markets?**

- The presence of substitutes makes consumers more price-sensitive ✓✓
- Firms may attempt to segment the market to target specific customer groups less sensitive to price or to differentiate their product to create a perceived lack of close substitutes. ✓✓
- It will intensify competition among firms, forcing them to keep prices competitive to avoid losing market share ✓✓

**(Accept any other correct relevant response)**

(2 x 2)

(4)

**2.4 Briefly explain South Africa's anti-monopolistic policy**

- After 1994 a strict anti-monopoly policy was adopted - This was introduced to promote competition policy in South Africa. ✓✓

**The objectives of anti-monopoly policy are as follows:**

- To limit any restrictions on entry to an industry ✓✓
- To give previously disadvantaged groups access to resources and economic power to promote economic transformation in the country ✓✓
- To curb economic power of the big conglomerates in the South African economy to obtain a more equal distribution of income and wealth ✓✓
- To make businesses more competitive so that they can gain access to the international markets ✓✓
- To make our policies more compliant with international requirements ✓✓

**(Accept any other correct relevant response)**

**(A maximum of 4 marks may be allocated for the mere listing of facts/examples)**

(4 x 2)

(8)







**2.5 How can subsidies be used to correct market failures caused by positive externalities?**

- A subsidy is a payment made by the government, usually to a firm, to encourage a specific course of action. When a subsidy is granted to producers, it reduces their production costs. This makes it more profitable for them to produce the good, leading to an increase in supply ✓✓
- As supply increases, the market price tends to fall, making the good more affordable for consumers ✓✓
- By providing subsidies, the government effectively internalises the positive externality. This means that the producer or consumer now bears the full cost or receives the full benefit of the externality ✓✓
- For instance, a subsidy for research and development in renewable energy technologies encourages innovation, which benefits society as a whole through reduced pollution and increased energy security ✓✓
- Subsidies are a government intervention tool that can help correct this market failure. By providing financial incentives to producers or consumers, subsidies effectively lower the cost of production or consumption, encouraging increased output and consumption of the good with positive externalities ✓✓

**(Accept any other correct relevant response)**

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

**(8)**

**[40]**

**QUESTION 3: MICROECONOMICS**

**3.1 Answer the following questions.**

**3.1.1 List any TWO characteristics of public goods.**

- Non-rivalrous ✓
- Non-excludable ✓
- Non-rejectable ✓
- Continuous/Endless consumption ✓

**(Accept any other correct relevant response)**

**(2 x 1)**

**(2)**

**3.1.2 How could the closure of firms harm consumers?**

- Consumers may have fewer options to choose from, limiting their ability to find products or services that best suit their needs and preferences ✓✓
- When firms close, competition in the market decreases which will result in higher prices for consumers as remaining firms have less incentive to keep prices low ✓✓

**(Accept any other correct relevant response)**

**(1 x 2)**

**(2)**







### 3.2 DATA RESPONSE

3.2.1 Identify **ONE** way in which the proposed airport might benefit the economy of South Africa.

- Stimulate economic growth and development ✓
- Potential to attract both local and international investors ✓
- Create numerous job opportunities ✓

(Accept any other correct relevant response)

(1)

3.2.2 Name any **ONE** type of benefit that is considered during a cost-benefit analysis.

- Private benefit ✓
- Social benefit ✓

(1)

3.2.3 Briefly describe the term *social costs*.

- When goods and services are produced, and a third party (an individual or society) is negatively affected by it ✓✓

(Accept any other correct relevant response)

(2)

3.2.4 Why would applying the cost-benefit analysis be a challenge to the government?

- Calculating present values for future costs and benefits involves discounting, which relies on assumptions about the appropriate discount rate. This choice can heavily impact the results and may fail to accurately represent societal preferences over time ✓✓

(Accept any other correct relevant response)

(2)

3.2.5 How could decision makers of the above project address intangible costs and benefits that are difficult to monetise?

- To address intangible costs and benefits in a cost-benefit analysis, decision-makers should use a combination of valuation methods, sensitivity analysis, public input, and ethical considerations ✓✓
- Eventually, balancing tangible and intangible impacts allows for a more comprehensive analysis, leading to more informed and sustainable policy decisions ✓✓

(Accept any other correct relevant response)

(2 x 2)

(4)





### 3.3 DATA RESPONSE

3.3.1 Identify the institution that accepts or rejects the investigation and recommendation of the competition commission.

- Competition tribunal ✓ (1)

3.3.2 What was the primary reason for the Competition Tribunal's decision to block Vodacom's merger with MazivT?

- Potential harm to competition ✓
- Higher prices for consumers ✓
- To prohibit the merger ✓ (1)

3.3.3 Briefly describe the term *merger*

- a merger occurs when two companies become one company by mutual agreement ✓✓ (2)
- (Accept any other correct relevant response)

3.3.4 What effect does competition have on prices?

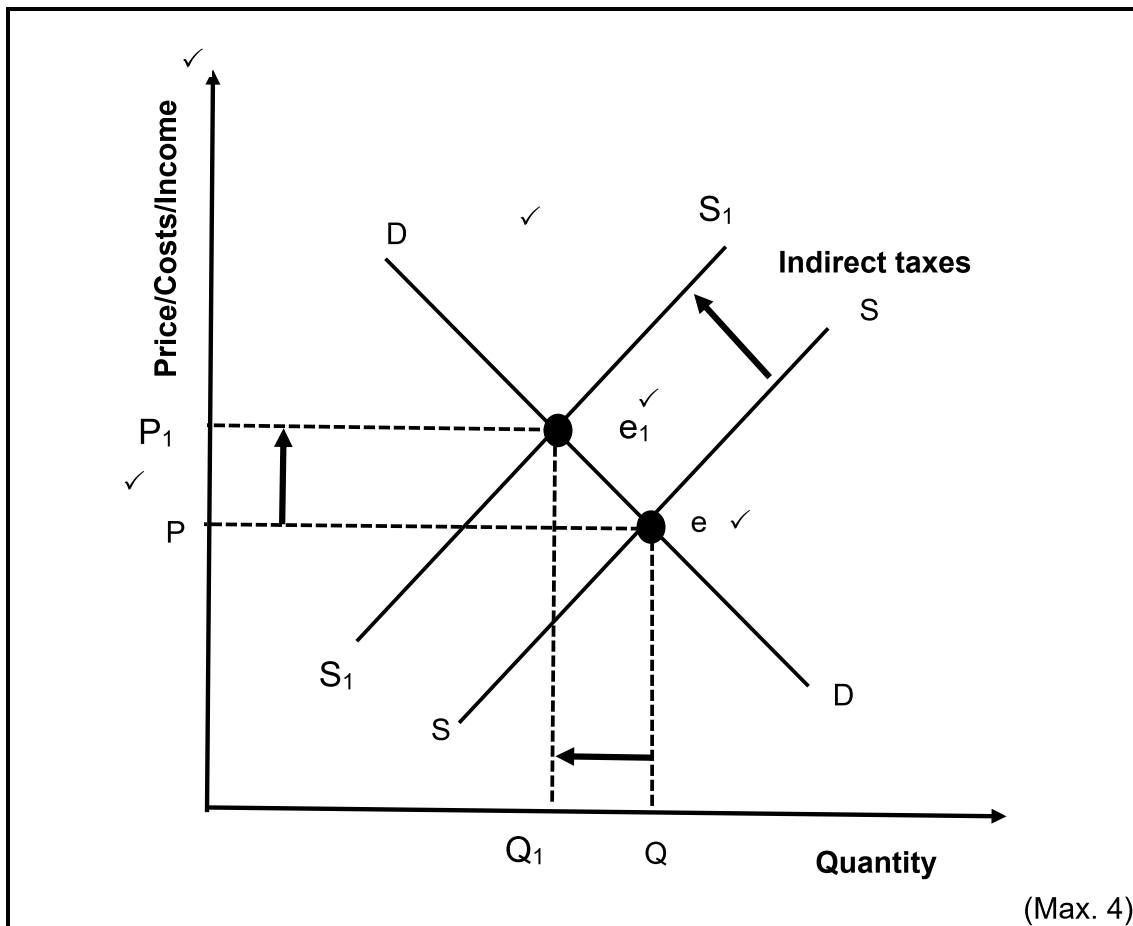
- With more options available, consumers have more power to choose the best deal, forcing businesses to keep their prices competitively lower ✓✓
  - Competition generally helps to reduce prices, so when businesses compete for customers, they often reduce prices to attract more customers, making goods and services more affordable ✓✓ (2)
- (Accept any other correct relevant response)

3.3.5 How does the Competition Commission promote fair competition between large enterprises and SMMEs in South Africa?

- The Competition Commission investigates and acts against anti-competitive practices by large enterprises that could harm SMMEs by preventing the abuse of dominance by large enterprises ✓✓
  - The Competition Commission assesses mergers to ensure they do not harm SMMEs or reduce competition. It may stop mergers or impose conditions requiring large firms to support SMMEs, such as promoting SMMEs in supply chains or preserving opportunities for smaller competitors ✓✓
  - The Competition Commission can conduct market inquiries into sectors where SMMEs battle due to systemic barriers where they can improve SMMEs' market access or reduce unfair practices by dominant players ✓✓
- (Accept any other correct relevant response) (2 x 2) (4)



- 3.4 Explain, with the aid of a well-labelled graph, the levying of taxes as a consequence of market failure. (4 x 2)



<b>Mark allocation for graph:</b>	(Max. 4)
Labelling of axis	1 mark
Labelling on axis	1 mark
Original equilibrium point/original supply curve	1 mark
New equilibrium point/new supply curve	1 mark
Indication of shift of supply curve	1 mark (Max. 4)

- The government will levy a tax if there is an oversupply and over consumption of demerit good ✓✓ (e.g. Gambling, Cigarette) ✓
- The appropriate way to intervene in the market by government is by levying taxes as a method to recover external costs and discourage consumption ✓✓
- The original market equilibrium at **e**, with **P** as the equilibrium price and **Q** as the equilibrium quantity ✓✓
- With the introduction of tax, the original supply curve (**SS**) will shift to the left to a new supply curve. (**S<sub>1</sub> S<sub>1</sub>**) ✓✓
- An introduction of tax will raise the price from **P** to **P<sub>1</sub>** and quantity will decrease from **Q** to **Q<sub>1</sub>** ✓✓

(Accept any other correct relevant response)

(Max. 4) (8)

(A maximum of 2 marks may be allocated for the mere listing of facts/examples)



**3.5 How does the assumption of perfect information affect the behaviour of firms and consumers in a perfectly competitive market?**

**Behaviour of firms**

- Perfect information enables firms to identify profitable market opportunities, driving free entry when profits are high and exit when profits are low, ultimately leading to long-run market equilibrium ✓✓
- Perfect information allows firms to recognize their inability to influence the prevailing market price, making them price takers who accept the market-determined price ✓✓
- Perfect information motivates firms to optimise production efficiency by enabling them to readily compare input prices and production techniques to minimise costs and maintain competitiveness ✓✓

**(Max. 4)**

**Behaviour of consumers**

- Perfect information empowers consumers to make informed purchasing decisions by providing complete knowledge of product prices, quality, and available alternatives, enabling them to maximize value for their money ✓✓
- In perfectly competitive markets, consumers demonstrate high price sensitivity and readily switch to suppliers offering the lowest prices for homogenous products ✓✓
- Resources are directed towards the production of goods and services that consumers value most ✓✓

**(Max. 4)**

**(8)**

**(Accept any other correct relevant response)**

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

**[40]**



**QUESTION 4: MICROECONOMICS**

4.1 4.1.1 **Name any TWO disadvantages of imperfect markets.**

- Inefficient production ✓
- Buyers pay a higher price ✓
- Inefficient use of resources ✓
- Production at higher cost ✓

**(Accept any other correct relevant response)**

(2 x 1)

(2)

4.1.2 **Why would it not be beneficial for a perfectly competitive firm to increase its prices?**

All perfect competitors are price takers and do not have the ability to influence price. ✓✓

An increase in price will cause the firm to lose customers as they do not have any reason to pay more for the same product. ✓✓

**(Accept any other correct relevant response)**

(1 x 2)

(2)





## 4.2 DATA RESPONSE

## 4.2.1 How many firms are found in an oligopoly market structure?

few ✓ (1)

## 4.2.2 What is the nature of products sold by a differentiated oligopoly?

heterogeneous ✓ (1)

4.2.3 Briefly describe the term *collusion*.

- Collusion occurs when oligopolies in the same industry manipulate and fix prices and quantities in order to maximize their profits ✓✓

(Accept any other correct relevant response) (2)

## 4.2.4 What impact has TikTok had on the market in South Africa?

- TikTok's effectiveness in product showcasing, customer engagement, and sales generation has fuelled the expansion of e-commerce platforms while simultaneously altering consumer spending patterns ✓✓
- With South Africa facing high youth unemployment, TikTok offers a crucial avenue for young individuals to generate income and even build sustainable businesses. ✓✓
- Many side hustles are leveraging TikTok for marketing and sales, turning fleeting views into real-world transactions. ✓✓

(Accept any other correct relevant response) (2)

## 4.2.5 How can price leadership lead to tacit collusion?

- A dominant firm will charge high prices and smaller firms will follow. ✓✓
- Firms avoid engaging in price wars, which would disrupt the collusive pricing arrangement and reduce profits for all players. ✓✓
- High barriers to entry discourage new firms from entering the market and disrupting the collusive pricing arrangement ✓✓

(Accept any other correct relevant response) (2 x 2) (4)

## 4.3 DATA RESPONSE

## 4.3.1 Identify the concept that defines the variable cost incurred per unit produced.

- Average variable costs ✓ (1)

## 4.3.2 In which production period can a perfect competitor make an economic profit?

Short run ✓ (1)



4.3.3 Briefly describe the term *marginal product*.

- It is the additional unit of output which is produced as one more unit of the variable input is combined with a fixed input. ✓✓

(Accept any other correct relevant response)

(2)

4.3.4 What does " $P = AR$ " signify in this context?

- The firm is a price taker and can sell each unit at the market price in a perfectly competitive market ✓✓

(Accept any other correct relevant response)

(2)

4.3.5 Why is the ability to cover variable costs more important for survival in a perfectly competitive market compared to a market with less competition?

- They are price-takers and must accept the market price, covering variable costs is essential for their short-term survival ✓✓
- Continuing production would only lead to greater losses as the firm would be unable to recoup the variable expenses ✓✓
- In less competitive markets, firms with pricing power can adjust prices to cover variable costs and contribute to fixed costs, enabling them to survive challenging periods and adapt their strategies for long-term profitability. ✓✓

(Accept any other correct relevant response)

(2 x 2)

(4)

4.4 Briefly discuss product differentiation as a characteristic in a monopolistic competition firm.

- Monopolistic competitors use product differentiation to persuade consumers that their products and services are distinguishable from their competitors ✓✓
- The product differentiation used by monopolistic competitors can be real or perceived(imaginary) ✓✓
- Through product differentiation business within monopolistic competition are able to create a specific perception of their goods and services with consumers ✓✓
- The distinctive characteristics used by businesses to differentiate their products from competitors enable them to gain access to an improved market share ✓✓
- Successfully differentiating a product creates barriers to entry for new competitors, as it requires significant resources and innovation to replicate the unique value proposition ✓✓

(Accept any other correct relevant response)

(4 x 2)

(8)







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**MARKING GUIDELINES****ECONOMICS  
(PAPER 2)****GR12 0625**

**4.5 Analyse the effect of a perfectly competitive firm being a price taker in the market.**

- Firms achieve productive efficiency (producing at the lowest cost) and allocative efficiency (resources allocated to meet consumer preferences) ✓✓
- Homogenous products eliminate the need for advertising, reducing unnecessary costs ✓✓
- In the short-run, firms may temporarily earn profits or incur losses, but market adjustments restore equilibrium ✓✓
- In the long-run, firms operate at the lowest point of their average total cost (ATC) curve, ensuring stable, efficient production ✓✓
- Price-taking firms focus on cost efficiency and output optimisation ✓✓
- Intense competition and market adjustments result in zero economic profit in the long run, ensuring efficient resource use and competitive pricing. ✓✓

**(Accept any other correct relevant response)**

**(Allocate a maximum of 2 marks for the mere listing of facts/examples)**

(8)  
[40]

**TOTAL SECTION B: 80**



**SECTION C**

Answer any ONE of the two question in this section in the ANSWER BOOK.

Your answer will be assessed as follows:

STRUCTURE OF ESSAY	MARK ALLOCATION
<b>Introduction</b> The introduction is a lower-order response. <ul style="list-style-type: none"> <li>• A good starting point would be to define the main concept related to the question topic.</li> <li>• Do NOT include any part of the question in the introduction.</li> <li>• Do NOT repeat any part of the introduction in the body.</li> <li>• Avoid mentioning in the introduction what you are going to discuss in the body.</li> </ul>	Max. 2
<b>Body</b> <b>Main part:</b> Discuss in detail/In-depth discussion/Examine/Critically discuss/Analyse/Compare/Evaluate/Distinguish/Differentiate/Explain/Draw a graph and explain/Use the graph given and explain/Complete the given graph/Assess/Debate <b>A maximum of 8 marks may be allocated for headings/examples</b> <b>Additional part:</b> Critically discuss/Evaluate/Critically evaluate/Debate/Deduce/Compare/Distinguish/Interpret/How?/Suggest <b>A maximum of 2 marks may be allocated for a mere listing of facts.</b>	Max. 26  Max. 10
<b>Conclusion</b> Any higher-order conclusion should include: <ul style="list-style-type: none"> <li>• A brief summary of what has been discussed without repeating facts already mentioned</li> <li>• Any opinion or value judgement on the facts discussed</li> <li>• Additional support information to strengthen the discussion/analysis</li> <li>• A contradictory viewpoint with motivation, if required</li> <li>• Recommendations</li> </ul>	Max. 2
<b>TOTAL</b>	<b>40</b>



**QUESTION 5 : MICROECONOMICS**

- Discuss in detail the following equilibrium positions of a monopoly:
  - Economic profit, economic loss (short run) without a graph
  - Economic profit (long-run ) with a graph (26 marks)
- Evaluate whether supernormal profit is always necessary for the continued existence of firms in perfect competition and monopoly. (10 marks)

**INTRODUCTION**

Monopoly exists where there is only one seller of a product, where the product has no close substitutes, and where barriers block entry into the market completely. ✓✓

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

**BODY****MAIN PART****Short-run equilibrium**

The monopoly, like any other producer, will have costs that it will need to pay. ✓✓

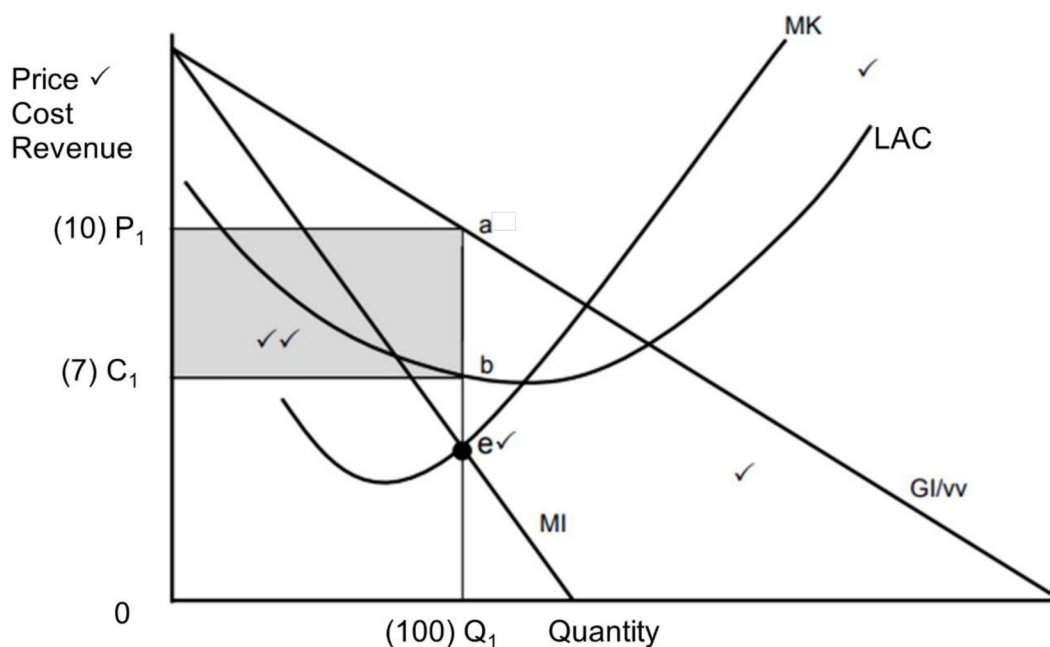
**Economic profit:**

- In the short run, a monopoly can earn economic profit. This occurs when the price (AR) charged by the monopolist is greater than the average total cost (ATC) of production. ✓✓
- The monopolist will produce the output level where marginal revenue (MR) equals marginal cost (MC). At this output level, the price charged will be higher than the ATC. ✓✓
- The difference between the price (AR) and the ATC per unit, multiplied by the quantity produced, represents the economic profit. ✓✓

**Economic loss:**

- In the short run, a monopoly can also incur economic losses. This happens when the price (AR) charged is less than the ATC. ✓✓
- The monopolist will still produce where MR equals MC, but the price will be below the ATC. ✓✓
- The difference between the ATC and the price per unit (AR), multiplied by the quantity produced, represents the economic loss. ✓✓
- Even though the monopolist is incurring economic losses, it will continue to operate in the short run as long as the price (AR) is greater than the average variable cost (AVC). ✓✓
- This is because the monopolist can minimise its losses by continuing to produce and covering some of its fixed costs. ✓✓



**Economic profit (long-run ) with a graph****Mark allocation for graph:**

Labelling of axes	1 mark
Correct drawing and labelling of cost curves	1 mark
Correct drawing and labelling of income curves	1 mark
Profit maximisation	1 mark
Shaded area (profit)	2 marks

**Max: 6**

- A long run economic profit refers to a situation where the monopoly's total revenue exceeds its total cost. ✓✓
- Profit maximisation occurs where long run marginal revenue=long-run marginal cost. This is indicated at point e. ✓✓
- Profit maximising point is at point E (LMC = LMR) where production is Q1 at a price of P1 per unit/The monopolist will produce at Q1 (100) (profit maximisation point E) at a price of P1 (10). At this production level the long run average revenue is R10 and long run average cost is R7. ✓✓
- Therefore the monopolist is making a profit of R3 per unit (total economic profit of R300). ✓✓The total economic profit is represented by the shaded area. ✓✓
- The long-run marginal cost curve intersects the long-run average cost at the minimum point of the long-run average cost curve. ✓✓
- The monopoly's long run average cost curve lies below the average revenue curve, indicating that an economic profit has been earned. ✓✓

**(Accept any other correct relevant response)****(Allocate a maximum of 8 marks for a mere listing of facts/examples)****(Max. 26)**

**ADDITIONAL PART**

Supernormal profit is not always necessary for the continued existence of firms in either perfect competition or monopoly. ✓✓

Perfect market

**Positive**

- Supernormal profits in the short run act as a powerful incentive for new firms to enter the market. This influx of competition drives prices down and eliminates those profits in the long run. ✓✓
- Supernormal profits can signal to entrepreneurs that there is an unmet demand or a profitable opportunity in a particular market. ✓✓

**Negative**

- In perfect competition, long-run equilibrium is characterised by normal profits (zero economic profit). Firms earn just enough to cover all their costs, including the opportunity cost of their resources. ✓✓
- The pursuit of short-term supernormal profits can lead to unsustainable practices, such as overexploitation of resources or environmental damage. ✓✓

Monopoly market

**Positive**

- Supernormal profits provide a monopoly with the financial resources to invest in research and development, leading to technological advancements and product improvements. ✓✓
- Supernormal profits enable monopolies to attract and retain top talent, such as skilled engineers, researchers, and managers. ✓✓

**Negative**

- A monopoly, by definition, has significant barriers to entry. Even without supernormal profits, a monopolist can often maintain its market power due to these barriers. ✓✓
- Sustained supernormal profits can lead to complacency and a lack of innovation, as the monopolist faces little competitive pressure ✓✓

Supernormal profit is more likely to be more sustainable in the long run for a monopoly due to its market power and barriers to entry. ✓✓

**(Accept any other correct relevant response)**

(Max. 10)

**(Allocate a maximum of 2 marks for the mere listing of facts/examples)**

**CONCLUSION**

The monopolist is a price maker but cannot set a price independently of output. A price increase is also affected by elasticity of demand. A higher price will always result in less quantity. ✓✓

**(Accept any other relevant higher order conclusion.)**

(Max. 2) **[40]**



**QUESTION 6: MICROECONOMICS**

- Discuss in detail how the following factors lead to the misallocation of resources in the market:
  - Immobility of factors of production (10)
  - Lack of information (8)
  - Imperfect competition (8) (26 marks)
- Assess the effectiveness of the government's involvement in markets for wealth distribution in South Africa. (10 marks)

**INTRODUCTION**

Market failure is when the forces of supply and demand fail to allocate resources efficiently/when markets fail to allocate goods and services efficiently. ✓✓

(Accept any other relevant introduction)

(Max. 2)

**MAIN PART****BODY****Immobility of factors of production**

- The supply of labour cannot be increased because of the time it takes to be trained or educated. ✓✓
- Labour takes time to move into new occupations and geographical relocations due to the long time it takes to upgrade skills, and family ties. ✓✓
- Physical capital such as equipment, buildings, land and raw materials can only move from one place to another at a high cost. ✓✓
- Technological applications changed production methods such the use of robots rather than physical labour. ✓✓
- With greater technological change there is an increasing need for workers to become flexible, to update skills, change employment, occupations and work patterns. ✓✓



**Lack of information**

- Markets do not respond to changes in consumer demand if resources cannot be easily reallocated due to lack of information. ✓✓
- Technical and allocative efficiency require that both producers and consumers have complete and accurate information about the costs and benefits of the goods and services produced and consumed in the market. ✓✓
- Producers and consumers make production and consumption decisions based on the information they have. ✓✓
- When information is incomplete or inaccurate, it leads to wrong decisions about what to produce, how to produce and for whom to produce, and a waste of resources occurs. ✓✓
- Producers might not know all the different technologies and production techniques that are available and the different resources that can best be used to produce goods/services more efficiently. ✓✓
- Consumers might not know that the price of a product is lower from other suppliers or about the harmful effects of a product, since they might just base their decisions to use the product on the information from a misleading supplier. ✓✓
- Workers are often unaware of job opportunities. ✓✓

**Imperfect competition**

- In market economies, competition is often weakened by market power because power often lies to a greater extent with producers than with consumers. ✓✓
- Most businesses operate under conditions of imperfect competition that allows them to restrict output, raise prices and produce where price exceeds marginal cost. ✓✓
- Monopolies and oligopolies restrict supply in order to maximise profits and can also prevent new businesses from entering the industry. ✓✓
- Resources are under-allocated to the production of goods and services produced under conditions of imperfect competition. ✓✓
- The government may choose to do nothing about imperfect competition and trust that large profits will attract competitors to the market or it can regulate the market through competition policies. ✓✓

**(Accept any other correct relevant response)****(Allocate a maximum of 8 marks for the mere listing of facts/ examples) (Max. 26)**



**ADDITIONAL PART**

- South Africa possesses one of the world's most unequal distributions of wealth. ✓✓
- Transfers, social expenditures, and BBBEE were effectively utilised to decrease disparities established by apartheid. ✓✓
- The government has utilised wealth taxation sparingly/a wealth tax might lower wealth disparity while simultaneously generating extra revenue for the government. ✓✓
- The government did not succeed in fostering substantial inclusive economic growth. ✓✓
- The government effectively utilised education policies to generate opportunities for the underprivileged in acquiring credentials and achieving better wages. ✓✓
- In spite of certain positive actions, overall, the government proved to be ineffective in narrowing the wealth disparity as it keeps expanding. ✓✓

**(Accept any other correct relevant response)****(Allocate a maximum of 2 marks for the mere listing of facts/examples)** (Max. 10)**CONCLUSION**

The government has to be cautious in managing market failure, to ensure that it leads to the desired increase in economic growth, without negatively affecting the marginalised and the poor. ✓✓

**(Accept any other relevant higher order conclusion)**(Max. 2) **[40]****TOTAL SECTION C: 40****TOTAL: 150**