



education

Department:
Education
REPUBLIC OF SOUTH AFRICA

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

**ECONOMICS
NOVEMBER 2008**

MARKS: 300

TIME: 3 hours

This question paper consists of 18 pages.

INSTRUCTIONS AND INFORMATION

1. Answer SIX questions as follows:
 - SECTION A: COMPULSORY
 - SECTION B: Answer any THREE questions in the ANSWER BOOK.
 - SECTION C: Answer any TWO questions in the ANSWER BOOK.
2. Write the question number above each answer.
3. Number the answers according to the numbering system used in this question paper.
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.
7. Answer only the required number of questions. Additional answers will NOT be marked.
8. Use ONLY black or blue ink.
9. Non-programmable pocket calculators may be used.
10. Write neatly and legibly.

MARKS: 300**TIME: 180 MINUTES**

SECTION A: COMPULSORY	
QUESTION 1: 50 MARKS – 25 MINUTES	
Topic of this question: SHORT QUESTIONS	Learning outcomes covered: LO1 – LO4 (AS1 – AS4)
SECTION B: ANSWER ANY THREE QUESTIONS FROM THIS SECTION.	
QUESTION 2: 50 MARKS – 25 MINUTES	
Topic of this question: MACROECONOMICS	Learning outcome covered: LO1 (AS1 – AS4)
QUESTION 3: 50 MARKS – 25 MINUTES	
Topic of this question: MICROECONOMICS	Learning outcome covered: LO2 (AS1 – AS3)
QUESTION 4: 50 MARKS – 25 MINUTES	
Topic of this question: ECONOMIC PURSUITS	Learning outcome covered: LO3 (AS1 – AS4)
QUESTION 5: 50 MARKS – 25 MINUTES	
Topic of this question: CONTEMPORARY ECONOMIC ISSUES	Learning outcome covered: LO4 (AS1 – AS4)
QUESTION 6: 50 MARKS – 25 MINUTES	
Topic of this question: MACROECONOMICS AND CONTEMPORARY ECONOMIC ISSUES	Learning outcomes covered: LO1 (AS1 – AS4) LO4 (AS2)
SECTION C: ANSWER ANY TWO QUESTIONS FROM THIS SECTION.	
QUESTION 7: 50 MARKS – 40 MINUTES	
Topic of this question: MACROECONOMICS	Learning outcome covered: LO1 (AS1)
QUESTION 8: 50 MARKS – 40 MINUTES	
Topic of this question: MICROECONOMICS	Learning outcome covered: LO2 (AS1 + AS3)
QUESTION 9: 50 MARKS – 40 MINUTES	
Topic of this question: ECONOMIC PURSUITS	Learning outcome covered: LO3 (AS3)
QUESTION 10: 50 MARKS – 40 MINUTES	
Topic of this question: CONTEMPORARY ECONOMIC ISSUES	Learning outcome covered: LO4 (AS1)

SECTION A (COMPULSORY)**QUESTION 1**

- 1.1 Various options are provided as answers to the following questions. Choose the correct 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 new economic paradigm is embedded in ... policy/policies.
- A demand-side
 - B supply-side
 - C demand and supply-side
- 1.1.2 The government's medium-term expenditure framework (MTEF) provides an outline of income and expenditure for the next ... years.
- A four
 - B three
 - C two
- 1.1.3 If the rand/US dollar exchange rate changes from R6,80 to R7,00 to the dollar, then ...
- A imports will increase.
 - B the number of American tourists to SA will decrease.
 - C exports to the USA will increase.
- 1.1.4 Telkom is a typical example of ...
- A an oligopoly.
 - B a perfect market.
 - C a monopoly.
- 1.1.5 A condition where a market does not allocate resources to achieve the greatest possible consumer satisfaction is called ...
- A market power.
 - B market failure.
 - C market equilibrium.
- 1.1.6 The market strategy used by oligopolies to attract customers and increase their market share is called ...
- A price differentiation.
 - B free competition.
 - C limited competition.

- 1.1.7 The process whereby indigenous people are empowered in development is called ...
- A Skills Support Programme (SSP).
 - B Black Economic Empowerment (BEE).
 - C Industrial Development Zones (IDZ).
- 1.1.8 South Africa's agreement with the WTO is to ... trade.
- A liberalise
 - B rationalise
 - C nationalise
- 1.1.9 An indicator related to price changes is the ...
- A Consumer Price Index (CPI).
 - B Economically Active Population (EAP).
 - C Gross Domestic Product (GDP).
- 1.1.10 During periods of inflation people's real disposable income tends to ...
- A decrease.
 - B remain constant.
 - C increase.
- 1.1.11 One of the main reasons for the increase in international tourism to South Africa is ...
- A the appreciation of the rand.
 - B low tax rates.
 - C peaceful political transformation.
- 1.1.12 The state can play an important role in maintaining environmental sustainability through ...
- A quotas.
 - B taxation.
 - C externalities.
- (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.

social security grants; central bank; foreign exchange market; money market; capital market; deregulation; commercial bank; regulation

- 1.2.1 A market for short-term savings and loans
- 1.2.2 The removal of laws and other forms of government control
- 1.2.3 The most important source of income for the poor
- 1.2.4 The institution monetarists use to combat inflation
- 1.2.5 The market for international currencies (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	Economic development	A	the quantity demanded equals the quantity supplied
1.3.2	Normal profit for business	B	an increase in the capacity of the economy to produce more
1.3.3	CPIX	C	inflation rate excluding items from the CPI that have highly volatile prices
1.3.4	Short-term equilibrium	D	attracting infrastructure and businesses to underdeveloped areas
1.3.5	Core inflation	E	an increase in the standard of living of the population
1.3.6	Critical infrastructure programme	F	cash grants for projects that require new, expanded or improved infrastructure
1.3.7	Spatial development initiatives	G	marginal revenue = short-term marginal cost
1.3.8	Economic growth	H	inflation rate excluding mortgage bond interest rates
		I	average cost = average revenue (8 x 2) (16)

TOTAL SECTION A: [50]

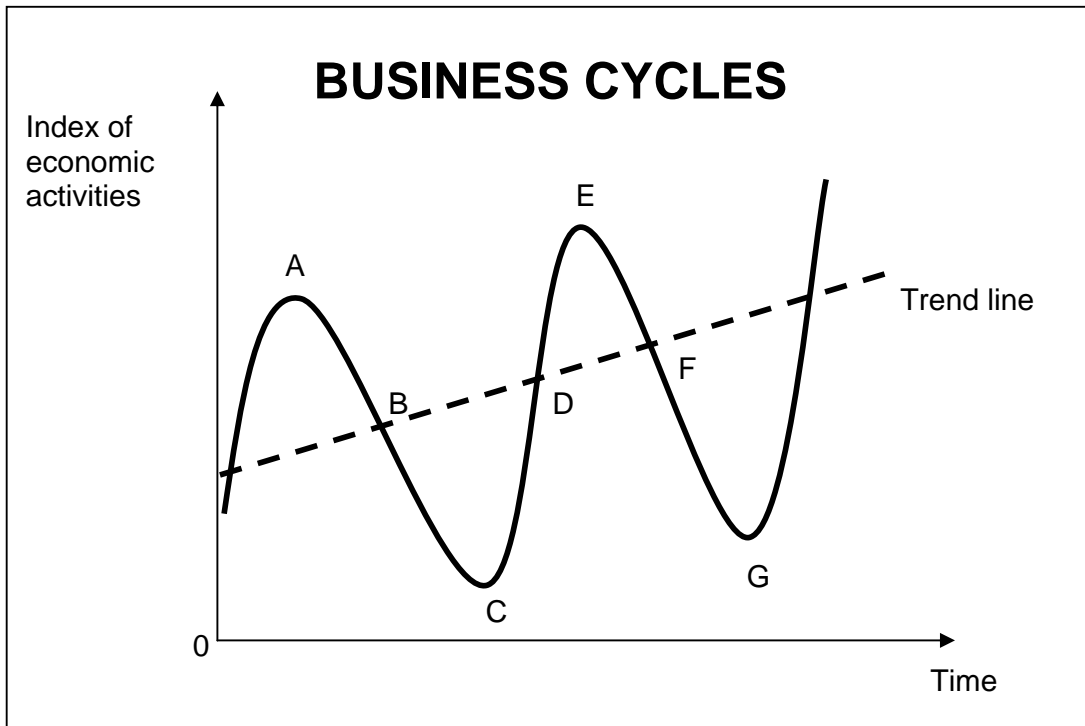
SECTION B

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

QUESTION 2

- 2.1 Choose the correct word(s) from those given in brackets.
- 2.1.1 Countries that experience fundamental balance of payments problems are usually assisted by the (World Bank/IMF).
- 2.1.2 The redistribution of income is essential in a (command/market) economy.
- 2.1.3 In economic forecasting, methods based on opinion and understanding are referred to as (quantitative/judgemental).
- 2.1.4 The output produced in South Africa by a French-owned company is part of South Africa's (GDI/GNI). (4 x 2) (8)
- 2.2 Name THREE types of foreign exchange rate systems. (3 x 2) (6)

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

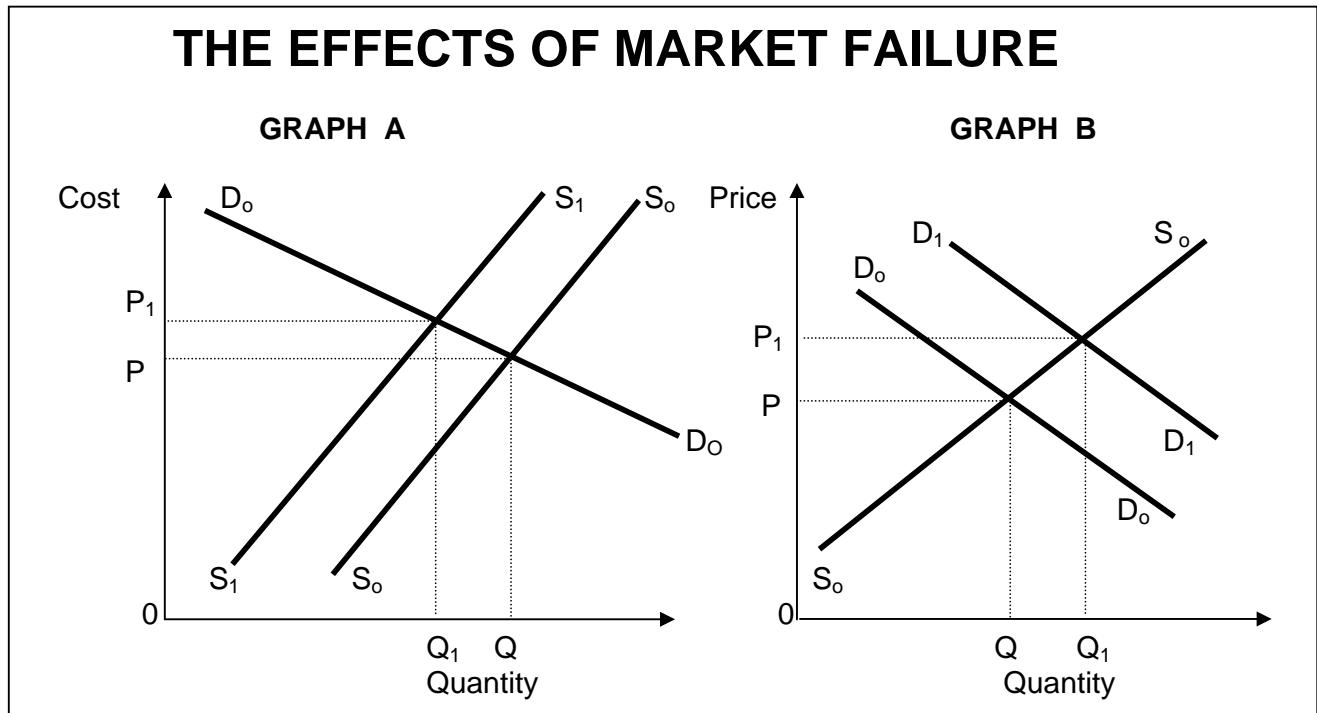


- 2.3.1 Define a *business cycle*. (3)
- 2.3.2 Identify the labels for the following periods in the business cycle as indicated in the above diagram:
- (a) Upswing or expansion
 (b) Length or duration of a cycle (2 x 3) (6)
- 2.3.3 At which point/phase in the above diagram will unemployment be at its highest? (2)
- 2.3.4 Name ONE exogenous factor that gives rise to business cycles. (3)
- 2.3.5 Explain how government can stimulate economic activity in an effort to smooth out cycles. (3)
- 2.3.6 Name the method of predicting future business cycles based on the patterns of previous ones. (3)
- 2.4 Explain the reasons for public sector failure. (4 x 4) (16)
- [50]**

QUESTION 3

- 3.1 Choose the correct word(s) from those given in brackets.
- 3.1.1 The main objective of the Competition (Commission/Tribunal) of South Africa is to investigate and evaluate restrictive business practices.
- 3.1.2 To enumerate and evaluate the total social cost and benefits associated with an economic project, a (feasibility study/cost-benefit analysis) should be done.
- 3.1.3 High development costs can be a possible reason for the existence of a/an (perfect/imperfect) market.
- 3.1.4 A monopolistic competitor is able to make (normal/economic) profit over the short and the long term. (4 x 2) (8)
- 3.2 With reference to oligopolies, list any THREE forms of non-price competition. (3 x 2) (6)

3.3 Study the graphs below and answer the questions that follow.



3.3.1 Define the concept *externality*. (3)

3.3.2 Which ONE of the above graphs indicates a negative externality? (3)

3.3.3 Give TWO examples of positive externalities. (6)

3.3.4 Which demand curve in GRAPH B represents the social benefit? (2)

3.3.5 Explain the impact of positive externalities on costs/prices and quantities of goods. Refer to the relevant graph above. (6)

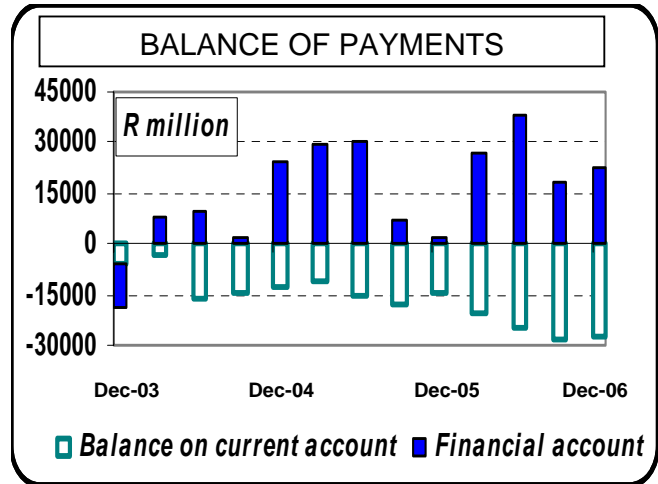
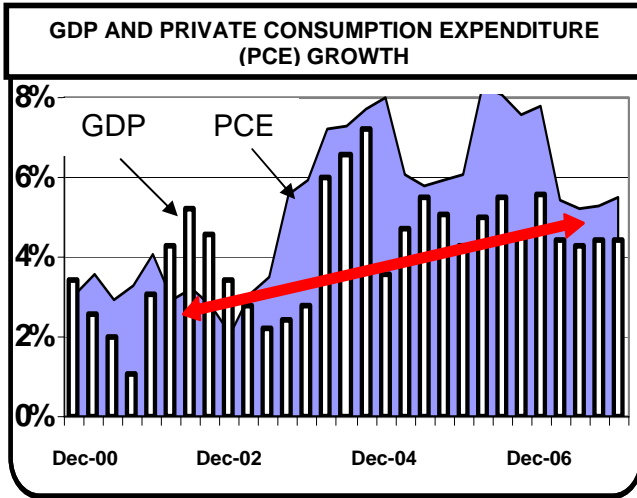
3.4 Discuss *collusion by oligopolies*. (4 x 4) (16)
[50]

QUESTION 4

- 4.1 Choose the correct word(s) from those given in brackets.
- 4.1.1 Decisions by central banks to influence interest rates are included in the (monetary/fiscal) policy.
- 4.1.2 Purpose-built industrial estates which are physically enclosed or linked to an airport, are called (IDZ/SDI).
- 4.1.3 South Africa is classified as a (developed/developing) country.
- 4.1.4 Economic boycotts lead to (forced/voluntary) import substitution. (4 x 2) (8)
- 4.2 List any THREE characteristics of developing countries. (3 x 2) (6)

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

South Africa in the process of change



[Source: US Business School, 2007]

- 4.3.1 Define the term *economic indicator*. (3)
 - 4.3.2 Which economic indicator can be used by the South African Reserve Bank to curb private consumption expenditure? (2)
 - 4.3.3 Name ONE institution in South Africa that publishes regular detailed data on some of the most important economic indicators. (2)
 - 4.3.4 From December 2002 to December 2006 a big difference between consumption and production occurred. What impact did this phenomenon have on imports? (3)
 - 4.3.5 The current account of the balance of payments shows a very strong resemblance (mirror image) to private consumption expenditure (PCE). Give a reason for this. (3)
 - 4.3.6 Which production-related economic indicator can be used to establish the performance of the economy in terms of growth? State any TWO uses of this indicator. (7)
- 4.4 Compare South Africa's growth policies in terms of international benchmarks. (4 x 4) [16]

[50]

QUESTION 5

- 5.1 Choose the correct word(s) from those given in brackets.
- 5.1.1 The policy tool used to control the inflation rate is known as inflation (hike/targeting).
- 5.1.2 Spending by international tourists can be regarded as (income/service) receipts.
- 5.1.3 During times of serious depression, such as the Great Depression of the 1930s, (hyperinflation/deflation) occurs.
- 5.1.4 Tourist taxes are mostly used as a source of (improving tourist facilities/revenue). (4 x 2) (8)
- 5.2 Name any THREE groups disadvantaged by inflation. (3 x 2) (6)

5.3 Study the information below and answer the questions that follow.

KEY TO ASGI-SA

'South Africa – are we cool or are we cool!' With these words, South African deputy president, Phumzile Mlambo-Ngcuka, officially opened Indaba 2006, Africa's premier tourism and travel expo, in Durban.

In her speech, Mlambo-Ngcuka emphasised tourism's potential to achieve the goals of Accelerated Shared Growth Initiative for South Africa, which are to boost economic growth to 6% by 2010 and halve poverty and unemployment by 2014.

However, the South African government is aware of the importance of an enabling environment for the tourism industry. This includes issues like political stability and a reliable, modern infrastructure. 'We are also working on an airlift strategy that will increase air slots in line with demand. Furthermore, we need an efficient and reliable visa regime. In our case, we are working towards a Southern African Development Community (SADC) uni-visa that will facilitate travel in all of the SADC countries.'

[Adapted from: *Indaba*, 8 May 2006

- 5.3.1 Which macroeconomic strategy of the government is closely linked to tourism? (3)
- 5.3.2 According to the above passage, which TWO factors would help to create an enabling environment for tourism? (4)
- 5.3.3 What is meant by *uni-visa*? (3)
- 5.3.4 Give THREE reasons for growth in the tourism industry in your own words. (6)
- 5.3.5 How does tourism benefit households and businesses? (4)
- 5.4 Discuss *pollution* in terms of environmental sustainability. (4 x 4) (16)
- [50]**

QUESTION 6

- 6.1 Choose the correct word(s) from those given in brackets.
- 6.1.1 Local capacity building among (indigenous/endogenous) people is a crucial aspect of sustaining the environment.
- 6.1.2 The natural resources of the world are destroyed because of (tourism/overconsumption).
- 6.1.3 Taxes on output or consumption, which are charged for the adverse effects on the environment are (excise / green) taxes.
- 6.1.4 The (Monetary Policy Committee/Minister of Finance) considers inflationary conditions to decide on suitable monetary policy actions. (4 x 2) (8)
- 6.2 List any THREE reasons for the existence of a public sector. (3 x 2) (6)

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

BALANCE OF PAYMENTS SOUTH AFRICA – AN EXTRACT		
		2006 (R millions)
1.	Current account	
1.1	Merchandise exports	398 532
1.2	Merchandise imports	476 545
1.3	Net gold exports	35 470
1.4	Service receipts	81 353
1.5	Payment for services	96 950
1.6	Income receipts	40 234
1.7	Income payments	75 990
1.8	Current transfers (net receipts)	- 18 494
	<i>Balance on current account</i>	?
2.	Financial account	
2.1	Direct investments	- 47 350
2.2	Portfolio investments	130 583
2.3	Other investments	19 278
	<i>Balance on the financial account</i>	102 511
	Unrecorded transactions	39 466

[Source: SARB Quarterly Bulletin, June 2006]

- 6.3.1 Define the term *balance of payments*. (3)
- 6.3.2 Name ONE other sub-account or component of the balance of payments. (3)
- 6.3.3 Name the item in the financial account which will contain shares bought by foreigners. (3)
- 6.3.4 Why is gold entered as a separate item on the current account and not as part of merchandise exports? (3)
- 6.3.5 Calculate the balance on the current account. (Show ALL calculations.) (8)
- 6.4 Use appropriate examples and explain how indigenous knowledge systems (IKS) will promote tourism in South Africa. (16)
- [50]**

TOTAL SECTION B: 150

SECTION C

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

- I. **Essay** responses must 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 and language usage.
 - A maximum of 40 marks will be allocated for the body.
- II. **Other** long responses:
- For the presentation of facts (cognitive context), 5 marks will be allocated.
 - In addition, 5 marks will be allocated for the interpretation of the topic and language usage.
 - A maximum of 40 marks will be allocated for the body.
- III. Long responses where a **letter** is required:
- 5 marks will be allocated for the format of the letter, as follows:
 - 3 marks for the salutation
 - 2 marks for the closing
 - 5 marks will be allocated for the interpretation of the topic and language usage.
 - A maximum of 40 marks will be allocated for the body.

QUESTION 7

An open economy circular flow model illustrates the economic interaction between the four participants.

Describe this interaction in detail with the aid of a diagram, which includes injections and withdrawals.

Conclude your answer by explaining how one individual's spending becomes another person's income (the multiplier effect). (max.10) **[50]**

QUESTION 8

'Markets are at the centre of economic activities and provide the dynamics for the performance of economies.'

Discuss perfect competition as a market structure with special reference to the definition and characteristics.

Conclude your discussion with reasons why you would not participate in the market under conditions of monopolistic competition. (max 10) **[50]**

QUESTION 9

'The opening up of foreign trade ... sometimes works a sort of industrial revolution in a country whose resources were previously underdeveloped.' (John Stuart Mill)

Discuss the arguments in favour of a policy of protection and critically evaluate the South African international trade policies and major protocols regarding free trade. **[50]**

QUESTION 10

'South Africans are getting stronger. Thirty years ago it took five people to carry fifty rands worth of groceries. Today a child can do it.' (Anonymous)

Write a business letter to the Governor of the Reserve Bank, explaining the causes and impact of inflation on the poorest of the poor. Suggest possible measures to combat inflation.

Address: South African Reserve Bank, PO Box 427, Pretoria, 0001 **[50]**

TOTAL SECTION C: 100

GRAND TOTAL: 300