



Province of the
EASTERN CAPE
EDUCATION

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

SEPTEMBER 2012

ECONOMICS

MARKS: 300

TIME: 3 hours



This question paper consists of 16 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 question.
3. Number the answers correctly 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 questions in full sentences and ensure that the format and content of your responses comply with the cognitive levels of the questions.
7. Write neatly and legibly.
8. Only the required number of questions will be marked in the order in which they appear in the ANSWER BOOK.

SECTION A (Compulsory)**QUESTION 1 (LO1 – LO4)**

1.1 Various possible options are provided as answers to the following questions. Choose the most correct answer and only write the letter (A, B or C) next to the corresponding question number (1.1.1 – 1.1.12) in the ANSWER BOOK.

- 1.1.1 Successive periods of increasing and decreasing economic activity is known as a/an ...
- A circular flow.
 - B economic cycle.
 - C business cycle. (2)
- 1.1.2 The three levels of the government together with the SOEs are collectively known as the ... sector.
- A private
 - B public
 - C primary (2)
- 1.1.3 The ratio between export prices and import prices expressed as an index is known as ...
- A terms of trade.
 - B balance of trade.
 - C surplus trade. (2)
- 1.1.4 Market price in a perfect competitive market is determined by the interaction between ...
- A consumers and buyers.
 - B demand and supply.
 - C producers and sellers. (2)
- 1.1.5 This is usually in the form of a financial assistance by the government in order to support production or a person.
- A Levy
 - B Tax
 - C Subsidy (2)
- 1.1.6 A monopolist will get ... in the long term.
- A economic profit
 - B economic loss
 - C normal profit (2)

- 1.1.7 Focused on the improvement of service delivery to the poor and human development.
- A BEE
 - B Asgisa
 - C RDP
- (2)
- 1.1.8 Aimed at attracting infrastructure and business investments to neglected and underdeveloped areas.
- A SDI
 - B IDZ
 - C IMS
- (2)
- 1.1.9 When there are no restrictions to trade such as taxes on goods or bans on imports, it is called ...
- A dumping.
 - B protectionism.
 - C free trade.
- (2)
- 1.1.10 A positive consequence of inflation is that it ...
- A improves the value of money.
 - B benefits debtors.
 - C benefits creditors.
- (2)
- 1.1.11 Tourists visiting natural areas that are undisturbed are called ...
- A cultural tourists.
 - B ecotourists.
 - C business tourists.
- (2)
- 1.1.12 Banned the commercial international trade in endangered species.
- A CITES
 - B UNFCCC
 - C MEA
- (2)
- (12 x 2) (24)

- 1.2 Choose a word from the following LIST that best describe the given statements. Only write the correct word next to the corresponding question number (1.2.1 – 1.2.5) in the ANSWER BOOK.

Managed floating; North-South divide; Real flow; Deflation;
Monopoly; Stagflation; Free floating; Oligopoly

- 1.2.1 Flow of factors of production from households to firms.
- 1.2.2 The system where the government influences the exchange rate.
- 1.2.3 Market system where few sellers dominate the market.
- 1.2.4 The division which exists between the developed and the developing countries.
- 1.2.5 A condition of low growth, high unemployment and high rates of inflation.

(5 x 2) (10)

- 1.3 Choose a description from COLUMN B that matches a concept in COLUMN A. Only write the correct letter (A to J) next to the corresponding question number (1.3.1 – 1.3.8) in the ANSWER BOOK.

	COLUMN A	COLUMN B
1.3.1	Taxes	A Removal of restrictive laws and regulations
1.3.2	Laffer curve	B Resource that can be replenished or replaced
1.3.3	MR = MC	C Direct or indirect compulsory payments to the government
1.3.4	Pollution	D Incentives to increase sales abroad
1.3.5	Deregulation	E A cause of cost-push inflation
1.3.6	Export promotion	F An example of a negative externality
1.3.7	Shrinkage	G Shows the demand for imports
1.3.8	Renewable resource	H Shows the relationship between tax revenue and tax rate
		I Profit maximisation
		J Resources that cannot be replaced

(8 x 2) (16)

TOTAL SECTION A: 50

SECTION B (Answer any THREE questions from this section.)**QUESTION 2 (LO1 AS1 – AS4)****(50 MARKS – 25 MIN)**

2.1 Answer the following questions appropriately.

Choose the most correct word from those given in brackets. Only write the word next to the corresponding question number (2.1.1 – 2.1.4) in the ANSWER BOOK.

2.1.1 The flow of factors of production in a circular flow is referred to as (real/money) flow.

2.1.2 Cycles that last for 50 years or longer are called (Kitchin/Kondratieff) cycles.

2.1.3 The (Auditor-General/Minister of Finance) reports to Parliament on the standard of the financial management by various government departments.

2.1.4 A depreciation of the rand causes a/an (decrease/increase) in imports. (4 x 2) (8)

2.2 List the THREE types of exchange rate systems. (3 x 2) (6)

2.3 **DATA RESPONSE**

Study the following extract and answer the questions that follow.

Keynesian economists believe that a change in total spending (including consumption, investment and government spending and spending on imports) has a multiplied impact on income. They also believe that we can calculate the extend of the resulting change in income using the multiplier.

[Adapted from *OBE for FET Economics*]

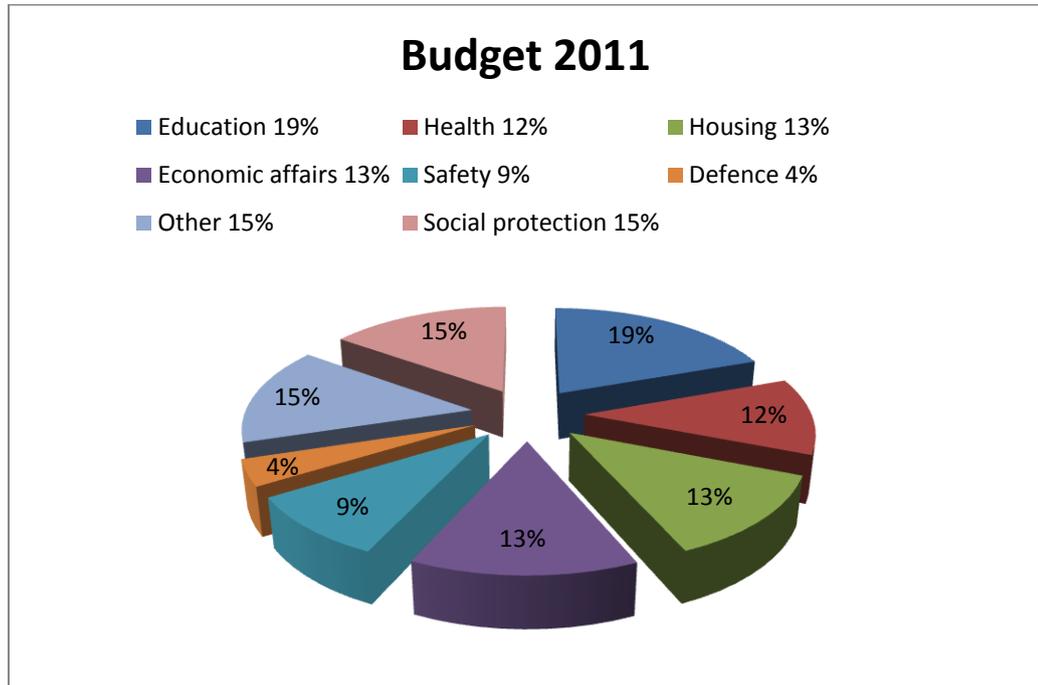
2.3.1 Define the term, 'multiplier'. (2)

2.3.2 Describe the relationship between mpc and multiplier. (2)

2.3.3 Calculate the multiplier effect of an injection of R1 billion into the economy. Assume that $mpc = 0,6$. (Show all calculations.) (6)

2.4 DATA RESPONSE

Study the following pie chart and answer the questions that follow.



- 2.4.1 Define the concept, 'Medium Term Expenditure Framework'. (2)
- 2.4.2 Which department received the highest allocation of the budget? (2)
- 2.4.3 Mention the aims of the Medium-Term Budget Policy Statement. (4)
- 2.4.4 Name the South African Minister of Finance. (2)
- 2.5 Discuss 'extrapolation' as a feature underpinning forecasting. (8)
- 2.6 Briefly explain the 'flows' in a circular flow. (8)

[50]

QUESTION 3 (LO2 AS1 – AS3)**(50 MARKS – 25 MIN)**

3.1 Answer the following questions appropriately.

Choose the most correct word from those given in brackets. Only write the word next to the question number (3.1.1 – 3.1.4) in the ANSWER BOOK.

3.1.1 There is no government intervention in a (perfect/oligopoly) market.

3.1.2 Private benefits are also known as (external/internal) benefits.

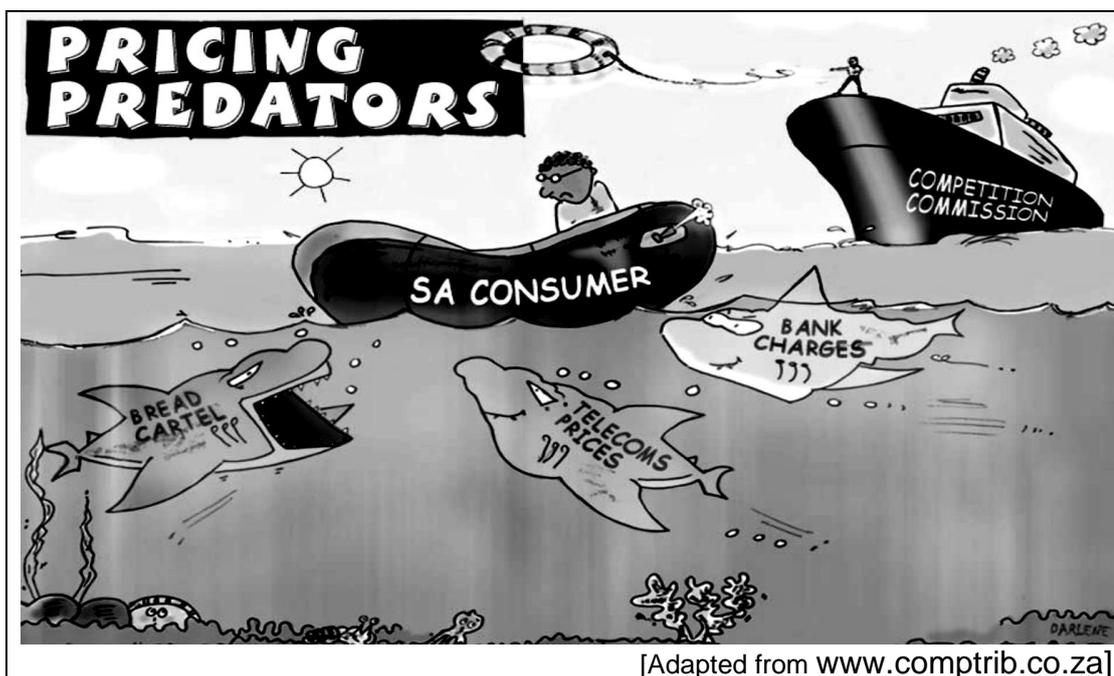
3.1.3 The legal right obtained by a patent holder for the exclusive manufacturing of a product is an example of a/an (natural/artificial) monopoly.

3.1.4 Sellers in an oligopoly market are (independent/dependent) on each other's actions. (4 x 2) (8)

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

3.3 DATA RESPONSE

Study the cartoon below and answer the questions that follow.



3.3.1 According to the above cartoon, what is the role of the Competition Commission? (2)

3.3.2 Mention any TWO aims of a competition policy. (4)

3.3.3 List any TWO institutions established by the Competitions Act. (4)

3.4 DATA RESPONSE

Study the extract below and answer the questions that follow.

Chris Rock once said,

“We don’t need gun control, we need bullet control. I think a bullet should cost R5 000, because if a bullet cost R5 000 there would be no more innocent bystanders.”

Chris Rock may not have had market failure in mind when he made this statement, but he unknowingly established a perfect example of a case in which the over-consumption of a particular good result in spillover costs on third parties not involved in the original transaction (the “innocent bystanders”). In economics, this is known as a negative externality of consumption, and is considered a market failure because without some kind of government intervention, too much of the harmful goods will be produced and consumed: in this case, too many bullets are consumed causing harm to society.

[Adapted from *welkerswikinomics.com*]

- 3.4.1 Define the concept, ‘market failure’. (2)
- 3.4.2 State any THREE causes of market failure. (6)
- 3.4.3 Give another term for ‘spillover effects’. (2)
- 3.5 Briefly explain the ‘shut-down point’ in a perfectly competitive market. (8)
- 3.6 Discuss ‘product differentiation’ as a characteristic of monopolistic competition. (8)

[50]

QUESTION 4 (LO3 AS1 – AS4)**(50 MARKS – 25 MIN)**

4.1 Answer the following questions appropriately.

Choose the most correct word from those given in brackets. Only write the word next to the question number (4.1.1 – 4.1.4) in the ANSWER BOOK.

- 4.1.1 Per capita real GDP is used to measure the economic (growth/development) in a country.
- 4.1.2 A purpose-built industrial estate which are physically enclosed and linked to an airport or an international port is known as a/an (IDZ/SDI).
- 4.1.3 Tariffs calculated as a percentage of the value of imported goods are called (advalorem/specific) tariffs.
- 4.1.4 To establish the performance of the economy (economic/social) indicators are used. (4 x 2) (8)

4.2. List any THREE examples of cash benefits to ensure redistribution of income. (3 x 2) (6)

4.3 **DATA RESPONSE**

Read the following extract and answer the following questions.

As early as the 1920s, there were deliberate attempts by the South African government to put policies in place to encourage industrialisation through import replacement. To promote South African industries were further strengthened with the establishment of the IDC in 1940. Iscor, Sasol and Armscor were all established to encourage import substitution.

[Adapted from, *'Economics for all'*]

- 4.3.1 Define the term 'import substitution'. (2)
- 4.3.2 What does the acronym IDC stands for? (2)
- 4.3.3 List ONE enterprise that was established (according to the extract) to produce goods locally. (2)
- 4.3.4 Mention TWO aims of import substitution. (4)

4.4 DATA RESPONSE

Study the following extract and answer the questions that follow.

**State of the Eastern Cape:
Population Dynamics and the Poverty Trap
Health and Mortality**

The Eastern Cape province lags behind other parts of the country in a number of critical and objective health indicators. Although the rates of infant mortality (65 per thousand in 1996 to an estimated level of 57 per thousand in 2010) and the child mortality (88 per thousand in 1996 to a projected 86 per thousand in 2010) have declined, they remain among the highest in the country. Life expectancy rates have increased from 49,4 years in 2001 – 2006 to 54,8 in 2006 – 2010, with these rates being slightly higher for women.

[Adapted from www.ngopulse.org]

- 4.4.1 Define the term, 'infant mortality'. (2)
- 4.4.2 List any TWO services that can improve the lifestyles of people. (4)
- 4.4.3 Mention TWO indicators that are used to monitor the health of the population. (4)
- 4.5 Discuss any TWO monetary policy instruments used as a South African approach for growth and development. (8)
- 4.6 Briefly explain 'Skills Support Programme' as an incentive offered by the DTI. (8)

[50]

QUESTION 5 (LO4 AS1 – 3)**(50 MARKS – 25 MIN)**

5.1 Answer the following questions appropriately.

Choose the most correct word from those given in brackets. Only write the word next to the corresponding letter (5.1.1 – 5.1.4) in the ANSWER BOOK.

5.1.1 Changes in the general price levels are measured by means of (price indexes/exchange rates).

5.1.2 The unadjusted CPI inflation is also known as (headline/core) inflation.

5.1.3 Adequate and well maintained (physical/social) infrastructure is essential for tourist destination areas.

5.1.4 The sustainable use and management of natural resources is referred to as (conservation/preservation) (4 x 2) (8)

5.2 List any THREE reasons for the growth of worldwide tourism. (3 x 2) (6)

5.3 **DATA RESPONSE**

Read the following extract and answer the following questions.

While the official inflation target applies to consumer prices, it is important that most recently both consumer price and producer price inflation have fallen within the inflation target range of between 3 and 6%.

Domestic consumer price inflation continued to decrease during 2010 within an environment of relatively subdued local demand and an appreciation in the external value of the rand throughout the year. Consumer price inflation accordingly slowed from an annual average of 7,1% in 2009 to 4,3% in 2010. Conversely, headline producer price inflation (which relates to domestic output prices) accelerated from 0% in 2009 to an annual average rate of 6% in 2010.

[Adapted from *SARB Quarterly Bulletin*, March 2011]

5.3.1 Differentiate between 'Consumer Price Index' and 'Producer Price Index'. (4)

5.3.2 According to the extract, what are the TWO reasons for the decrease in the consumer price inflation? (4)

5.3.3 State the producer price inflation in 2010. (2)

5.4 DATA RESPONSE

Read the following extract and answer the following questions.

Recycling

Recycling has a variety of economic impacts. For the companies that buy used goods, recycle them and resell new products, recycling is the source of all their income. For cities in densely populated areas that have to pay by the ton for their landfill usage, recycling can save millions of rand from municipal budgets. The recycling industry can have an even broader impact. Economic analysis shows that recycling can generate three times as much revenue per ton as landfills and almost six times as many jobs.

[Adapted from howstuffworks.com]

- 5.4.1 Define the term 'environmental sustainability'. (2)
- 5.4.2 According to the extract, mention THREE advantages of recycling. (3 x 2) (6)
- 5.4.3 Mention any ONE (other than in QUESTION 5.5) policy of public sector intervention with regard to environmental sustainability. (2)
- 5.5 Briefly describe 'inflation' as an economic concept. (8)
- 5.6 Discuss 'granting property rights' as a policy of public sector intervention with regards to environmental sustainability. (8)

[50]

QUESTION 6 (LO1 and LO2)**(50 MARKS – 25 MIN)**

6.1 Answer the following questions appropriately.

Choose the most correct word from those given in brackets. Only write the word next to the corresponding letter (6.1.1. – 6.1.4.) in the ANSWER BOOK.

6.1.1 Taxes paid to the government represents a/an (leakage/injection) from/into the circular flow.

6.1.2 When the government sells more than 50% of the shares of state owned enterprises, it is known as (nationalisation/privatisation).

6.1.3 Collusion between sellers does not occur in (perfect competition/oligopoly).

6.1.4 In a free market economy (demerit/merit) goods are over consumed.

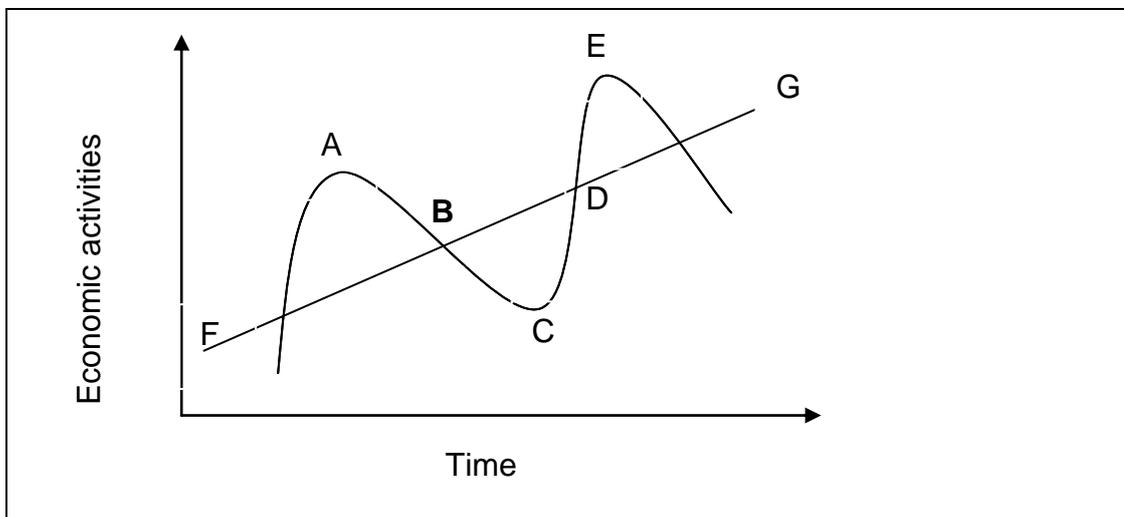
(4 x 2) (8)

6.2 List the THREE government approaches to reduce the impact of negative externalities.

(3 x 2) (6)

6.3 DATA RESPONSE

Study the following graph and answer the questions that follow.



6.3.1 Name the above graph.

(2)

6.3.2 Which TWO stages are represented from B to C and D to E in the above graph?

(4)

6.3.3 What does the line FG represent?

(2)

6.3.4 Define the term 'extrapolation'.

(2)

6.4 DATA RESPONSE

Study the following extract and answer the questions that follow.

The Competition Tribunal has imposed a R195-million penalty on JSE-listed Pioneer Foods for its role in a bread cartel

The cartel involved the Tiger (Albany), Premier (Blue Ribbon), Food Corp (Sunbake) and Pioneer (Sasko and Duens) bakeries.

[Adapted from, *Mail&Guardian*, 3 February 2011]

- 6.4.1 Define the term 'cartel'. (2)
- 6.4.2 What type of a market structure does the above cartel belong to? (2)
- 6.4.3 Mention TWO advantages of collusion. (2 x 2) (4)
- 6.4.4 Give an example of an international cartel. (2)
- 6.5 Briefly explain any TWO demand reasons for international trade. (2 x 4) (8)
- 6.6 Discuss the rationale of 'cost-benefit analysis'. (8)

[50]

TOTAL SECTION B: 150

SECTION C (Answer any TWO questions from this section.)

Essay responses:

- Should include an introduction, body and conclusion.
- 5 marks will be awarded for the introduction and conclusion.
- In addition, 5 marks will be awarded for the interpretation of the topic.
- A maximum of 40 marks will be allocated for the body.

QUESTION 7 (LO1 AS3)**ESSAY RESPONSE**

Discuss the objectives of the public sector and conclude your discussion by explaining the effects of fiscal policy.

[50]**QUESTION 8 (LO2 AS2)****FORMAL LETTER**

How do governments come to grips with market failures? Do they merely pretend that it does do not happen? Or do they take action? Yes, they take action ...

[Adapted from *Enjoy Economics*]

Write a formal letter to the Minister of Local Government explaining government intervention as an effect/consequence of market failures.

[50]**QUESTION 9 (LO3 AS4)****ESSAY RESPONSE**

Write a detailed essay on the economic indicators under the headings: Production, Employment and Price changes.

[50]**QUESTION 10 (LO4 AS2)****ESSAY RESPONSE**

'The advantages of tourism are not evenly distributed over all the provinces.'

Analyse the policy suggestions to promote tourism in South Africa.

[50]**TOTAL SECTION C: 100****GRAND TOTAL: 300**