

Province of the

**EASTERN CAPE**

EDUCATION

**NATIONAL**

**SENIOR CERTIFICATE**

**GRADE 11**

**NOVEMBER 2010**

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| **ECONOMICS**  **MEMORANDUM** |

**MARKS: 300**

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| This memorandum consists of 23 pages. |

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| **SECTION A** | | | |  |
|  | | | |  |
| **QUESTION 1 (LO1 – LO4)** | | | |  |
|  | | | |  |
| 1.1 |  | | |  |
| **LO1** | 1.1.1 | B ✓✓ | Entrepreneur |  |
|  | 1.1.2 | A ✓✓ | gross national product |  |
|  | 1.1.3 | B ✓✓ | centrally planned economy |  |
| **LO2** | 1.1.4 | B ✓✓ | relative |  |
|  | 1.1.5 | C ✓✓ | marginal |  |
|  | 1.1.6 | B ✓✓ | utility |  |
| **LO3** | 1.1.7 | B ✓✓ | Wealth |  |
|  | 1.1.8 | B ✓✓ | 3% − 6% |  |
|  | 1.1.9 | B ✓✓ | 14 |  |
| **LO4** | 1.1.10 | C ✓✓ | rural |  |
|  | 1.1.11 | A ✓✓ | trade liberalisation |  |
|  | 1.1.12 | B ✓✓ | environment (12 x 2) | (24) |
|  |  |  |  |  |
| 1.2 | 1.2.1 | Intermediate goods ✓✓ | |  |
|  | 1.2.2 | Microeconomics ✓✓ | |  |
|  | 1.2.3 | Developed countries✓✓ | |  |
|  | 1.2.4 | Relative poverty ✓✓ | |  |
|  | 1.2.5 | Primary sector ✓✓ (5 x 2) | | (10) |
|  |  |  | |  |
| 1.3 | 1.3.1 | E ✓✓ | |  |
|  | 1.3.2 | D ✓✓ | |  |
|  | 1.3.3 | F ✓✓ | |  |
|  | 1.3.4 | A ✓✓ | |  |
|  | 1.3.5 | H ✓✓ | |  |
|  | 1.3.6 | J ✓✓ | |  |
|  | 1.3.7 | B ✓✓ | |  |
|  | 1.3.8 | C ✓✓ (8 x 2) | | (16) |
|  |  |  | |  |
|  |  | **SECTION A:** | | **50** |

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| **SECTION B (Answer any THREE questions from this section.)** | | | |  | |
|  |  | | |  | |
| **QUESTION 2 (LO1)** | | | |  | |
|  |  | | |  | |
| 2.1 | 2.1.1 | monopoly ✓✓ | |  | |
|  | 2.1.2 | exports ✓✓ | |  | |
|  | 2.1.3 | unemployed ✓✓ | |  | |
|  | 2.1.4 | centrally planned economy ✓✓ (4 x 2) | | (8) | |
|  |  |  | |  | |
| 2.2 | **THREE primary sector economic activities** | | | |  |
|  | * Agriculture ✓✓ * Forestry ✓✓ * Fishing ✓✓ * Quarrying ✓✓ * Mining, etc ✓✓ (Any 3 x 2) | | | | (6) |
|  |  | | | |  |
| 2.3 | **DATA RESPONSE** | | | |  |
|  |  | | | |  |
|  | 2.3.1 | | Consumption expenditure by government consists of:   * Wages and salaries of employees ✓ * Purchases of non-capital goods and services ✓ * The value of capital consumption ✓ * Minus net receipts from sales. ✓ | | (4) |
|  |  | |  | |  |
|  | 2.3.2 | | Gross Domestic Expenditure (R1 795Bn) ✓  Plus Exports (R398Bn) ✓  Minus Imports (R366Bn) ✓  = R1 827Bn ✓ | | (4) |
|  |  | |  | |  |
|  | 2.3.3 | | C ✓✓ | | (2) |
|  |  | | | |  |
| 2.4 | **DATA RESPONSE** | | | |  |
|  |  | | | |  |
|  | 2.4.1 | | ⮚ Primary sector ✓✓  ⮚ Secondary sector ✓✓  ⮚ Tertiary sector ✓✓ (3 x 2) | | (6) |
|  |  | |  | |  |
|  | 2.4.2 | | Primary sector ✓✓ | | (2) |
|  |  | |  | |  |
|  | 2.4.3 | | ⮚ Communication ✓✓  ⮚ Transport ✓✓  ⮚ Energy ✓✓ (Any relevant example) (1 x 2) | | (2) |

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| 2.5 | **Briefly discuss TWO characteristics of natural resources.** | |  |
|  |  | |  |
|  | 1. | **Supply is fixed/scarce** ✓✓   * The supply of natural resources is fixed, it cannot be restored ✓✓ |  |
|  | 2. | **They are the free gifts of nature** ✓✓   * Are provided freely by nature ✓✓ * Producers must use capital and labour to extract it ✓✓ |  |
|  | 3. | **They have to be transformed** ✓✓   * Natural resources cannot satisfy our wants in their natural state ✓✓ * Producers have to change them to other useful things before they   can satisfy our wants ✓✓ |  |
|  | 4. | **They are exhaustible and destructible** ✓✓   * Mineral resources are used up when they are mined ✓✓ * They are non-renewable resources ✓✓ |  |
|  | 5. | **Uneven distribution** ✓✓   * Natural resources are unevenly distributed ✓✓ * Some countries are rich with resources and other are not ✓✓   (2 x (2 + 2) | (8) |
|  |  |  |  |
| 2.6 | **Briefly explain any TWO advantages of a free market economy.** | |  |
|  |  | |  |
|  | 1. | **It works automatically** ✓✓   * The decisions of what to produce will be decided by the preferences  of the consumers ✓✓ * Problems in the economy are solved automatically through the   motivation of private enterprises ✓✓ |  |
|  | 2. | **Choice** ✓✓   * Consumers have a wide range of choices ✓✓ * Enterprises compete with each other to produce a variety of   goods ✓✓ |  |
|  | 3. | **Innovation** ✓✓   * Market economies have strong incentives to innovate and produce  high quality goods ✓✓ * Efficient enterprises will drive the inefficient ones out of   business ✓✓ |  |
|  | 4. | **Economic growth** ✓✓   * If government provides optimal economic conditions, continuous   economic growth is possible ✓✓ |  |
|  | 5. | **Distribution of income and wealth** ✓✓   * Resources are allocated to those with buying power ✓✓ |  |
|  | 6. | **Risk** ✓✓   * Individuals take great care to reduce economic risk ✓✓ * Consumers can take insurance to overcome all the risks ✓✓   (2 x (2 + 2) | (8) |

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| **QUESTION 3 (LO2)** | | | |  |
|  |  | | |  |
| 3.1 | 3.1.1 | | direct ✓✓ |  |
|  | 3.1.2 | | marginal ✓✓ |  |
|  | 3.1.3 | | luxury goods ✓✓ |  |
|  | 3.1.4 | | jointly ✓✓ (4 x 2) | (8) |
|  |  | |  |  |
| 3.2 | **THREE characteristics of an oligopoly.** | | |  |
|  | * Small number of dominant producers ✓✓ * Pricing decisions are interdependent ✓✓ * Produce identical or highly differentiated products ✓✓ * Entry in to the market is difficult/Barriers ✓✓ (3 x 2) | | | (6) |
|  |  | | |  |
| 3.3 | **DATA RESPONSE** | | |  |
|  |  | | |  |
|  | 3.3.1 | | * **Fixed costs** are costs that do not vary with the level of output ✓✓ * **Variable costs** are cost that change with the level of output ✓✓ | (4) |
|  |  | |  |  |
|  | 3.3.2 | | * Average Fixed cost (A) = R50 ✓✓ * Marginal cost (B) = R10 ✓✓ | (4) |
|  |  | |  |  |
|  | 3.3.3 | | The cost of producing an additional/extra unit ✓✓ | (2) |
|  |  | | |  |
| 3.4 | **DATA RESPONSE** | | |  |
|  |  | | |  |
|  | 3.4.1 | | To make profit ✓✓ | (2) |
|  |  | |  |  |
|  | 3.4.2 | | * **Economic profit** is the difference between total revenue and  cost plus all explicit costs. /It is the profit above normal  profit. ✓✓✓ * **Normal profit** is the profit that remains after the economic  profit has been eliminated. /It is the minimum earnings that will  prevent the entrepreneur from leaving. ✓✓ ✓ | (6) |
|  |  | |  |  |
|  | 3.4.3 | | Costs that remain the same irrespective of output produced. ✓✓ | (2) |
|  |  | |  |  |
| 3.5 | **TWO** **factors determining the elasticity of supply of a product.** | | |  |
|  |  | | |  |
|  | 1. | **The degree of spare capacity in the industry** ✓✓   * If an industry is operating below full capacity, supply will be  elastic ✓✓ * The industry can expand production with ease ✓✓ | |  |
|  | 2. | **The level of employment** ✓✓   * Under full employment, supply will be inelastic ✓✓ | |  |

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|  | 3. | **The ability to store the product** ✓✓   * Supply will be elastic, if the product can be stored easily ✓✓ * Supply can be changed depending on the demand for it ✓✓ |  |
|  | 4. | **The industrial nature of the product** ✓✓   * The supply of agricultural products in the short run will be   Inelastic ✓✓ * The supply of mining products will also be inelastic ✓✓ * The supply of manufactured goods will be more elastic ✓✓ |  |
|  | 5. | **Time** ✓✓   * In the immediate period supply will be inelastic ✓✓ * In the short period, supply will be more elastic ✓✓ * In the long run, supply will be perfectly elastic ✓✓ (Any 2 x (2 + 2) | (8) |
|  |  |  |  |
| 3.6 | **Explain TWO characteristics of a perfect market.** | |  |
|  |  | |  |
|  | 1. | **Many sellers/producers** ✓✓   * A single producer is not large enough to affect the price ✓✓ * Producers are price takers ✓✓ |  |
|  | 2. | **Many buyers/consumers** ✓✓   * A single buyer is not powerful enough to affect the market price ✓✓ |  |
|  | 3. | **Products are homogeneous / identical** ✓✓   * Products sold by one producer is identical to another one ✓✓ |  |
|  | 4. | **No collusion between sellers** ✓✓   * Each seller acts independently ✓✓ |  |
|  | 5. | **Freedom of entry and exit** ✓✓   * Entry and exit costs are minimal ✓✓ * There are no barriers to entry or exit ✓✓ |  |
|  | 6. | **No government intervention** ✓✓   * There is no influence from the government on the buyers or   sellers ✓✓ |  |
|  | 7. | **Factors of production should be mobile** ✓✓   * Factors of production should be able to move freely from one   market to another ✓✓ |  |
|  | 8. | **Complete knowledge** ✓✓   * Consumers and producers are fully knowledgeable about prices   charged by different producers ✓✓ * Consumers are totally indifferent as to which producer they buy   from ✓✓ (Any 2 x (2 + 2) | (8) |
|  |  |  | **[50]** |

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| **QUESTION 4 (LO3)** | | |  |
|  |  | |  |
| 4.1 | 4.1.1 | Lorenz ✓✓ |  |
|  | 4.1.2 | progressive ✓✓ |  |
|  | 4.1.3 | developing ✓✓ |  |
|  | 4.1.4 | PPI ✓✓ (4 x 2) | (8) |
|  |  |  |  |
| 4.2 | **THREE factors used to improve human resources.** | |  |
|  | * Education and training ✓✓ * Health of workers ✓✓ * Population planning ✓✓ * Motivation ✓✓ (Any 3 x 2) | | (6) |
|  |  | |  |
| 4.3 | **DATA RESPONSE** | |  |
|  |  | |  |
|  | 4.3.1 | To formulate and implement the monetary policy of the country✓✓ | (2) |
|  |  |  |  |
|  | 4.3.2 | * taking deposits ✓✓ * making loans ✓✓ (2 x 2) | (4) |
|  |  |  |  |
|  | 4.3.3 | * Cheques ✓✓ * Debit cards/Bank transaction cards ✓✓ * Credit cards/Consumer cards ✓✓ * Electronic money/e-money ✓✓ * Money orders ✓✓ * Postal orders ✓✓ (Any 2 x 2) | (4) |
|  |  | |  |
| 4.4 | **DATA RESPONSE** | |  |
|  |  | |  |
|  | 4.4.1 | * Developed/rich countries/1st world countries ✓✓ * Less developed/developing/poor/3rd world countries ✓✓ | (4) |
|  |  |  |  |
|  | 4.4.2 | The increase in the production of goods and services which is measured in terms of real GDP. ✓✓ | (2) |
|  |  |  |  |
|  | 4.4.3 | * Low standard of living/Low per capita income/More poverty ✓✓ * Low growth of per capita income/Greater unequal distribution   of income ✓✓ * Low life expectancy ✓✓ * Low levels of education ✓✓ * Low levels of production ✓✓ * High population growth and dependency burdens ✓✓ * High levels of unemployment ✓✓ * High dependence on the primary sector ✓✓ * Deficient infrastructure ✓✓ (Any 2 x 2) | (4) |

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| 4.5 | **Briefly explain any TWO forms of economic integration.** | |  |
|  |  | |  |
|  | 1. | **Free Trade Area** ✓✓   * A group of countries with no restriction to trade between   themselves ✓✓ * But they are allowed to restrict trade from non-members ✓✓ |  |
|  | 2. | **Customs Union** ✓✓   * Member countries are free to trade with each other ✓✓ * But they have to charge a common tariff from non-members ✓✓ |  |
|  | 3. | **Common Market** ✓✓   * In addition to free trade between member countries, free   movement of factors of production is also allowed ✓✓ |  |
|  | 4. | **Economic Union** ✓✓   * Free movement of goods and factors of production ✓✓ * Members must adopt common economic policies ✓✓ |  |
|  | 5. | **Monetary Union** ✓✓   * Have common monetary unit or currency ✓✓ * Have a common foreign exchange reserve ✓✓ (Any 2 x (2 + 2) | (8) |
|  |  |  |  |
| 4.6 | **Briefly explain any TWO reasons for bank failures.** | |  |
|  |  | |  |
|  | 1. | **Credit risk** ✓✓   * Lending money is the business of the banks ✓✓ * Sometimes it is risky to get the money back from borrowers ✓✓ * It can lead to a run on the bank ✓✓ |  |
|  | 2. | **Liquidity risk** ✓✓   * Banks borrow over short periods and lend over long periods ✓✓ * If big deposit holders withdraw large amounts of money, it can   also lead to a run on the bank ✓✓ |  |
|  | 3. | **Interest rate risk** ✓✓   * Unexpected changes in the interest rates can create problems   for the bank ✓✓ |  |
|  | 4. | **Investment risk** ✓✓   * Banks invest some of their money in assets like properties ✓✓ * But if the value of these decreases, it causes problems ✓✓ |  |
|  | 5. | **Capital risk** ✓✓   * If bank’s capital ratio decreases, some shareholders may sell   their shares ✓✓ * If banks are issuing new shares to raise capital, some   shareholders will feel uneasy and sell their shares ✓✓(Any 2 x (2 + 2) | (8) |
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| **QUESTION 5 (LO4)** | | |  |
|  |  | |  |
| 5.1 | 5.1.1 | unemployment ✓✓ |  |
|  | 5.1.2 | RDP✓✓ |  |
|  | 5.1.3 | absolute ✓✓ |  |
|  | 5.1.4 | non-renewable ✓✓ (4 x 2) | (8) |
|  |  |  |  |
| 5.2 | **THREE absolute and comparative advantages of globalisation.** | |  |
|  | * More employment ✓✓ * Increased standard of living ✓✓ * Reduced isolation ✓✓ * More human development ✓✓ * Economic growth ✓✓ * Global citizens ✓✓ (Any 3 x 2) | | (6) |
|  |  | |  |
| 5.3 | **DATA RESPONSE** | |  |
|  |  | |  |
| 5.3 | 5.3.1 | The processing of used material into new products. ✓✓ | (2) |
|  |  |  |  |
|  | 5.3.2 | * To prevent the wastage of potentially useful materials ✓✓ * To reduce the consumption of original materials ✓✓ * To reduce energy use ✓✓ * To reduce air and water pollution ✓✓ * To lower greenhouse gas emissions ✓✓ (Any 3 x 2) | (6) |
|  |  |  |  |
|  | 5.3.3 | Glass; paper; metal; plastic; textiles; electronics ✓✓ (Any 1 x 2) | (2) |
|  |  | |  |
| 5.4 | **DATA RESPONSE** | |  |
|  |  | |  |
|  | 5.4.1 | * **Absolute poverty** refers to a condition of not having the means   to afford basic human needs. ✓✓ * **Relative poverty** refers to a condition of having fewer   resources or less income than others within in the   community. ✓✓ | (4) |
|  |  |  |  |
|  | 5.4.2 | * Provision of free clean water ✓✓ * Sanitation ✓✓ * Free electricity ✓✓ * Refuse removal ✓✓ * Food schemes ✓✓ * Health care ✓✓ (Any 3 x 2) | (6) |

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| 5.5 | **Briefly explain *‘renewable resources’*.** | |  |
|  | * It is resources that can be replenished or reproduced ✓✓ * These are resources such as land, flora and fauna, animals etc. ✓✓ * It may become exhausted if they are not managed in a sustainable manner ✓✓ * There is also the challenge to use renewable resources instead of non-renewable resources ✓✓ (4 x 2) | | (8) |
|  |  | |  |
| 5.6 | **Briefly explain *‘General Agreement on Tariff and Trade’* and *‘Free Trade Areas’* as reasons for trade liberalisation.** | |  |
|  | **General Agreement on Tariff and Trade**   * The liberalisation of trade started with the establishment of   GATT by the UN ✓✓ * The GATT members negotiated a gradual removal of international trade   restrictions ✓✓ * They also introduced methods to increase participation and volume of   trade ✓✓ (Any 2 x 2) | | (4) |
|  |  | |  |
|  | **Free Trade Areas** | |  |
|  | * Member countries remove all barriers among themselves. ✓✓ * Member countries can use its own trade barriers against the rest of the  world * Free trade areas increased the volume of trade because countries can   specialise in the products they produce they produce the cheapest ✓✓ (Any 2 x 2) | | (4) |
|  |  | | **[50]** |
|  |  | |  |
| **QUESTION 6 (LO2 and LO4)** | | |  |
|  |  | |  |
| 6.1 | 6.1.1 | increase ✓✓ |  |
|  | 6.1.2 | variable ✓✓ |  |
|  | 6.1.3 | local ✓✓ |  |
|  | 6.1.4 | greenhouse ✓✓ (4 x 2) | (8) |
|  |  |  |  |
| 6.2 | **THREE factors that determine the degree of price elasticity of demand for a product.** | |  |
|  | * Availability of close substitutes ✓✓ * Uniqueness of a product ✓✓ * Habit forming articles ✓✓ * The degree of urgency ✓✓ * Time period ✓✓ * Necessity or a luxury ✓✓ (Any 3 x 2) | | (6) |

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| 6.3 | **DATA RESPONSE** | |  |
|  |  | |  |
|  | 6.3.1 | Complementary goods ✓✓ | (2) |
|  |  |  |  |
|  | 6.3.2 | **Substitutes**   * If an increase in the price of one product (beef) ✓ leads to an   increase in the demand for another product (mutton), ✓ then  these two products are substitutes.   **OR**   * A direct demand relationship between the price of one product   (beef) ✓ and quantity demanded of another product (mutton), ✓  then these two are substitutes. (Any 2)   **Complementary**   * If an increase in the price of a product (petrol) ✓ leads to a   decrease in the demand for another product (car), ✓ then these  two are complementary.   **OR**   * An inverse demand relationship between the price of one   product (petrol) ✓ and the quantity demanded of another  product (car), ✓ then these two are complementary. (Any 2) | (4) |
|  |  |  |  |
|  | 6.3.3 | * When all other things being equal, the quantity demanded of a   good decreases when the price rises and increases when the  price decreases.✓✓   **OR**   * When all other things remain the same, there is an inverse   relationship between quantity demanded and the price of an  article.✓✓ (Any 2) | (2) |
|  |  |  |  |
|  | 6.3.4 | Complementary goods ✓✓ | (2) |
|  |  | |  |
| 6.4 | **DATA RESPONSE** | |  |
|  |  | |  |
|  | 6.4.1 | Utility refers to the satisfaction gained in consuming an economic good. /The ability of a good to satisfy needs. ✓✓ | (2) |
|  |  |  |  |
|  | 6.4.2 | Total utility of unit 2 + Marginal utility of unit 3  = 27 + 8 ✓✓  = 35 ✓✓ | (4) |
|  |  |  |  |
|  | 6.4.3 | * Marginal utility is the satisfaction gained from the last unit  consumed. ✓✓ * It declines as the number of goods consumed increases. ✓✓ | (4) |

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| 6.5 | Measures taken by the government to ensure environmental sustainability. | |  |
|  | 1. | **Private property rights** ✓✓   * It will ensure that people will take care of the things that belongs to them ✓✓ * There will be no cost to the taxpayers ✓✓ |  |
|  | 2. | **Charging for the use of the environment** ✓✓   * Government impose environmental charges on consumers and enterprise ✓✓ * Emission charges are levied on cars and industries ✓✓ |  |
|  | 3. | **Focus on externalities** ✓✓   * If social cost exceeds social benefit, people should do less activity and vice versa ✓✓ |  |
|  | 4. | **Environmental taxes and subsidies** ✓✓   * A tax could be imposed if a product has harmful effects on the environment/green taxes ✓✓ * Government can also given subsidies for the development of new techniques to reduce pollution ✓✓ |  |
|  | 5. | **Command and control system (CAC)** ✓✓   * Maximum level for emissions ✓✓ * Maximum use permitted ✓✓ * Minimum acceptable level of quality ✓✓ |  |
|  | 6. | **Voluntary agreements** ✓✓   * Legal agreements with enterprise to reduce the amount of  pollution ✓✓ |  |
|  | 7. | **Education** ✓✓ |  |
|  |  | * Education plays a more important role in protecting the  environment ✓✓ * People consumption habits will change if they are made aware of the environment issues ✓✓ (Any 2 x (2 + 2) | (8) |

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| 6.6 | **Briefly explain the concept *‘North/South Divide’*.** |  |
|  | * It is an imaginary divide ✓✓ * It separates the developed countries of the northern hemisphere and the developing countries in the southern hemisphere ✓✓ * The NORTH refers to the wealthy and advanced nations ✓✓ * The SOUTH refers to the poor countries of the world ✓✓ * Developed countries have achieved a high degree of industrialisation, better standard of living etc. ✓✓ * Developing countries have a low standard of living, low income, low levels of education etc. ✓✓ * All the differences are linked to a very uneven distribution of power between North and South ✓✓ (Any 4 x 2) | (8) |
|  |  | **[50]** |
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|  | **TOTAL SECTION B:** | **150** |
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| **QUESTION 7 (LO1:AS3)** | |  |
|  |  |  |
| **Characteristics, advantages and disadvantages of a mixed economy with reference to South Africa.** | |  |
|  |  |  |
| **INTRODUCTION** | |  |
|  |  |  |
| * A mixed economy is a mixture of free market economy and centrally planned economy ✓✓✓ * The South African economy is a mixed economy in which private and public enterprises plays important roles ✓✓✓ (Any 1 x 3) | | (3) |
|  |  |  |
| **BODY** | |  |
|  |  |  |
| **Characteristics** | |  |
|  |  |  |
| 1. | **Motivation** ✓✓   * In private sector, consumers and producers are motivated by self- interest ✓✓ * Public sector is motivated by the good of the community ✓✓ * The state’s function is limited to social and public services ✓✓ |  |
|  |  |  |
| 2. | **Ownership** ✓✓   * Consumers and producers own most of the factors of production ✓✓ * In South Africa, state owns land and capital through its own  enterprises ✓✓ |  |
|  |  |  |
| 3. | **Competition** ✓✓   * Competition is maintained in private sector and a variety of goods and services are made available ✓✓ * Public sector provides general monopolies where competition is not allowed ✓✓ |  |

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| 4. | **Freedom of choice** ✓✓   * Consumers are free to decide what to consume ✓✓ |  |
|  |  |  |
| 5. | **State intervention** ✓✓   * There is limited intervention from the government ✓✓ * Government intervention is to achieve social and welfare objectives ✓✓ * Also to improve the functioning of the markets ✓✓ (Any 8 x 2) | (16) |
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| **Advantages** | |  |
|  |  |  |
| 1. | **Private sector** ✓✓   * Profit motive ensures the production of a variety of goods and  services ✓✓ * Imports adds domestic variety and choice ✓✓ * Exports provide employment and economic growth ✓✓ |  |
|  |  |  |
| 2. | **Economic stability** ✓✓   * Public sector handles market failures, infrastructure and the creation of an economic framework ✓✓ * There is greater stability, economic growth and job creation ✓✓ * Co-operation between public and private sector ensures maximum use of resources ✓✓ |  |
|  |  |  |
| 3. | **Optimum mix** ✓✓   * The optimum mix of public and private sector ensures optimum living standard ✓✓ |  |
|  |  |  |
| 4. | **Free flow of capital** ✓✓   * Foreign capital flows freely to mixed economies ✓✓ |  |
|  |  |  |
| 5. | **The environment and human rights** ✓✓   * Mixed economies have better environment and human rights  records ✓✓ (Any 8 x 2) | (16) |

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| **Disadvantages** | |  |
|  |  |  |
| 1. | **Creating poverty** ✓✓   * Private sector may be able to exploit workers. ✓✓ * Private sector can use imperfect markets to exploit consumers  and worsen the inequality of incomes. ✓✓ |  |
|  |  |  |
| 2. | **Crowding out the private sector** ✓✓   * Because of the control over the legislative processes, public  sector can use it to provide excessive social and welfare services ✓✓ * The scale of taxation and public enterprises becomes so extensive which leads to a decline in economic growth ✓✓ |  |
|  |  |  |
| 3. | **Effects of business cycles** ✓✓   * Unemployment, inflation and business cycles are a regular  occurrence ✓✓ |  |
|  |  |  |
| 4. | **Unfair income distribution** ✓✓   * Threat of bureaucracy, corruption and wasting of resources ✓✓ * Income distribution is not fair ✓✓ (Any 4 x 2) | (8) |
|  |  |  |
| **CONCLUSION** | |  |
|  |  |  |
| * The South African economy is a mixed economy in which private property, private initiative, self-interest and market mechanism plays an important  role ✓✓ * The economy is also characterised by a substantial degree of government intervention ✓✓ (Any 1 x 2) | | (2) |
|  |  |  |
| Use the following assessment grid together with the above to assess  the discussion. | |  |

|  |  |  |
| --- | --- | --- |
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|  | |  | | (5) |
|  | |  | | **[50]** |

|  |  |  |
| --- | --- | --- |
| **QUESTION 8 (LO2:AS1)** | |  |
|  |  |  |
| **Forms of elasticity of demand** | |  |
|  |  |  |
| **INTRODUCTION** | |  |
|  |  |  |
| * Price elasticity refers to the responsiveness of quantity demanded to changes in price ✓✓✓ * Elasticity of demand is the relationship between proportionate change in price and proportionate change in quantity demanded ✓✓✓ (Any 1 x 3) | | (3) |
|  |  |  |
| **BODY** | |  |
|  |  |  |
| **Degrees of price elasticity** | |  |
|  | |  |
| 1. | **Elastic demand/Relative elastic demand** ✓✓   * Elasticity greater than one/(1 < PEd < ∞) ✓✓ * A % change in price leads to an bigger % change in quantity  demanded ✓✓ * Demand tends to be elastic for goods where close substitutes are available – e.g. beef and chicken ✓✓ * It is also elastic where the product takes a large portion of the consumer’s income – e.g. motorcars ✓✓ * Demand is elastic for luxuries whose purchase can be postponed ✓✓ |  |
|  | |  |

✓✓

D

D

P

P

Price

Q1

Q

Quantity

|  |  |  |
| --- | --- | --- |
|  |  | (8) |
|  |  |  |
| 2. | **Inelastic demand/Relative inelastic demand** ✓✓   * Elasticity less than one/(0 < PEd < 1) ✓✓ ✓✓ * A % change in price causes a smaller % change in demand * Where consumption cannot be postponed ✓✓ * E.g. basic necessities/addictive goods and services/where no substitutes are available ✓✓ * Goods and services that takes up only a small portion of the consumers income ✓✓ |  |

D

P

Price

✓

✓

P1

D

Quantity

Q

Q1

(8)

|  |  |  |
| --- | --- | --- |
|  |  |  |
| 3. | **Unit price elasticity** ✓✓   * Elasticity equals to one/(PEd = 1) ✓✓ * When a %change in price results in an equal % change in demand ✓✓ * 10% increase in price will lead to 10% change in demand ✓✓ * For the business the total revenue will not change ✓✓ |  |

D

P1

✓

✓

P

D

Q1

Q

Quantity

(8)

|  |  |  |
| --- | --- | --- |
|  |  |  |
| 4. | **Perfect inelasticity** ✓✓   * Elasticity will be equal to zero/(PEd = 0) * A % change in price causes no % change in quantity demanded ✓✓ * E.g. life saving drugs ✓✓ |  |

D

✓✓

Price

D

Quantity

Q

(8)

|  |  |  |
| --- | --- | --- |
| 5. | **Perfect elasticity** ✓✓   * Elasticity will be infinite. /PEd = ∞ * A % change in price will cause an infinite % change in quantity demanded ✓✓ * If one seller increases the price, he may not be able to sell his  product ✓✓ |  |

✓

D

D

✓

P

Quantity

(8)

|  |  |  |
| --- | --- | --- |
|  |  |  |
| **CONCLUSION** | |  |
|  |  |  |
| * Price elasticity of demand measures how much the consumers respond or how sensitive consumers are to changes in the price of the product ✓✓ | | (2) |
|  |  |  |
| Use the following assessment grid together with the above to assess  the discussion. | |  |

|  |  |  |
| --- | --- | --- |
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|  | |  | | | (5) |
|  | |  | | | **[50]** |

|  |  |  |
| --- | --- | --- |
| **QUESTION 9 (LO3:AS3)** | |  |
|  |  |  |
| **Methods of redistribution of wealth.** | |  |
|  |  |  |
| Address of sender ✓ | |  |
|  |  |  |
| Date✓ | |  |
|  |  |  |
| Address of recipient ✓  The Minister of Finance  Department of Finance  CAPE TOWN  2000 | | (3) |
|  |  |  |
| Dear Sir | |  |
|  |  |  |
| **Re: Methods of redistribution** ✓✓✓ | |  |
|  |  |  |
| 1. | **Taxation** ✓✓   * High income earners are taxed in order to provide benefits to the poor people ✓✓ * Progressive individual income tax – High income earners are taxed at a higher rate ✓✓ * Wealth taxes are imposed – Urban properties are taxed annually/Capital Gains Tax is levied on gains/Transfer duties are charged when properties are bought/Land tax is imposed on farms ✓✓ * Estate duties – Tax imposed on the estate(property) of deceased  persons ✓✓ |  |
|  |  |  |
| 2. | **Cash Benefits** ✓✓   * E.g. Old-age pensions/Disability grants/Child support grants/   Unemployment insurance ✓✓ |  |
|  |  |  |
| 3. | **Benefits in kind** ✓✓   * Provision of health care/education and school meals/protection/municipal services/infrastructure ✓✓ * In RSA limited quantity of water and electricity is also provided ✓✓ |  |
|  |  |  |
| 4. | **Labour market policies** ✓✓   * Many labour market policies are introduced to reduce income  inequalities ✓✓ * Minimum wages/antidiscrimination Acts/training subsidies ✓✓ |  |

|  |  |  |
| --- | --- | --- |
| 5. | **Macroeconomic policy** ✓✓   * Creation of employment opportunities will benefit low-income households /Governments public works programmes ✓✓ * Regional development policies will reduce geographical inequalities of income and wealth ✓✓ * Employment subsidies are provided for by the SDI programmes ✓✓ * Other benefits like training, financing and export benefits to SMMEs ✓✓  (Any 12 x 2) | (24) |
|  |  |  |
| **Redress redistribution methods** ✓✓ | |  |
|  |  |  |
| * Empowerment and affirmative action acts were introduced to redress the wrongs of the past ✓✓ * These interventions helps rapid redistribution of wealth, income and opportunities ✓✓ | |  |
|  |  |  |
| 1. | **Black Economic Empowerment** ✓✓   * Provides legal basis for the transformation of RSA’s economy ✓✓ * It allows black people to own, manage and control the economy ✓✓ * It allows significant increase in income and wealth ✓✓ * It also reduces income inequalities ✓✓ |  |
|  |  |  |
| 2. | **Land restitution** ✓✓   * Returning land to those who lost it as a result of discriminatory laws ✓✓ |  |
|  |  |  |
| 3. | **Land redistribution** ✓✓   * Focuses on urban land and productive (farm) land ✓✓ * Redistribution of agricultural land to previously disadvantaged people ✓✓ |  |
|  |  |  |
| 4. | **Property subsidies** ✓✓   * Subsidies are used to get ownership of residential property ✓✓ * Housing subsidy schemes to eligible people earning less than R3 500 per month ✓✓ * Discount Benefit Scheme to tenants of state houses if they want to buy the house ✓✓ (Any 8 x 2) | (16) |
|  |  |  |
|  | Yours faithfully ✓  Signature ✓  Name + Surname | (2) |

|  |  |  |
| --- | --- | --- |
|  | Use the following assessment grid together with the above to  assess the discussion |  |

|  |  |
| --- | --- |
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|  |  | | | | (5) |
|  |  | | | | **[50]** |
|  |  | | | |  |
| **QUESTION 10 (LO4:AS2)** | | | | |  |
|  |  | | | |  |
| **Causes of Globalisation** | | | | |  |
|  |  | | | |  |
| **INTRODUCTION** | | | | |  |
|  |  | | | |  |
| * Globalisation refers to the increased interconnectedness of markets in different countries. ✓✓✓ * Globalisation can be defined as a process of closer economic links between different national economies.✓✓ ✓ (Any 1 x 3) | | | | | (3) |
|  |  | | | |  |
| **BODY** | | | | |  |
|  |  | | | |  |
| **Causes of globalisation** | | | | |  |
|  |  | | | |  |
| A. | **Technological change** ✓✓ | | | |  |
|  |  | | | |  |
|  | * Globalisation is made possible by technological changes ✓✓ * Periodic changes in the existing technology changed the products, services and processes ✓✓ * The development of computer technology has changed production and consumption ✓✓ | | | |  |
|  |  | | | |  |
| 1. | **Information Technology (IT)** ✓✓   * IT is a combination of communication technology and computer technology ✓✓ | | | |  |
|  |  | | | |  |
| 2. | **New production processes** ✓✓   * IT is changing production and processes ✓✓ * IT has brought new systems of production based on communication and transportation at lower costs ✓✓ * The use computer networks made it possible to produce parts in one country and assemble it in another country ✓✓ | | | |  |

|  |  |  |
| --- | --- | --- |
| 3. | **Transportation and communication** ✓✓   * Globalisation is dependent on transportation and communication ✓✓ * Transportation systems provide easier and cheaper transportation from one place to place. ✓✓ * Communication systems provide the means by which information is transmitted from one place to another ✓✓ * Developments in both transport and communication have changed our world by making mobility easier ✓✓ (Any 10 x 2) | (20) |
|  |  |  |
| B. | **Trade liberalisation** ✓✓ |  |
|  |  |  |
|  | This means the removal of restrictions like tariffs and quotas ✓✓ |  |
|  |  |  |
| 1. | **General Agreement on Tariffs and Trade (GATT**) ✓✓   * Members negotiated the removal of international trade restrictions ✓✓ * Also negotiated the methods to increase participation and trade  volumes ✓✓ |  |
|  |  |  |
| 2. | **Export promotion** ✓✓   * Many countries encouraged export promotion because of the limited domestic purchasing power ✓✓ * Export processing Zones (EPZs) were established in many countries ✓✓ |  |
|  |  |  |
|  | **Free trade areas** ✓✓   * This is a form of trade integration in which member countries remove all forms of trade barriers ✓✓ * Free trade areas increased the volume of trade ✓✓ * It also helped countries to specialise in the products that they can produce the cheapest ✓✓ |  |
|  |  |  |
| C. | **Multinational enterprises (MNEs)** ✓✓   * These are firms that produce goods in many countries ✓✓ * Producing goods in different countries have the advantage of cheaper transport, labour, capital, corporate taxation etc ✓✓ * These MNEs play a major role in globalisation ✓✓ |  |
|  |  |  |
| D. | **Capital liberalisation** ✓✓   * Capital was also allowed to move freely between countries ✓✓ * Exchange and investment controls were removed ✓✓ * Investors are allowed to move portfolio and FDI capital without restrictions ✓✓ |  |
|  |  |  |
| E. | **Standardisation** ✓✓   * A number of organisations were established to standardise the  activities ✓✓ * UN, IMF, World Bank, WTO, WHO and The International Labour Organisation were established ✓✓ (Any 10 x 2) | (20) |

|  |  |  |
| --- | --- | --- |
| **CONCLUSION** | |  |
|  |  |  |
| Technology and consumerism lead to the growth of global market place, global work force and companies producing global brands. ✓✓ | | (2) |
|  |  |  |
| Use the following assessment grid together with the above to assess the discussion. | |  |

|  |  |
| --- | --- |
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|  |  |  |
| --- | --- | --- |
|  |  | (5) |
|  |  | **[50]** |
|  |  |  |
|  | **TOTAL SECTION C:** | **100** |
|  |  |  |
|  | **GRAND TOTAL:** | **300** |