

# MARKING GUIDELINES

EXAMINATION	NATIONAL SENIOR CERTIFICATE
GRADE	12
DATE	NOVEMBER 2024
SUBJECT	ECONOMICS
PAPER	2
MARK TOTAL	150
DURATION (HOURS)	2
NUMBER OF PAGES	25



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## INSTRUCTIONS AND INFORMATION

1. Answer **FOUR** questions as follows in the **ANSWER BOOK**:

**SECTION A: COMPULSORY**

**SECTION B:** Answer **TWO** of the three questions.

**SECTION C:** Answer **ONE** of the two questions.

2. Answer only the required number of questions. Answers in excess of the required number will **NOT** be marked.

3. Clearly indicate at the beginning of a question the number of the question chosen, for example **QUESTION 2**.

4. Number the answers correctly according to the numbering system used in this question paper.

5. Read the questions carefully and start **EACH** question on a **NEW** page.

6. Answer the questions in full sentences and ensure that the format, content, and context of your answers comply with the cognitive requirements of the questions.

7. Non-programmable pocket calculators may be used.

8. Write neatly and legibly in **BLUE** and **BLACK** ink only.

## SECTION A

### QUESTION 1: COMPULSORY

30 MARKS - 20 MINUTES

#### 1.1 MULTIPLE CHOICE QUESTIONS

- |       |     |                          |            |
|-------|-----|--------------------------|------------|
| 1.1.1 | D✓✓ | pollution                |            |
| 1.1.2 | B✓✓ | sale                     |            |
| 1.1.3 | A✓✓ | Cost Benefit Analysis    |            |
| 1.1.4 | D✓✓ | inflation                |            |
| 1.1.5 | A✓✓ | attach a numerical value |            |
| 1.1.6 | C✓✓ | cultural                 |            |
| 1.1.7 | C✓✓ | both variable and fixed  |            |
| 1.1.8 | B✓✓ | services                 | (8x2) (16) |

#### 1.2 MATCHING ITEMS

- |       |    |   |           |
|-------|----|---|-----------|
| 1.2.1 | C✓ | An arrangement among businesses aimed at limiting competition among themselves.                                   |           |
| 1.2.2 | A✓ | Ways of living used by traditional people to make a living in a particular environment.                           |           |
| 1.2.3 | E✓ | Product or service that every member of a society can consume freely without reducing its availability to others. |           |
| 1.2.4 | H✓ | An illegal market in which illegal goods are bought and sold or illegal prices are charged.                       |           |
| 1.2.5 | G✓ | Measures prices at the first level of a significant commercial transaction.                                       |           |
| 1.2.6 | J✓ | Product has the same physical characteristics and quality as similar products from other suppliers.               |           |
| 1.2.7 | K✓ | Private cost plus external cost.  |           |
| 1.2.8 | D✓ | Visiting a country by individuals that are not residents of that country.   | (8x1) (8) |

#### 1.3 GIVE ONE WORD/TERM

(ABBREVIATIONS, ACRONYMS AND EXAMPLES WILL NOT BE ACCEPTED)

- |       |                        |           |
|-------|------------------------|-----------|
| 1.3.1 | Monopoly✓              |           |
| 1.3.2 | Marketable permit ✓    |           |
| 1.3.3 | Competition Tribunal ✓ |           |
| 1.3.4 | Stagflation✓           |           |
| 1.3.5 | World Heritage Site ✓  |           |
| 1.3.6 | Private cost ✓         | (6x1) (6) |

**TOTAL SECTION A: [30]**

## SECTION B

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

### QUESTION 2: MICRO ECONOMICS

**40 MARKS - 30 MINUTES**

#### 2.1 Answer the following questions:

##### 2.1.1 List any **TWO** characteristics of perfect markets.

- Homogeneous products ✓
- Large number of buyers and sellers ✓
- No preferential treatment ✓
- Free competition ✓
- Efficient transport and communication ✓
- Factors of production are completely mobile ✓
- Perfect knowledge of the market conditions ✓
- Free entry and exit ✓

(Accept any other correct relevant answer)

(2x1) (2)

##### 2.1.2 Why are merit goods normally being undersupplied by the market?

Some goods are highly desirable for the general welfare of the people but not **highly rated (low demand by consumers)** by the market. ✓✓

**Merit are not profitable for business.** ✓✓

(Accept any other correct relevant answer)

(1x2) (2)

#### 2.2 DATA RESPONDS

##### 2.2.1 Identify the market structure depicted by the logos above.

Oligopoly✓

**(Do not accept imperfect markets)**

(1)

##### 2.2.2 Name the typical demand curve for the market above.

Kinked demand curve✓

(1)

##### 2.2.3 Briefly describe the term *cartel*.

- A group of businesses in an oligopoly that comes together with the aim of **fixing prices.** ✓✓/
- **Open or formal collusion or agreements between businesses in the oligopoly market.** ✓✓

(Accept any other correct relevant answer)

(2)



### 2.2.4 What can manufacturers do to increase their market share without using price competition?

- After sales service to customers ✓✓
- Branding that makes products more desirable ✓✓
- Advertising/**marketing** to attract more customers ✓✓
- Door-to-door sales to attract more customers ✓✓
- Internet sales attracting a wider variety of customers ✓✓

(Accept any other relevant answer)

(1x2) (2)

### 2.2.5 Discuss the reasons for perfect competition being more beneficial to consumers than a monopoly.

- People will be **paying less** because goods are produced at the lowest point on the average cost curve. ✓✓
- People will enjoy the benefit from **larger volumes** of goods. ✓✓
- People will pay **lower prices in the long run** due to competition. ✓✓
- People will be able to **choose products/ wider variety** available at many businesses, that limits exploitation. ✓✓

(Accept any other relevant answer)

(2x2) (4)

## 2.3 DATA RESPONSE

### 2.3.1 Identify the point on the graph that illustrates the ruling market price.

Point E / **P** ✓

(1)

### 2.3.2 Name the type of government intervention that is illustrated in the graph above.

- Minimum prices ✓
- Price fixing ✓
- Regulated prices ✓

(Accept any other correct relevant answer)

(1x1) (1)

### 2.3.3 Briefly describe the term *minimum prices*.

**Prices set by the government** ✓ that are **above the market price**. ✓

**Prices implemented by government to protect producers.** ✓✓

(Accept any other correct relevant answer)

(2)



**2.3.4 Interpret the reason for the surplus as indicated on the above graph.**

- A decrease in demand and an increase in supply due to higher prices. ✓✓
- A decrease in the quantity that demanded, leading to an increase in the quantity supplied. ✓✓

(Accept any other correct relevant answer)

(2)

**2.3.5 Why does government impose minimum prices on certain products?**

- Minimum prices are imposed to **enable producers** to make comfortable/ sustainable **profits**. ✓✓
- To **encourage producers** to **supply** important **essential goods** and services. ✓✓
- Minimum prices are set to **protect producers** of certain products to enable struggling producers to make a fair living. ✓✓

(Accept any other correct relevant answer)

(2x2) (4)

**2.4 Discuss the role of the *Competition Commission* and the *Competition Appeal Court* involved in the competition policy of South Africa.**

**Competition Commission**

- The commission tries to give all South African **equal opportunities** to **participate** fairly in economic activities ✓✓
- The commission **investigates restrictive business practices/abuse** of dominant positions/and mergers. ✓✓
- The commission aim to achieve **equity and efficiency** ✓✓

(max 4)

**Competition Appeal Court**

- The Competition Appeal Court can **review a decision** of the Competition **Tribunal** on appeal ✓✓
- The Competition Appeal Court can confirm, amend, or set aside a decision under review ✓✓
- The Competition Appeal Court can also confirm the order for the disinvestment (Liquidation) of assets, which is opposite to a merger. ✓✓

(max 4)

(Accept any other correct relevant answer)

(Allocate a **maximum of 4 marks** for the mere **listing of facts / examples**.)

(2x4) (8)



## 2.5 Evaluate the negative impact of collusion in the economy.

- Collusion will lead to **reduced competitiveness** in the long run by **decreasing GDP and employment** ✓✓
- By allowing price fixing, market sharing, and output control by cartels and price leadership ✓✓
- Collusion can lead to the **creation of scarcity** in order to **increase prices** while also protecting inefficient **suppliers** ✓✓
- Collusion may force community, consumers, businesses and even governments to pay **higher prices for goods and services** ✓✓
- Collusion can lead to **distorting economic markets** and **slowing down innovation** because there is little incentive to spend money on research and development ✓✓

(Accept any other correct relevant answer)

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

(4x2) (8)

**[40]**

**QUESTION 3: CONTEMPORARY ECONOMIC ISSUES** **40 MARKS – 30 MINUTES**

**3.1 Answer the following questions:**

**3.1.1 List any TWO examples of prices that are controlled by the South African government.**

- Fuel prices ✓
- Assessment rates ✓
- Property taxes ✓
- Sanitation levies ✓
- Refuse removal levies ✓
- Water levies ✓
- Electricity tariffs ✓
- Postal stamps ✓
- **Minimum wages ✓**

(Accept any other relevant example) (2x1) (2)

**3.1.2 What has happened to domestic tourism after the Covid-19 pandemic?**

- Domestic tourism expenditure has recovered and exceeded its pre-pandemic level. ✓✓
- **Decrease in disposable income leading to consumers not being able to afford domestic travel/tourism. ✓✓**

(Accept any other correct relevant answer) (1x2) (2)

**3.2 DATA RESPONSE**

**3.2.1 Identify the environmental concern illustrated in the cartoon above?**

Pollution / Global warming/ Climate change ✓ (1)

**3.2.2 Name ONE cause of global warming.**

- Generating electricity from fossil fuels. ✓
- Cutting down forests. ✓
- Using transportation. ✓
- Producing food. ✓
- Powering buildings. ✓
- Consuming too much. ✓
- **Greenhouse gases. ✓**

(Accept any other correct relevant cause) (1x1) (1)



### 3.2.3 Briefly describe the term *preservation*.

Preservation means the act of **keeping something the same** or of **preserving it from being damaged**. ✓✓

(Accept any other correct, relevant answer)

(2)

### 3.2.4 Discuss the importance of imposing *green taxes* on pollutants.

- To **discourage** businesses from **engaging in excessive emission** of dangerous gases that destroy the environment ✓✓
- To **make them responsible** for the environment and use it sparingly for the future generations to benefit from these gifts of nature ✓✓

(Accept any other correct relevant answer)

(1X2) (2)

### 3.2.5 Explain the measures that can be taken to reduce the emissions caused by the burning of fossil fuels.

- Equipment / **infrastructure** can be installed in plants/cars that will reduce emissions ✓✓
  - e.g. catalytic converters / air filters ✓
- Businesses and households can switch to more environmentally friendly sources (technology) ✓✓
  - e.g. Solar energy/Wind energy/Hydro energy/Gas energy ✓
- Impose taxes or fines on entities exceeding the allowed amount of air pollution. ✓✓
- **Educating participants concerning environmental friendly practices.** ✓✓

(Accept any other correct relevant answer)

(2x2) (4)

## 3.3 DATA RESPONSE

### 3.3.1 Identify the institution which announces the monthly change in fuel prices.

Department of Energy ✓

(1)

### 3.3.2 Name ONE reason for the monthly changes in fuel prices.

- Depreciation of the rand against the US dollar ✓
- **Price of Brent crude oil** ✓

(1)

### 3.3.3 Briefly describe the term *hyper-inflation*

A situation which refers to extreme and persistent changes in the general price level **above 50%**. ✓✓

(Accept any other correct relevant answer)

(2)



**3.3.4 Explain the reason why fuel levies are seen as a popular source of income for governments.**

- It is a sufficient income resource for government. ✓✓
- Consumers are **forced to pay fuel levies** because transport is needed in the economy. ✓✓
- The fuel levy is seen as an additional source of revenue for government. ✓✓

(Accept any other correct relevant answer)

(1x2) (2)

**3.3.5 Discuss the impact of fuel price increases on the inflation rate.**

- Transport costs will increase and lead to higher product prices. ✓✓
- The general price of agricultural products will increase to match the increase in production costs of farmers. ✓✓

(Accept any other correct relevant answer)

(2x2) (4)

**3.4 Distinguish between *land* and *air* pollution.**

**Land pollution**

- Refers to the deterioration in the quality of land and fertility of the soil ✓✓
- Causes of land pollution are
  - poor agricultural practices ✓
  - increased mineral explorations ✓
  - industrial waste ✓
  - dumping and ✓
  - indiscriminate disposal of urban wastes ✓
- Land pollution can also result in the use of chemicals in weed killers and pesticides ✓✓

(2x2)

**Air pollution:**

- Air pollution is caused by the release of harmful chemicals in the atmosphere as a result of energy use e.g. motor transport emissions and industrial production ✓✓
- Air pollution is contamination of the indoor or outdoor environment by any chemical, physical or biological agent that modifies the natural characteristics of the atmosphere. ✓✓
- The majority of air pollution comes from burning fossil fuels ✓✓
- Air pollution often occurs in industrialised areas. ✓✓
- Air pollution:

(Accept any other correct relevant answer)

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

(2x4) (8)



### 3.5 Evaluate the benefits of international tourism for the South Africa government.

- International tourism has contributed to the country's economy by generating foreign exchange earnings, thus positively influencing the Balance of Payments account. ✓✓
- International tourism has created employment opportunities across multiple sectors, including hospitality, transportation, and retail, thus reducing unemployment rates. ✓✓
- Tourism has also served as a platform for cultural exchange and fosters mutual understanding between nations, promoting South Africa's diverse cultural heritage on the global stage. ✓✓
- International tourism has encouraged investment in tourism-related industries, and contributed to innovation and infrastructure improvements. ✓✓
- The government has earned income by levying of tourist taxes, thus contributing to the recovering of external costs. ✓✓
- Tax serves to compensate the host community in providing infrastructure, basic services, and public amenities ✓✓
  - such as showers and toilets on the beach for tourists. ✓
- Government has benefited from an increase in revenue through raising public income from tourists. ✓✓  
e.g. airport departure taxes, ✓ and air ticket taxes ✓
- Government has received income from casinos as a very profitable source of income ✓✓
- The government has received payment from tourists through normal expenditure taxes ✓✓ for example:
  - VAT✓,
  - excise duties and ✓
  - customs duties. ✓

(Accept any other correct relevant answer)

(A maximum of 2 marks may be allocated for mere listing of facts/ examples) (4x2) (8)

**[40]**

**QUESTION 4: MICRO ECONOMICS AND CONTEMPORARY ECONOMIC ISSUES**

**40 MARKS – 30 MINUTES**

**4.1 Answer the following questions:**

**4.1.1 List any TWO examples of variable costs**

- Electricity✓
- Water✓
- Maintenance✓
- Fuel✓
- **Wages ✓**

(Accept any other relevant example) (2x1) (2)

**4.1.2 How can chemical pollution negatively affect agricultural land?**

Chemical pollution reduces the **quality of soil** and agricultural products produced. ✓✓

(Accept any other correct relevant answer) (1x2) (2)

**4.2 DATA RESPONSE**

**4.2.1 Identify the type of tourism that is evident in the picture.**

Eco-Tourism✓ (1)

**4.2.2 Name ONE reason for tourists being attracted to South Africa.**

- Scenery (fauna and flora) ✓
- National parks / wildlife✓
- Peaceful political transition✓
- Conventions✓
- Cradle of Humankind✓

(Accept any other correct relevant answer.) (1x1) (1)

**4.2.3 Briefly describe the term *tourist*.**

People **traveling and staying**✓ in places **outside their usual** living environment. ✓

(Accept any other correct relevant answer.) (2)



**4.2.4 Explain the positive contribution of indigenous knowledge to tourism.**

- Tourists seek authenticity and uniqueness when they visit places. ✓✓
- They want to understand the indigenous culture, history, and environment, and how local people live and work. ✓✓
- Indigenous knowledge attracts more foreign tourists to the country. ✓✓

(Accept any other correct relevant answer.) (1X2) (2)

**4.2.5 Discuss the benefits of tourism for businesses.**

- Tourism provides **entrepreneurial opportunities** for informal business persons. ✓✓
- Tourism provides a good and sustainable **source of income** for small businesses. ✓✓
- Tourism can also provide a stable income and **maintain a standard of living** for individuals. ✓✓

(Accept any other correct relevant answer.) (2x2) (4)

**4.3 DATA RESPONSE**

**4.3.1 Identify point E<sub>1</sub> in the above graph.**

Profit maximisation/ **equilibrium point** ✓ (1)

**4.3.2 Name the demand curve in the above graph.**

AR = MR = P ✓ (1)

**4.3.3 Briefly describe the term *average revenue*.**

- Average revenue of a business is obtained by dividing the total revenue by the total output. ✓✓
- **Average revenue is the revenue received per unit sold.** ✓✓

(Accept any other correct relevant answer.) (2)

**4.3.4 Explain the reason why marginal revenue is equal to average revenue in a perfect market.**

- The reason is the **market price is constant** and the same for each unit sold resulting in both MR and AR being equal to the price. ✓✓

(Accept any other correct relevant answer.) (1x2) (2)

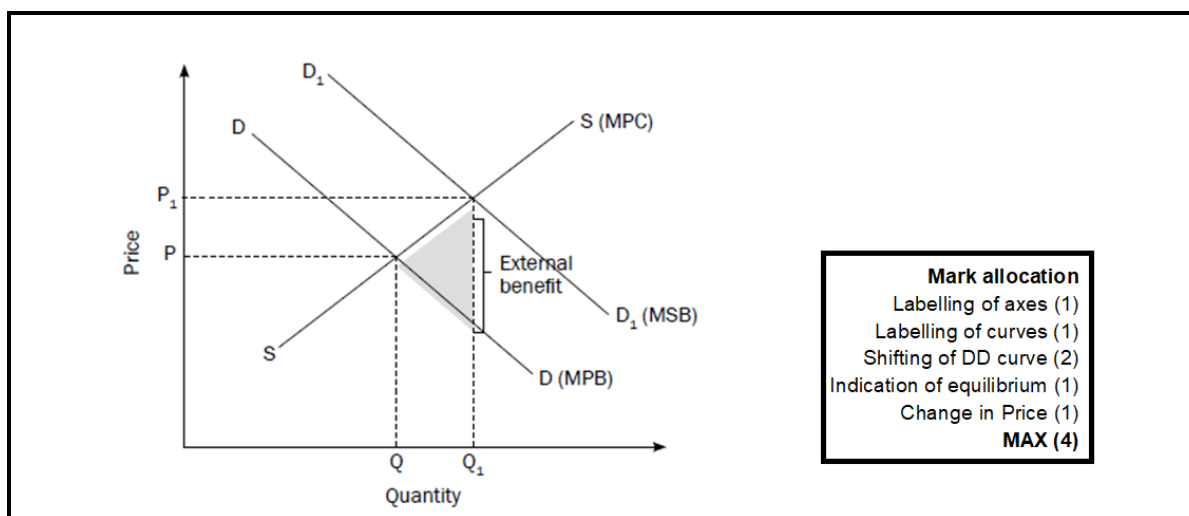
**4.3.5 Calculate the profit in the above market. Show all calculations.**

Cost	Income
=P x Q	=P x Q
=10 x 100	=12 x 100
=1000✓	=1200✓

Thus, profit will be  $1200 - 1000\checkmark = 200\checkmark$  (2x2) (4)

**4.4 With the aid of a graph, explain the reason for a shortage in production for products with a positive externality.**

**Graph:**



**Explanation:**

- The equilibrium price is given at e with the price of P and sales of Q ✓✓
- The social benefit accruing to society could be represented by  $D_1D_1$  ✓✓
- If the external benefits were to be considered, the equilibrium would be at D with output  $Q_1$  selling at  $P_1$  ✓✓
- Therefore more goods should have been produced if market forces were taken into account ✓✓
- The equilibrium price is given at e with the price of P and sales of Q ✓✓

**(Do not accept definition of positive externality as an answer)** (max 4)

(Accept any other correct relevant answer) (2x4) (8)



#### 4.5 Evaluate the government's contribution towards inflation.

- Government initiatives such as **increasing spending** on capital projects like roads and housing have a positive impact by stimulating economic growth and infrastructure development. ✓✓
- Excessive government spending beyond the economy's capacity may lead to inflationary pressures as demand outstrips supply. ✓✓
- Investments in consumption sectors such as education, health, and safety contribute positively to social well-being and human capital development. ✓✓
- Government efforts to reduce unemployment and poverty through significant spending on social programs can have beneficial effects on socioeconomic conditions but can also cause inflation. ✓✓
- Borrowing money to increase social grants faster than inflation could hurt the economy in the long run. ✓✓
- Lowering personal income tax increases consumer demand, which boosts economic activity and market liquidity, leading to inflationary pressure. ✓✓
- Reducing company tax and import duties encourages more production and imports, boosting economic activity and international trade, leading to inflationary pressure. ✓✓
- Government influences economic outcomes positively through the application of fiscal policy but can also cause inflationary pressure. ✓✓

(Accept any other correct relevant answer)

**(Accept both increases and decreases in inflation)**

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

(4x2) (8)

[40]

**TOTAL SECTION B: [80]**

## SECTION C

Answer any **ONE** question of the TWO questions in the **ANSWER BOOK**.

Your answer will be assessed as follows:

STRUCTURE OF THE ESSAY	MARK ALLOCATION
<p><b>Introduction</b></p> <p>The introduction is a lower-order response.</p> <ul style="list-style-type: none"> <li>• A good starting point will be to describe the main concept related to the question topic.</li> <li>• DO NOT include any part of the question in your 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>	<p>Max. 2</p>
<p><b>Body</b></p> <p><b>Main part:</b> Discuss in detail/In-depth discussion/Examine/Critically discuss/Analyse/Compare/Evaluate/Distinguish/Differentiate/Explain/Assess/Debate</p> <p><b>A maximum of 6 marks may be allocated for headings/examples.</b></p> <p><b>Additional part:</b> Critically discuss/Evaluate/Critically evaluate/Deduce/Compare/Distinguish/Suggest/Interpret/Debate/How</p> <p><b>A maximum of 2 marks may be allocated for mere listing of facts.</b></p>	<p>Max. 26</p> <p>Max. 10</p>
<p><b>Conclusion</b></p> <p>Any higher-order conclusion should include:</p> <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 valued 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>	<p>Max. 2</p>
<p><b>TOTAL</b></p>	<p><b>40</b></p>

**QUESTION 5: MICRO ECONOMICS****40 MARKS – 40 MINUTES**

- **Examine the monopoly as a market structure.** (26)
- **Evaluate the success of the Competition Act to promote fair competition.** (10)

**INTRODUCTION**

A monopoly market structure stands as a polarising entity within the realm of economics, characterised by its singular dominance and absence of competition. ✓✓

(Accept any other relevant introduction)

(max 2)

**BODY: MAIN PART****Number of producers** ✓

- The monopolist has full control over the supply of a product, because it is the only seller ✓✓
- The monopoly also represents the total industry e.g. De Beers, Eskom ✓

**Nature of the product** ✓

- The product is unique and has no close substitutes ✓✓
- e.g. electricity and rail transport ✓

**Economic profit** ✓

- The monopoly makes a short-term loss or profit ✓✓

**Technical superiority** ✓

- A monopoly has technical advantage over potential competitors and their access to resources and technical superiority make it difficult for others to compete ✓✓

**Access to scarce resources** ✓

- A single firm owns and controls a specific scarce resource and excludes other companies from entering the market ✓✓

**Demand curve** ✓

- Monopolists can decide at what point on the demand curve they wish to be ✓✓
- The monopolist is the only supplier of the product in the market; the demand curve that confronts the monopolist is that of the market as a whole ✓✓
- The market demand curve which slopes downwards from left to right / graph ✓✓

**Production level** ✓

- In a monopoly, the monopolist sets prices based on market demand, adjusting them to increase or decrease sales volume.✓✓
- Monopolists control product pricing and features independently, without interference from competitors.✓✓
- Market entry barriers prevent other participants from challenging monopolists, ensuring their dominance.✓✓

**Market forces**✓

- Despite being the sole supplier, a monopolist is subject to market forces, including consumer budgets and competition from alternative products.✓✓
- For instance, Transnet competes with other transportation modes like roads and air travel.✓✓
- While a monopolist wields significant pricing power, it's constrained by demand and consumer preferences.✓✓
- Demand dictates the final market price, with monopolies having control over production levels along the demand curve.✓✓

**Substitutes** ✓

- Most products have substitutes available, albeit few with absolutely no close alternatives.✓✓
- Despite the absence of competition in South Africa's telephone services for many years, consumers could still resort to alternatives like letters and telegrams.✓✓

**Favourable circumstances** ✓

- Entrepreneurs may benefit from favourable conditions in specific areas, like being the sole milk supplier in a town or a dominant hardware store or hotel.✓✓
- Legal protections, such as those for South African Post Offices, can further bolster their position.✓✓
- Pure monopolies are a common rarity in South Africa ✓✓
- Pure monopolies are rare in South Africa, where substitutes exist, and entry barriers are low, resulting in what can be termed a quasi-monopoly.✓ ✓

**Market information** ✓

- All buyers and the single seller have full knowledge of all the current market conditions ✓✓



### **Exploitation of consumers** ✓

- The monopolist may produce fewer products at a higher price compared to businesses under perfect competition ✓✓
- As the sole producer, a monopolist can exploit consumers. ✓✓
- To prevent this, governments typically closely monitor both new and existing monopolies. ✓✓
  - e.g. De Beers ✓

### **Market entry** ✓

- The barriers prevent other producers from entering the market to supply the same type of product ✓✓

### **Natural monopolies** ✓

- High development costs are frequently a reason - the provision of electricity is often used as an example ✓✓
- To build a nuclear power station and transmission lines to distribute electricity costs billions of rands ✓✓
- e.g. Eskom ✓

### **Artificial monopolies** ✓

- Entry barriers, such as patent rights, are not economic but legal constraints that grant exclusive manufacturing rights to patent holders for their inventions. ✓✓
- Patents are also frequently encountered in the pharmaceutical industry ✓✓
- Licensing is another way in which an artificial monopoly is applied. ✓✓
  - e.g. TV and radio licenses ✓
- Licences protect operators against entry of other competitors ✓✓

### **Economies of scale** ✓

- These give advantages to large existing companies ✓✓
- Occur when the cost per unit decreases when the output increases ✓✓
- Large businesses' production costs per unit are lower than those of small businesses. ✓✓
  - e.g. Eskom ✓

### **The geographical area** ✓

- This can cause a natural barrier as well, e.g. only one holiday resort can fit on the seafront as an exclusive beach ✓✓



### Size of the market ✓

- Sometimes a business enjoys favourable circumstances in a certain small market ✓✓
- e.g. there may be only one hardware store in a particular small town ✓

(Accept any other correct relevant facts)

**(A maximum of 6 marks may be allocated for mere listing of facts/examples)** (max 26)

### ADDITIONAL PART

#### Evaluate the success of the Competition Act to promote fair competition.

- The Competition Act has **increased efficiencies** in the market through the effectiveness of the Competition Commission and Tribunal, e.g. penalties for anti-competitive behaviour. ✓✓
- The Competition Act is **improving equity** in markets by ensuring access to people who were previously disadvantaged to participate in the economy ✓✓
- The Competition Act aims to **contribute to the developmental objectives** which in turn will lead competition amongst economic participants. ✓✓
- The Competition Act is providing consumers with **competitive prices** and product choices. ✓✓
- The Competition Act is successfully ensuring that small and medium sized enterprises have an **equitable opportunity** to participate in the economy. ✓✓
- The Competition Act is **promoting the spread of ownership** promoting fair competition within the economy. ✓✓
- The Competitions Act **examines the relationship** between competition policy and economic growth to determine if the Act has contributed to broader macroeconomic objectives. ✓✓

(Accept any other correct relevant facts)

(A maximum of 2 marks may be allocated for mere listing of facts/examples) (max 10)

### CONCLUSION

Understanding the implications of monopoly power is crucial for policymakers, regulators, and economists to mitigate potential negative effects and promote fair competition. ✓✓

(Accept any other correct relevant higher order conclusion) (max 2)

**[40]**

OR

**QUESTION 6: CONTEMPORARY ECONOMIC ISSUES****40 MARKS – 40 MINUTES**

- **Discuss the consequences of demand-pull inflation** (26)
- **Evaluate the contribution of tourism towards demand-pull inflation** (10)

**INTRODUCTION**

A sustained and significant increase in the general price level over a period of time; and a simultaneous (at the same time) decline in the buying power of money ✓✓

(Accept any relevant introduction)

(max 2)

**BODY: MAIN PART****Consequences of demand-pull inflation****Debtors/Creditors** ✓

- Debtors benefit because they receive money with a high purchasing power and repay their debt with money with low purchasing power. ✓✓
- Creditors on the other hand suffer when there is an increase in the demand and therefore the price or interest rate ✓✓
- Borrowers (debtors) benefit from price increases, but lenders (creditors) suffer because of it. ✓✓
- Inflation prompts borrowers to obtain loans with stronger purchasing power, subsequently repaying them with weaker currency, unless offset by adequate interest rates. ✓✓
- Inflation affects all assets, causing savings in banks to lose value, while borrowers benefit by repaying loans with depreciated currency. ✓✓

**Wage and salary earners** ✓

- People with a fixed income will be able to purchase less as prices are rising. ✓✓
- Price increases affect people whose incomes are relatively fixed, for example people whose incomes do not increase at the same rate as prices do. ✓✓
- Examples include retired people, ✓ pensioners ✓ and the poor. ✓
- As prices increase, their almost fixed income purchases less and less. ✓✓
- Conversely, some individuals and entrepreneurs see their incomes rise faster than inflation, benefiting rather than suffering from it. ✓✓



### **Investors and savers** ✓

- Assets with a fixed nominal value have a fixed return and lower purchasing power as prices increase. Real value of savings decreases ✓✓
- Different types of investments are affected differently by inflation:
  - Assets with fixed nominal values: ✓
    - Many individuals hold a significant portion of their wealth in fixed-value, fixed-interest yielding assets like deposits, debentures, and bonds. ✓✓
    - These assets have a fixed nominal value and give a fixed return if they are held until maturity. ✓✓
    - Because their nominal value remains constant, the purchasing power of the nominal value decreases when there is inflation – their real value decreases ✓✓
  - Assets with flexible market values: ✓
    - Shareholders and property owners typically gain from price increases as asset values tend to rise with inflation due to flexible market values. ✓✓
    - Prices of these assets often increase more rapidly than increases in the general price levels. ✓✓
    - In this case, inflation creates wealth to the advantage of the people holding these assets ✓✓

### **Taxpayers** ✓

- In South Africa income is taxed on a progressive system. ✓✓
- A progressive tax system means that marginal and average tax rates increase as income levels increase. ✓✓
- Consumers experience a bracket creep, resulting from inflation and progressive income tax and the government benefits ✓✓
- The higher an individual's income is, the greater the percentage of income that he must pay in tax. ✓✓
- With inflation, taxpayers' nominal incomes (wages and salaries) rise even when their real incomes remain unchanged. ✓✓
- Taxes are levied on nominal income and not on real income. ✓✓
- The income tax schedule remains unchanged; inflation increases the average rate of personal income tax. ✓✓
- Individuals will have to pay higher taxes even if they are not better off than before. ✓✓
- This phenomenon is known as "bracket creep" or "fiscal drag" and leads to redistribution of income from taxpayers to the government. ✓✓
- Fiscal drag happens when inflation-adjusted salary increases push individuals into higher tax brackets, reducing the benefit of their raise due to increased taxes.
- Bracket creep results from a combination of inflation and progressive income tax. It has the same effect as an increase in the tax rate. ✓✓

**Industrial stability** ✓

- Wage bargaining is accompanied by strikes and mass action ✓✓
- These actions sometimes spill over into violence, which affects society at large. ✓✓
- High inflation and government resistance to wage increases have led to widespread civil unrest in extreme cases. Unrest has followed. ✓✓

**Unemployment** ✓

- The private and public sectors are experiencing severe shortages of skilled and highly skilled workers. ✓✓
- Escalations in the cost of such labour are bound to lead to cost and price increases. ✓✓
- In addition, inflation-wage spirals because of rising fuel, energy, transport, and food prices all add to inflationary pressures. ✓✓

**Balance of Payments Problems** ✓

- If a country's rate of inflation is higher than that of its trading partners, the prices of exported goods increase while the prices of imported goods decrease. ✓✓
- This leads to loss of competitiveness in the export market, which in turn leads to decreased exports. ✓✓
- This leads to loss of competitiveness in the export market, which in turn leads to decreased exports. ✓✓

**Psychological influence** ✓

- Inflation leads to increased uncertainty in the economy ✓✓
- Inflation also tends to redistribute income from low-income groups to higher income groups ✓✓
- Powerful groups, including trade unions and large companies, can increase their share of national income, often at the expense of disadvantaged individuals like pensioners, the unemployed, and welfare ✓✓

(Accept any other correct relevant facts)

(A maximum of 6 marks may be allocated for mere listing of facts/examples)

(max 26)



## ADDITIONAL PART

### Evaluate the contributions of tourism towards demand-pull inflation.

- Tourism leads to more consumers in the country, **increasing demand** for local goods and services ✓✓
- Creating local job opportunities **increases disposable income** and boosts demand for local goods and services. ✓✓
- More tourists lead to more **business opportunities** in car rental, arts, craft, and curio sales. ✓✓
- **Employment opportunities** in entertainment, laundry, and transportation ✓✓
- Creating **higher profit** expectations of businesses. ✓✓
- Businesses will invest more. This might lead to an increase in the demand for goods and services. ✓✓
- **Increasing government spending** leads to an increase in prices. ✓✓
- **More money comes into circulation** due to an increase in spending on infrastructure at tourist attractions. ✓✓
- Increasing **government revenue (tax)** that leads to a further increase in government spending ✓✓
- Tourists are seen as part of the **overall tax base** (e.g. Airport departure taxes and hotel tourism levies increase the amount of taxes collected). ✓✓

(Accept any other correct relevant facts)

(A maximum of 2 marks may be allocated for mere listing of facts/examples) (max 10)

## CONCLUSION

South Africa benefits from tourism through the growth in the gross domestic product (GDP), employment and infrastructure development. ✓✓

(Accept any other correct relevant higher order conclusion) (max 2)

[40]

**TOTAL SECTION C: [40]**

**GRAND TOTAL: [150]**