



NATIONAL SENIOR CERTIFICATE EXAMINATION
NOVEMBER 2011

ECONOMICS

Time: 3 hours

300 marks

PLEASE READ THE FOLLOWING INSTRUCTIONS CAREFULLY

1. This paper consists of 14 pages. Please check that your question paper is complete.
 2. Read the questions carefully.
 3. All questions are **COMPULSORY**. Answer SIX questions as follows:

ONE compulsory question from SECTION A;
FOUR compulsory questions from SECTION B; and
ONE compulsory question from SECTION C.
 4. Answer SECTION A on the flap of the answer book provided and SECTION B and C in the answer book.
 5. Answer questions, where possible, point by point but in full sentences. A systematic presentation of facts is required.
 6. Number the answers exactly as the questions are numbered.
 7. Please leave single line spaces open between answers. Start each question on a new page.
 8. It is in your best interest to write legibly and to present your work neatly.
 9. Non-programmable calculators may be used.
 10. Answer all questions in blue or black ink. Only sketches or diagrams may be done in pencil.
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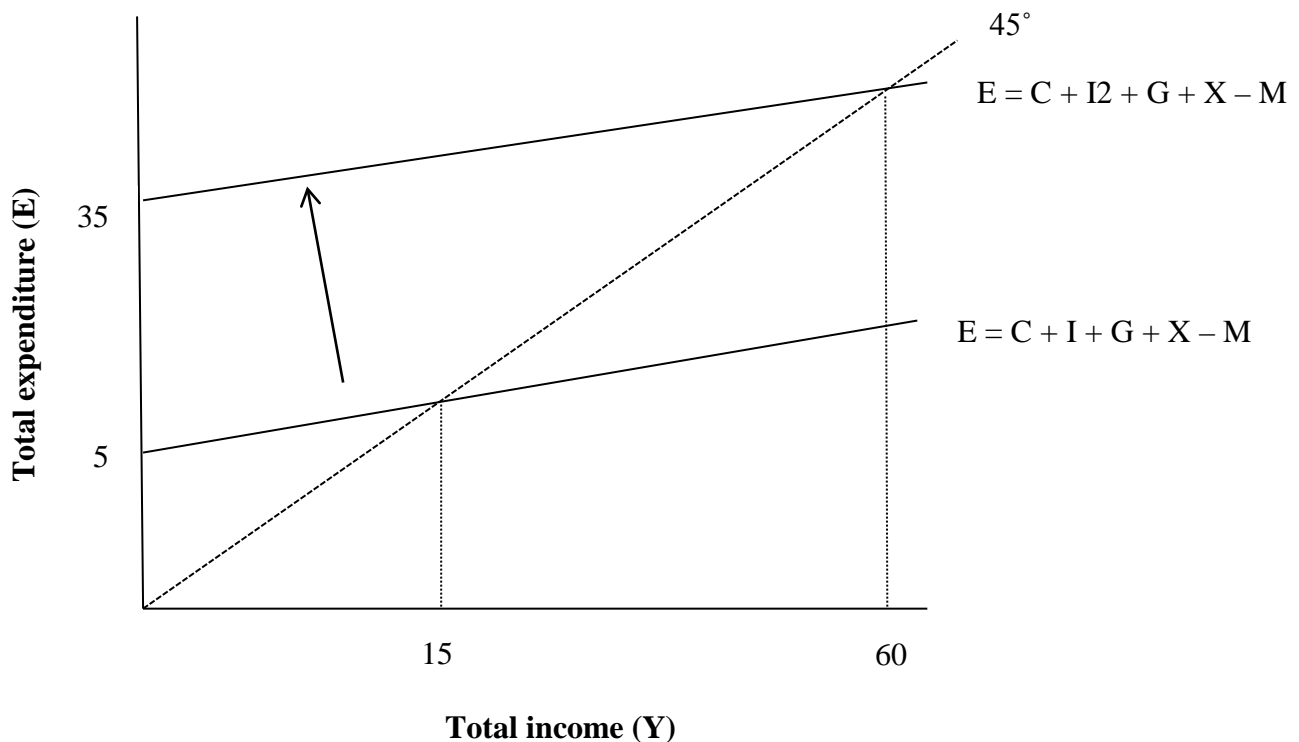
SECTION A**QUESTION 1**

This question is **compulsory** and should be answered by ALL candidates.

Select the correct alternative and indicate the answer by making a cross (X) in the column over the corresponding letter on the flap of your answer book.

Study Graph 1 and answer Question 1.1 that follows.

Graph 1 The Multiplier



1.1 The multiplier in the above graph is ...

- A 12
- B 0.5
- C 0
- D 1.5

1.2 GNP was R1 650 billion and Primary income from the rest of the world was R42 billion in 2010. What was the GDP in 2010, if Primary income to the rest of the world was R65 billion in 2010?

- A R1 350 billion
- B R1 673 billion
- C R23 billion
- D R1 627 billion

- 1.3 The _____ of a business cycle measures the difference between a peak and a trough.
- A extrapolation
 - B trending
 - C amplitude
 - D length
- 1.4 This statement on fiscal policy is **NOT** correct.
- A Fiscal policy refers to the use of government spending and taxation to manage the economy.
 - B Fiscal policy is determined by the cabinet and managed by the Minister of Finance.
 - C The business cycle has a direct influence on fiscal policy.
 - D Fiscal policy is only effective when used as an expansionary policy.
- 1.5 China uses a _____ exchange rate system to determine the value of the yuan against the dollar.
- A managed floating
 - B fixed
 - C free floating
 - D mixed
- 1.6 This account in the Balance of Payments Account will indicate the inflow of foreign investments to South Africa.
- A Financial Account
 - B Current Account
 - C Capital transfer Account
 - D Reserve Account
- 1.7 If real GDP for 2009 was R1 650 billion, and for 2010 R1 720 billion, what was the economic growth for 2010?
- A 4.2%
 - B 3.5%
 - C 0.96%
 - D 96%
- 1.8 This is the biggest risk of a demand-side approach to encouraging economic growth.
- A Consumers will spend more than they earn.
 - B Inflation will increase as demand outstrips supply.
 - C Government will play too big a role in the economy, crowding out the private sector.
 - D Foreign investors will not invest in your country.

- 1.9 This is **NOT** considered to be a key growth sector of the South African economy in the future.
- A Tourism industry
 - B Green technology
 - C Mining
 - D Exports
- 1.10 This is the trade agreement between the USA, Canada and Mexico.
- A NAFTA
 - B Mercosur
 - C IPAP
 - D SACU
- 1.11 This is considered to be the benchmark for people living in absolute poverty.
- A People living on less than R20 a day.
 - B People in the bottom 10% of per capita income in a country.
 - C People that have no jobs and receive no social grants from government.
 - D People living on less than \$1 per day.
- 1.12 This statement on inflation is **NOT** correct.
- A Stagflation is a period of increasing prices and higher unemployment.
 - B The Reserve Bank is trying to keep inflation lower than 5%.
 - C When demand is higher than supply it leads to demand-pull inflation.
 - D Monetary and fiscal policies can be used to manage high inflation.
- 1.13 What is the inflation rate for January 2011, if the CPI for January 2010 was 123 points and for January 2011, 132 points?
- A 7.3%
 - B 0.93%
 - C 9.1%
 - D 6.8%
- 1.14 This is South Africa's top tourist attraction.
- A Table Mountain
 - B Kruger National Park
 - C Victoria & Alfred Waterfront
 - D Kirstenbosch
- 1.15 You will need this currency in Japan.
- A Yuan
 - B Japanese dollar
 - C Yen
 - D Won

1.16 The CAC is the stock exchange of this country.

- A France
- B Germany
- C Canada
- D South Korea

1.17 Which country's currency is **NOT** found in this picture?



- A United Kingdom
- B United States
- C Ireland
- D India

51 marks

Maximum: 50

SECTION B

Answer ALL the questions in this section.

QUESTION 2 MACRO-ECONOMICS

2.1 Define the subject Economics and its field of study. (4)

2.2 There are FOUR market participants and TWO markets in the open circular flow model of economics, connected by two flows, namely ...

Complete this paragraph. (4)

2.3 Study Table 1 and answer the questions that follow.

Table 1 Economic indicators for South Africa

Economic Indicator	Aug 2010	Sep 2010	Oct 2010	Nov 2010	Dec 2010	Jan 2011
New car sales (units)	39 356	39 456	39 200	41 235	42 786	42 730
CPI inflation %	3,2	3,4	3,4	3,6	3,8	3,9
M3 money growth %	1,5	1,75	2,3	2,8	3,9	4,1
JSE All share index (points)	32 650	32 890	32 950	31 900	32 600	32 989
Business confidence index (points – 100)	61,4	61,6	60,9	61,6	62,5	63,1

2.3.1 Analyse the above information and discuss the phase you think this economy is in. (12)

2.3.2 Distinguish between two policies that you think the Reserve Bank and government should follow to manage this phase to the best advantage of the economy and consumers. (8)

2.3.3 All the economic indicators given in the table are _____ indicators. (2)

2.4 Briefly explain the following economic concepts:

2.4.1 negative externalities (4)

2.4.2 merit goods and services (4)

2.5 Discuss **THREE** factors that would influence the **demand** for dollars by South Africans. (12)

[50]

QUESTION 3 MICRO-ECONOMICS

Study Table 2 and answer the questions that follow.

Table 2 Market forms

Characteristic	Perfect competition	Monopolistic competition	Oligopoly
Number of businesses	Many businesses and not one has control.	Many businesses but a few big firms have strong market share due to brand names.	A
Nature of product	Homogenous product, no real differences.	B	Homogenous or differentiated products.
Entry to and exit from the market	C	Free access to and exit from, although strong brands could make it difficult.	Free to limited depending on, for example, licenses.
Sellers' control over prices	Very little control over prices.	Little control but strong brands can ask a premium.	D
Access to market information	E	Imperfect information due to strong competition.	Imperfect information due to strong competition.

3.1 Briefly discuss A to E. (10)

3.2 *'Market failure is when the forces of demand and supply do not ensure a fair distribution of production factors.'*

Discuss how **barriers to entry** and the **immobility of production** factors can cause market failure. (12)

3.3 In the past, governments across the world have tried to control inflation by setting price ceilings on products. Use a graph **and** an explanation to analyse why the setting of maximum prices does not usually work as a strategy against inflation. (10)

3.4 Study the following cartoon and answer the questions that follow.



[Source: Mail & Guardian Online]

- 3.4.1 What is the cartoon trying to say about Microsoft? (2)
- 3.4.2 Explain the concept of imperfect markets. (2)
- 3.4.3 Name **THREE** characteristics of a monopoly. (6)
- 3.4.4 Name **TWO** reasons why governments oppose monopolies. (4)
- 3.4.5 What can a government do to prevent or manage monopolies? (4)

[50]

QUESTION 4 IMPROVING THE STANDARD OF LIVING

4.1 What do the following acronyms stand for?

4.1.1 GEAR

4.1.2 WTO

4.1.3 SDI (6)

4.2 *'Economic growth is determined by the availability, size and quality of the factors of production.'*

Discuss this statement fully by analysing the factors of production in your own country. (20)

4.3 Complete the following table.

Table 3 SDIs in South Africa

Name of SDI	Location	Industries and economic activities
A	Links Gauteng and Mpumalanga to Maputo in Mozambique	Minerals, agri-processing, tourism and transport
Fish River SDI	B	Manufacturing, exporting
Phalaborwa SDI	Phalaborwa, Mpumalanga	C
D	St Lucia along the coast to Mozambique	Agri-tourism

(4)

4.4 Discuss the following arguments in favour of protectionism.

4.4.1 Employment argument. (4)

4.4.2 To prevent dumping. (4)

4.5 Analyse the following economic and social indicators. Decide if they are good or bad, and give a reason for your answer.

4.5.1 The Gini-coefficient of South Africa changed from 0.60 in 2001 to 0.67 in 2010.

4.5.2 The growth in the M3 money supply has decreased to 4.5% in February 2011.

4.5.3 South Africa's position on the UN's HDI ranking has changed from 132 to 115.

4.5.4 Secondary enrolment has increased from 90% to 92%. (12)
[50]

QUESTION 5 CONTEMPORARY ECONOMIC ISSUES

5.1 Analyse the following economic statements.

5.1.1 Deflation is worse than inflation.

5.1.2 Tourism can cause negative externalities.

5.1.3 Dependency on fossil fuels has to be minimised. (6)

5.2 Discuss **THREE** consequences of inflation. (12)

5.3 Study Table 4 and answer the questions that follow:

Table 4 South African Tourism Index July to September 2010

Total tourist arrivals	2 057 999	Up 11,5%
Africa land markets	1 445 718	Up 9,2%
Africa air markets	84 515	Up 10,6%
Americas	116 196	Up 31,2%
Asia & Australasia	110 335	Up 47,7%
Europe	294 033	Up 8,8%

[Source: *Statssa South African Tourism analysis*]

5.3.1 Why are most tourist arrivals from Africa? (4)

5.3.2 Explain why these tourist numbers are so much better **for this period** than in 2009. (4)

5.3.3 Discuss how tourism can contribute to combating poverty in South Africa. (6)

5.3.4 Give **THREE** suggestions as to how South Africa can improve tourism. (6)

5.4 Read the following article and answer the questions that follow.

Earth's Population to Reach 7 Billion in 2011

A clock is ticking. Sometime late this year, the United Nations Population Unit predicts that with about five babies born every second, the world will have 7 billion people.

Seven billion. It was fewer than 1 billion in 1800, 3 billion in 1960, and 6 billion as recently as 1999. The number keeps growing. The planet does not. Thomas Malthus famously predicted in 1798 that at some point, it would all be too much: starvation and disease would kill people more quickly than we can replace them.

But is this year's milestone cause for worry? Or just the opposite – celebration?

'With the population still growing by about 80 million each year, it's hard not to be alarmed,' writes Robert Kunzig, the author of National Geographic magazine's January cover story, *7 Billion*. 'Right now on Earth, water tables are falling, soil is eroding, glaciers are melting, and fish stocks are vanishing. Close to a billion people go hungry each day.'

[Source: Ned Potter, 5 January 2011 – <ABC News.com>]

5.4.1 Use the information in the article to explain why sustainable development has become such an important issue in the world. (10)

5.4.2 *'Food security has become a major concern for many countries around the world.'*

Explain the concept of food security. (2)
[50]

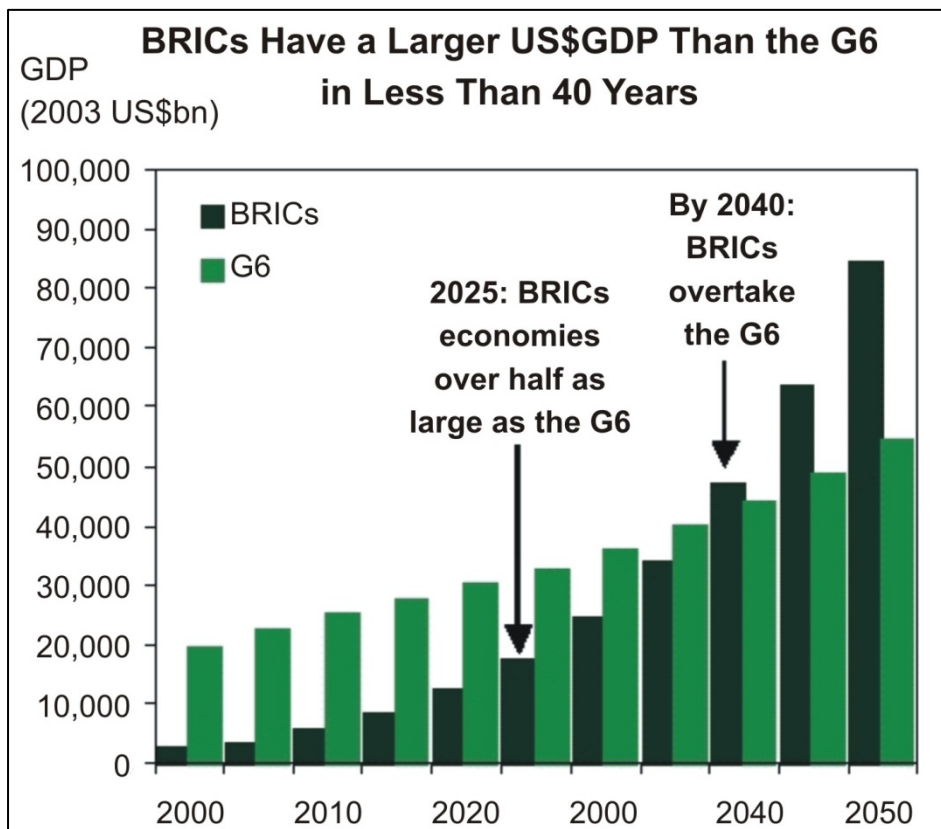
200 marks

SECTION C

Answer ALL the questions in this section.

QUESTION 6 DATA RESPONSE

Study the following information and answer the questions that follow:



South Africa to join BRIC countries

South Africa has received a formal invitation from the economic coalition that includes Brazil, Russia, India and China (BRIC) to become a full member of a new emerging markets bloc dubbed BRICS – Brazil, Russia, India, China and South Africa.

On 23 December, Chinese Foreign Minister Yang Jiechi informed International Relations Minister Maite Nkoana-Mashabane that China, in its capacity as the rotating chair of the BRIC group, had reached an agreement with the other BRIC members to invite South Africa to be a full member of the new coalition.

Yang further said that Chinese President Hu Jintao had invited President Jacob Zuma to attend the 3rd BRIC Leaders' Summit, to be held in China this year. "Minister Yang conveyed that China believed that South Africa's accession would promote the development of BRICS and enhance cooperation among emerging market economies," the Department of International Relations and Cooperation said in a statement last month.

[Source: Wikipedia]






South Africa not big enough for BRICs

Economists at the Reuters 2011 Investment Outlook Summit, held on 6 – 7 December 2010, dismissed the notion of South Africa joining BRIC. Jim O'Neill told the summit that he was constantly being lobbied about BRIC status by various countries. He said that South Africa, at a population of fewer than 50 million people, was just too small an economy to join the BRIC ranks.

Goldman Sachs has argued that, since the four BRIC countries are developing rapidly, by 2050 their combined economies could eclipse the combined economies of the current richest countries of the world. These four countries, combined, currently account for more than a quarter of the world's land area and more than 40% of the world population.

[Source: Wikipedia]

Table 5 Comparison of BRICS 2010

	Country	Population	GDP \$	GDP growth %
	China	1,336,970,000	\$5.745 trillion	10,1%
	India	1,179,618,000	\$2.024 trillion	8,3%
	Brazil	192,787,000	\$1.430 trillion	7,5%
	Russia	141,927,297	\$1.477 trillion	3,8%
	South Africa	49,339,300	\$354.414 billion	3%

[Source: CIA Fact book]

- 6.1 Differentiate between developing countries and emerging countries. Also give **TWO** examples of each. (8)
- 6.2 Define the concept GDP. (4)
- 6.3 Why are the BRIC countries considered to be the growth engine of the world economy in the future? (6)
- 6.4 Do you think South Africa will benefit from joining the BRIC countries? Give reasons for your answer. (12)
- 6.5 Trade with the BRIC countries could be a big growth area for South Africa in the future.
- Discuss **FIVE** reasons why countries trade. (20)
- [50]**

50 marks

Total: 300 marks