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NATIONAL SENIOR CERTIFICATE EXAMINATION
NOVEMBER 2020

ECONOMICS

EXAMINATION NUMBER

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Time: 3 hours

300 marks

PLEASE READ THE FOLLOWING INSTRUCTIONS CAREFULLY

1. This question paper consists of 36 pages. Please check that your question paper is complete.
2. Read the questions carefully.
3. **All questions are compulsory.**
SECTION A: Question 1
SECTION B: Question 2, 3, 4 and 5
SECTION C: Question 6
4. Answer ALL the questions in the spaces provided on this question paper.
5. Answer questions, where possible, point by point but in full sentences. A systematic presentation of facts is required.
6. It is in your own interest to write legibly and to present your work neatly.
7. Non-programmable calculators may be used.
8. Please **do not write in pencil** as work in pencil will not be marked. However, any sketches or diagrams may be done in pencil.
9. One blank page (page 36) is included at the end of the paper. If you run out of space for a question, use these pages. Clearly indicate the question number of your answer should you use this extra space.

Allocation of marks

| Q1 | Q2 | Q3 | Q4 | Q5 | Q6 | Total |
|----|----|----|----|----|----|-------|
| | | | | | | |
| 50 | 50 | 50 | 50 | 50 | 50 | 300 |

SECTION A**QUESTION 1**

Select the correct alternative and enter the letter of the correct answer in the block.

| | |
|------|--|
| 1.1 | |
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| 1.18 | |
| 1.19 | |
| 1.20 | |

1.1 According to the circular flow of income model, when an economy is in equilibrium, we would expect leakages to be ... injections.

- A greater than
- B equal to
- C less than
- D greater or less than

(2)

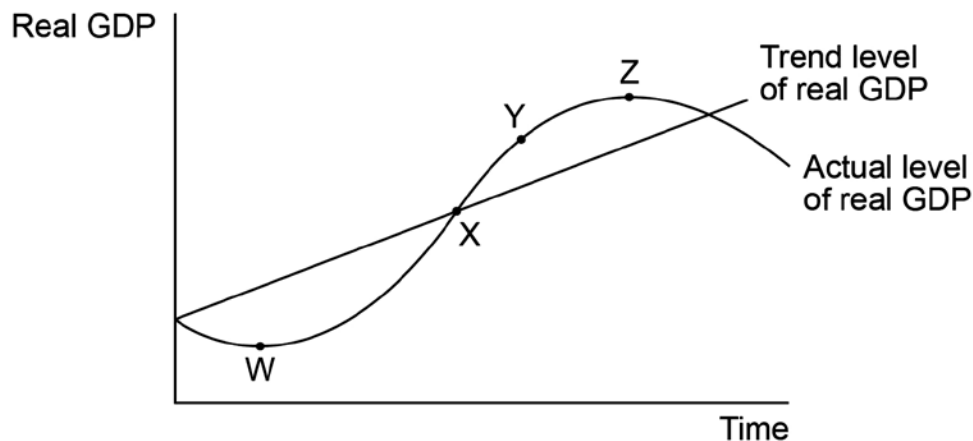
1.2 Which ONE of the following is a leakage from the circular flow of income of an economy?

- A Consumption
- B Investment
- C Income from exports
- D Spending on imports

(2)

1.3 Study **Figure 1** below and answer the question that follows.

Figure 1: The Business Cycle



A boom/prosperity phase is best represented by ...

- A point W to point X.
 - B point X to point Y.
 - C point Y to point Z.
 - D point W to point Z.
- (2)

1.4 An oligopoly is a market structure characterised by ...

- A a large number of small firms.
 - B a single seller and only a few buyers.
 - C interdependence of the various firms in the decision-making.
 - D easy entry into and exit out of the market.
- (2)

1.5 Lighthouses, streetlights and national defence are examples of ...

- A common resources.
 - B merit goods.
 - C public goods.
 - D private goods.
- (2)

1.6 An inferior good always has a ...

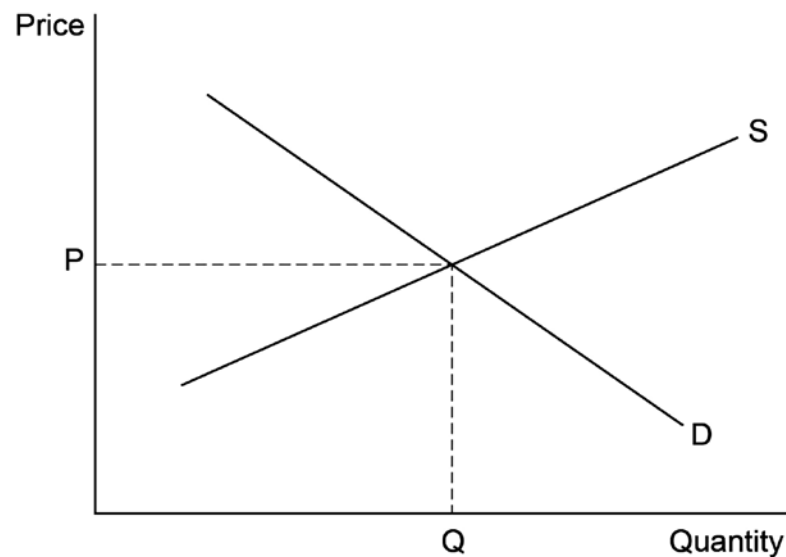
- A positive price elasticity of demand.
 - B large number of substitutes.
 - C negative cross-price elasticity of demand.
 - D negative income elasticity of demand.
- (2)

1.7 Which ONE of the following statements is correct?

- A The demand for necessities will be more elastic.
 - B The demand for luxuries will be more inelastic.
 - C If bread and tea are necessities, then an increase in price will not lead to a significant decrease in the amounts consumed.
 - D If bread and tea are necessities, then an increase in price will lead to a significant decrease in the amounts consumed.
- (2)

1.8 Study **Figure 2** below and answer the question that follows.

Figure 2: The market for cucumbers



Which one of the following scenarios would result in a higher quantity and a lower price charged for cucumbers?

- A A fall in the price of the fertiliser used to grow cucumbers.
- B A hot summer causes consumers to eat more cucumbers.
- C The minimum wage for farm workers is increased.
- D The price of tomatoes falls.

(2)

1.9 Study **Table 1** below and answer the question that follows.

Table 1: CPI for a country between 2017 and 2018

| Year | Consumer Price Index |
|------|----------------------|
| 2017 | 200 |
| 2018 | 210 |

The figures indicate that between 2017 and 2018 ...

- A the purchasing power of money fell by 5%.
- B the rate of inflation was 10%.
- C the price of consumer goods increased by 10%.
- D the standard of living decreased by 5%.

(2)

1.10 A good example of an indirect tax is ...

- A income tax.
- B corporation tax.
- C capital gains tax.
- D value-added tax.

(2)

1.11 Study **Table 2** below and answer the question that follows.

Table 2: Hypothetical data for an economy

| Government spending | Spending on imports | Taxes | Investments | Income from exports | Savings |
|----------------------------|----------------------------|--------------|--------------------|----------------------------|----------------|
| 29 | 20 | 32 | 35 | 19 | 26 |

All other things remaining the same, the planned changes to injections into and leakages from the circular flow of income could cause ...

- A national income to increase.
- B consumer expenditure to decrease.
- C the trade balance deficit to decrease.
- D the budget deficit to rise. (3)

1.12 During the recovery stage of the business cycle, it is expected that ...

- A unemployment rates will rise, economic growth rates will fall, and prices will remain stable.
- B unemployment rates will fall, economic growth rates will rise, and inflation rates will increase.
- C unemployment rates will remain constant, the current account deficit will decline, and inflation rates will decrease.
- D economic growth rates will fall, employment rates will rise, and the current account deficit will become positive. (3)

1.13 A South African company purchases a British company that pays a dividend to South African shareholders.

All other things being equal, in which accounts of the South African balance of payments would these two transactions be recorded and how would they affect the accounts?

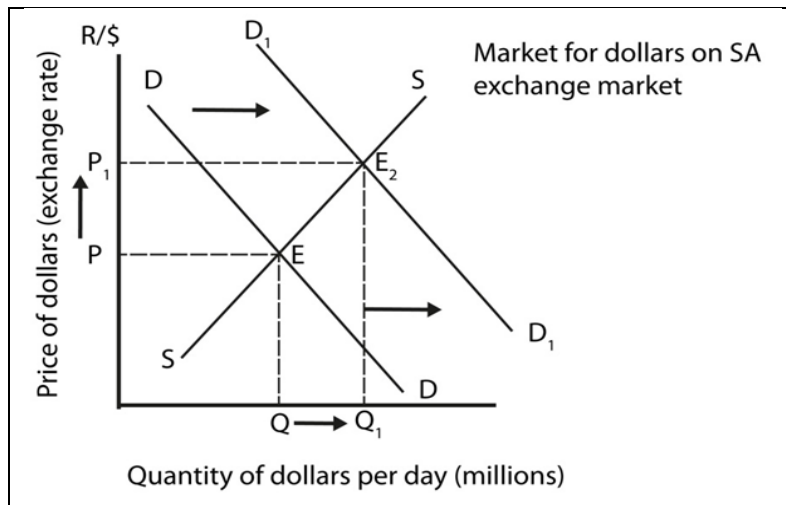
| | Purchase of the company | Payment of the dividend |
|---|-----------------------------------|-----------------------------------|
| A | Decrease on the financial account | Increase on the current account |
| B | Increase on the financial account | Decrease on the current account |
| C | Increase on the capital account | Decrease on the financial account |
| D | Decrease on the capital account | Increase on the current account |

(3)

Question 1.14 and Question 1.15 are based on Figure 3.

Study Figure 3 below and answer the questions that follow.

Figure 3: Exchange rates



1.14 All other things being equal, the graph confirms that the rand (ZAR) has ...

- A increased.
- B depreciated.
- C appreciated.
- D remained constant.

(3)

1.15 The graph confirms that there has been ...

- A a large, persistent current account deficit.
- B a fall in the gold price.
- C a fall in the earnings generated from investments abroad.
- D a substantial increase in inward foreign direct investment.

(3)

1.16 Which best expresses the law of diminishing marginal utility?

- A The more consumption of a product, the smaller is the total and marginal utility from the consumption.
- B The less consumption of a product, the greater is the total and marginal utility of the consumption.
- C The more consumption of a product, the smaller is the marginal utility from consuming an additional unit.
- D The more consumption of a product, the smaller is the total utility from the consumption.

(3)

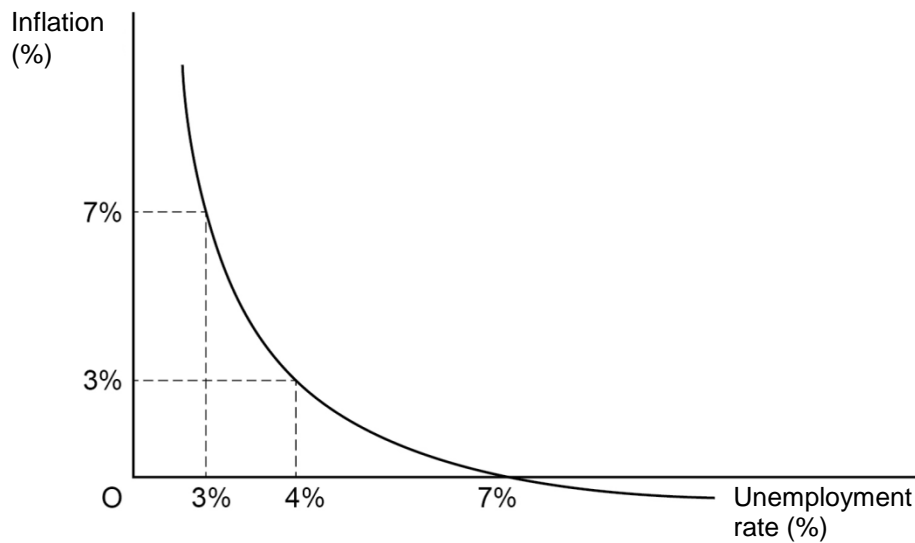
1.17 Why might published figures for national income per head of population at constant prices **overstate** the improvement in a country's average standard of living over a period of time?

- A The economy experienced inflation.
- B The population increased.
- C There was a decline in average hours worked.
- D There was an increase in pollution.

(3)

1.18 Study **Figure 4** below and answer the question that follows.

Figure 4: The Phillips curve



The Phillips curve above demonstrates that ...

- A high inflation leads to high unemployment.
- B as inflation increases, employment decreases.
- C the trade-off for reducing inflation from 7% to 3% is a 4% increase in unemployment.
- D the trade-off for reducing unemployment from 7% to 4% is 3% inflation.

(3)

1.19 In an attempt to reduce hyperinflation, the Zimbabwean Government imposed maximum prices on a range of products. This caused the price of illegally sold goods to rise.

Which ONE of the following statements could explain this?

- A The maximum prices increased demand whilst reducing supply.
- B The maximum prices reduced demand whilst increasing supply.
- C The maximum prices were set above the equilibrium price levels.
- D The maximum prices were set at the equilibrium price levels.

(3)

1.20 Study **Table 3** below and answer the question that follows.

Table 3: Hypothetical data for an economy

| Quarter | Index of Real GDP | CPI |
|-----------|-------------------|-----|
| Q1 – 2018 | 107 | 100 |
| Q2 – 2018 | 106 | 105 |
| Q3 – 2018 | 105 | 111 |
| Q4 – 2018 | 106 | 116 |

Which statement about this economy is correct?

During the four quarters, the economy experienced ...

- A disinflation when in recession.
- B inflation when recovering from recession.
- C deflation and a recession.
- D disinflation when recovering from recession.

(3)

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| 50 marks |
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SECTION B**QUESTION 2 MACROECONOMICS**

2.1 Study **Table 4** below and answer the questions that follow.

Table 4: National account figures 2017 and 2018 at constant prices

| Item | 2017 R million | 2018 R million |
|---|-------------------|-------------------|
| Final consumption expenditure by households | 1 902 851 | 1 937 396 |
| Final consumption expenditure by general government | 629 712 | A |
| Gross fixed capital formation | 618 516 | 609 614 |
| B | 3 189 | –5 440 |
| C | –2 442 | 316 |
| Gross Domestic Expenditure | 3 151 826 | 3 183 398 |
| D | 905 898 | 929 792 |
| Imports of goods and services | E | 968 651 |
| Gross Domestic Product | 3 119 984 | 3 144 539 |

[Source: <<https://www.resbank.co.za>>]

2.1.1 Which method of calculating the national accounts is used in Table 4?

_____ (2)

2.1.2 Name or calculate A to E. You do not have to show your calculations.

 _____ (5)

2.1.3 Use the figures given and calculate the economic growth rate for 2018. Show all calculations.

 _____ (4)

- 2.2 2.2.1 Use an example to describe the economic term *marginal propensity to consume (mpc)*.

(3)

- 2.2.2 If the $mpc = 0,8$, what is the value of the multiplier (k)? Show all calculations.

(3)

- 2.2.3 If government spending on goods and services rises by R20 million whilst taxes increase by R4 million, what will the final change in National Income be? Show all calculations.

(4)

- 2.3 **While the coincident indicator gives a fairly accurate idea of the current state of economic activity, it is of little use to businesses.**

- 2.3.1 Why is the coincident indicator "of little use to businesses"?

(2)

2.3.2 Briefly explain the difference between *leading indicators* and *lagging indicators* and give a reason as to which one of the two is more useful for economists.

(6)

2.4 Study **Table 5** below and answer the questions that follow.

Table 5: South Africa's balance of payments account annual figures 2018

| Balance of payments | R millions |
|---|-------------------|
| Merchandise exports | 1 175 547 |
| Net gold exports | 71 678 |
| Service receipts | 210 415 |
| Income receipts | 96 507 |
| Less: Merchandise imports | 1 222 944 |
| Less: Payments for services | 217 939 |
| Less: Income payments | 250 552 |
| Current transfers (net receipts +) | −35 674 |
| Balance on current account | −172 962 |
| Capital transfer account | 236 |
| Balance on financial account | 153 388 |
| Unrecorded transactions | 30 675 |
| Change in net gold and other foreign reserves | −11 337 |

[Source: <[https:// www.resbank.co.za](https://www.resbank.co.za)>]

2.4.1 Describe the economic term *balance of payments*.

(2)

2.4.2 Calculate the trade balance. Show all calculations.

(4)

2.4.3 Is there a deficit or surplus on the balance of payments account? Motivate your answer.

(4)

2.4.4 Name and briefly discuss each of the sub-accounts of the financial account and **suggest** ONE way in which the South African government can encourage businesses to ensure that more money is coming into the country.

(11)
[50]

QUESTION 3 MICROECONOMICS

- 3.1 Study **Table 6** below and use the cost and revenue data to answer the questions that follow.

Table 6: Cost and revenue data

| Quantity sold | Price per unit | Total revenue | Total cost | Marginal revenue (MR) | Marginal cost (MC) |
|---------------|----------------|---------------|------------|-----------------------|--------------------|
| 0 | 10 | - | 6 | - | - |
| 1 | A | 10 | 15 | 10 | B |
| 2 | 10 | 20 | C | 10 | 7 |
| 3 | 10 | D | 27 | 10 | 5 |
| 4 | 10 | 40 | 31 | 10 | 4 |
| 5 | 10 | 50 | 39 | 10 | 8 |
| 6 | 10 | 60 | 48 | 10 | 10 |
| 7 | 10 | 70 | 63 | 10 | 15 |

- 3.1.1 Calculate the values of A, B, C and D. You do not have to show your calculations.

(4)

- 3.1.2 How many units need to be sold to achieve profit-maximisation? Give a reason for your answer.

(4)

3.2 Discuss TWO causes of market failure and **assess** what the government can do about each one.

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(12)

3.3 Study **Source 1** below and answer the questions that follow.

Source 1

DStv holds a monopoly on paid satellite TV services in South Africa, with its competition unable to compete with its extensive range of channels and sports broadcasting rights.

[Source: Adapted from: <<https://www.mybroadband.co.za>>]

3.3.1 Describe the economic term *monopoly*.

(2)

3.3.2 For many years DStv has been regarded as an example of a monopoly. Justify how this example corresponds with the following characteristics of monopolies:

Nature of the product

Access/entry to the market

Company's control over the price of the product

Availability of market knowledge

(16)

Study **Source 2** below and answer the questions that follow.

Source 2



However, the rise of online streaming services coupled with decreasing internet prices means that DStv now has significant competition in the video content market.

[Source: <<https://www.mybroadband.co.za>>]

3.3.3 Name TWO benefits that consumers could expect from an increase in competition in the online streaming services.

(2)

3.3.4 Would the cross elasticity of demand for online streaming services and DStv be negative or positive? Explain your answer.

(4)

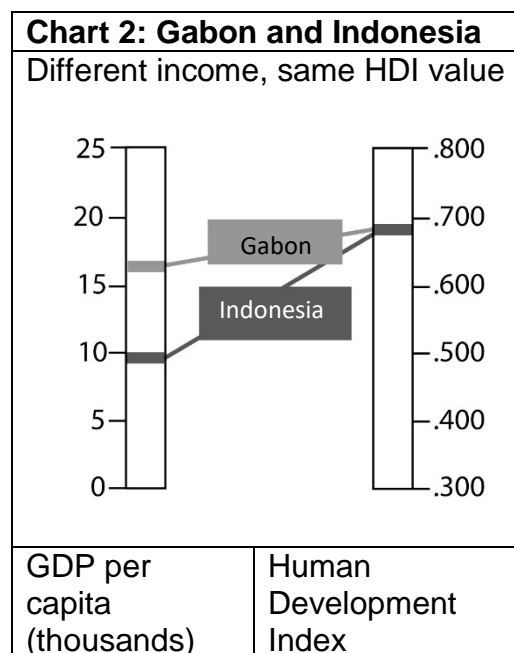
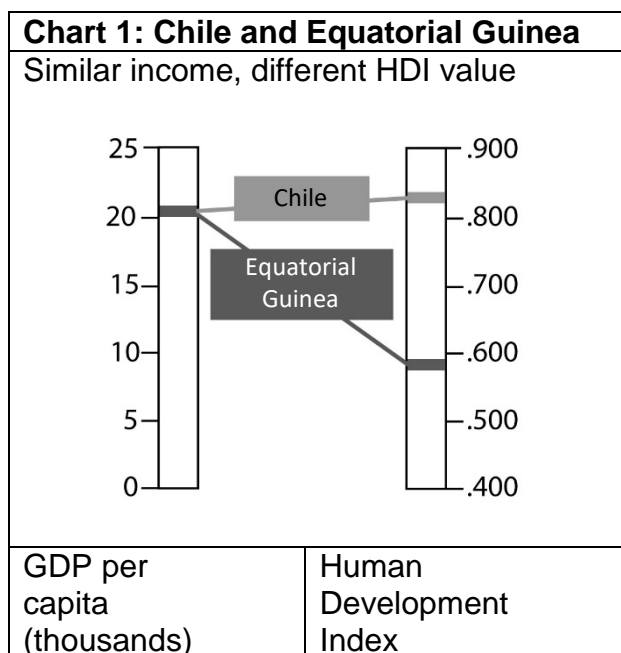
3.3.5 Use **ONLY** a supply and demand graph to show the effects that "decreasing internet prices" would have on the online streaming market.



(6)
[50]

QUESTION 4 CONTEMPORARY ECONOMIC ISSUES

4.1 Study **Chart 1** and **Chart 2** below and answer the questions that follow.



4.1.1 Briefly explain the difference between *economic growth* and *economic development*.

(4)

4.1.2 With reference to Chart 1 and Chart 2 above, which country has the highest standard of living?

(2)

4.1.3 With reference to Chart 1 and Chart 2 above, which country has the lowest average income per person?

(2)

- 4.1.4 Name TWO of the main components that make up the *Human Development Index*, which is referred to in Chart 1 and Chart 2 (page 20).

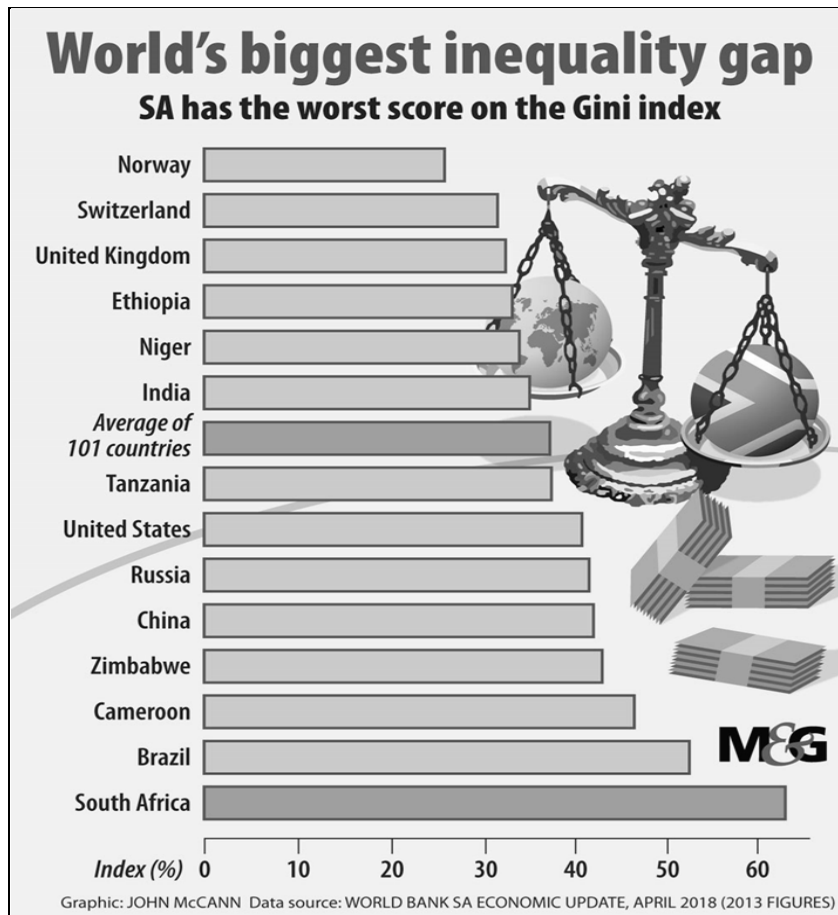
(2)

- 4.1.5 With reference to the countries listed in Chart 1 and Chart 2 (page 20), outline TWO reasons why a high GDP per capita may not necessarily result in a high value of the Human Development Index (HDI).

(4)

4.2 Study **Chart 3** below and answer the questions that follow.

Chart 3: The Gini Index



4.2.1 Describe the economic term *inequality gap*.

(2)

4.2.2 From Chart 3 above, identify TWO:

Developing Countries

Developed Countries

(4)

- 4.2.3 Briefly explain how to interpret the Gini coefficient index and the meaning of "South Africa has the worst score on the Gini index".

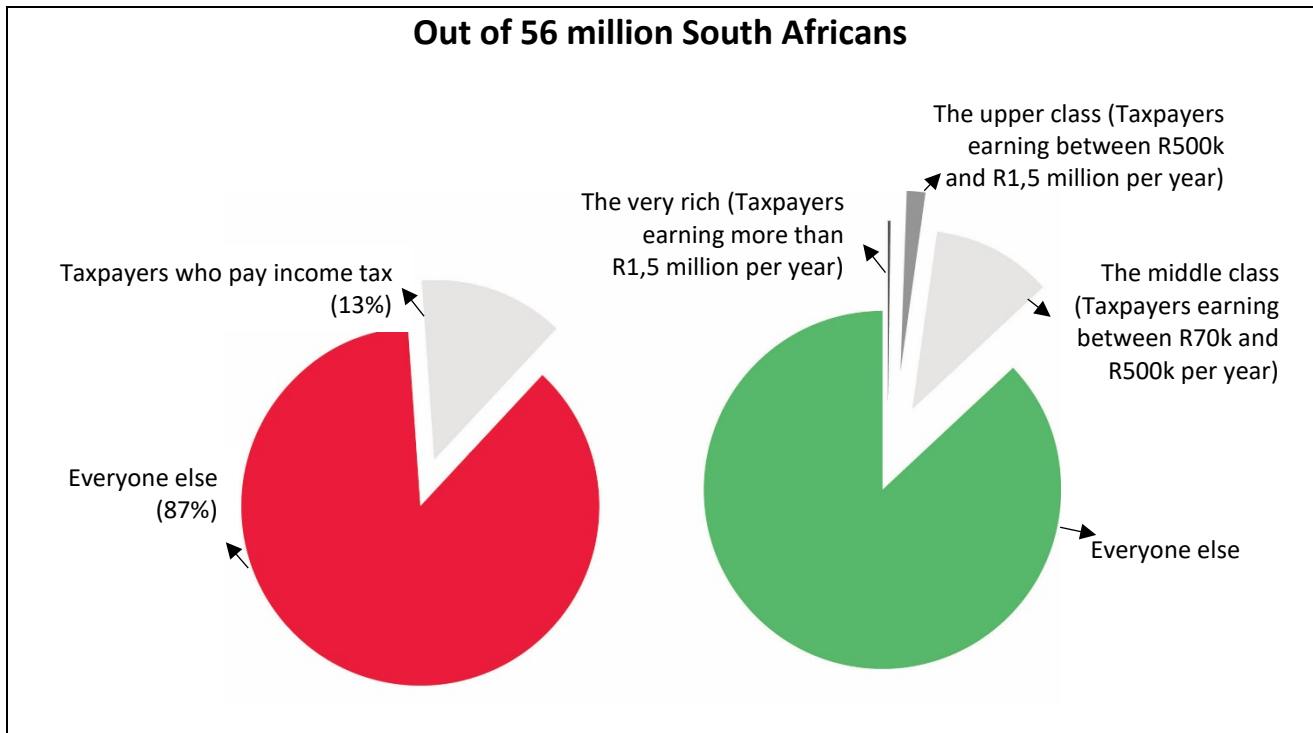
(4)

- 4.2.4 Explain TWO ways in which taxes (direct and indirect) can be used to improve the Gini coefficient.

(6)

4.3 Study **Chart 4** below and answer the questions that follow.

Chart 4: South Africa's tax



[Source: <<https://businesstech.co.za/news/finance/207631/this-is-who-is-paying-south-africas-tax/>>]

4.3.1 Out of 56 million South Africans, how many people are paying income tax?
You do not have to show your calculations.

(2)

4.3.2 What income do people who are classified as "middle class" earn per year?

(2)

4.3.3 Describe the type of income tax system that we use in South Africa.

(4)

4.3.4 Briefly discuss, with the aid of a diagram, THREE reasons why total tax revenues could fall if the tax rate increases in South Africa.



(12)

[50]

QUESTION 5 **MIXED QUESTIONS**

5.1 Since the global financial crisis of 2008, there have been over 5 700 increases in import tariffs and quotas on international trade.

5.1.1 Briefly explain the difference between *import tariffs* and *import quotas*.

(4)

5.1.2 Discuss THREE arguments in favour of protectionism.

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(12)

5.2 According to COSATU and SAFTU, the National Minimum Wage should be reviewed and increased.


5.2.1 Describe the economic term *minimum wage*.

(2)

5.2.2 What does the acronym COSATU stand for?

(2)

5.2.3 Use a diagram ONLY to illustrate the impact of a minimum wage on the labour market.



(6)

5.2.4 Evaluate the economic benefits and drawbacks of an increase in the national minimum wage.

(8)

5.3 Study **Source 3** below and answer the questions that follow.

Source 3: The new inflation basket



[Source: CPI_Infographic_Whats-out.jpg]

5.3.1 Which organisation is responsible for compiling the CPI basket?

(2)

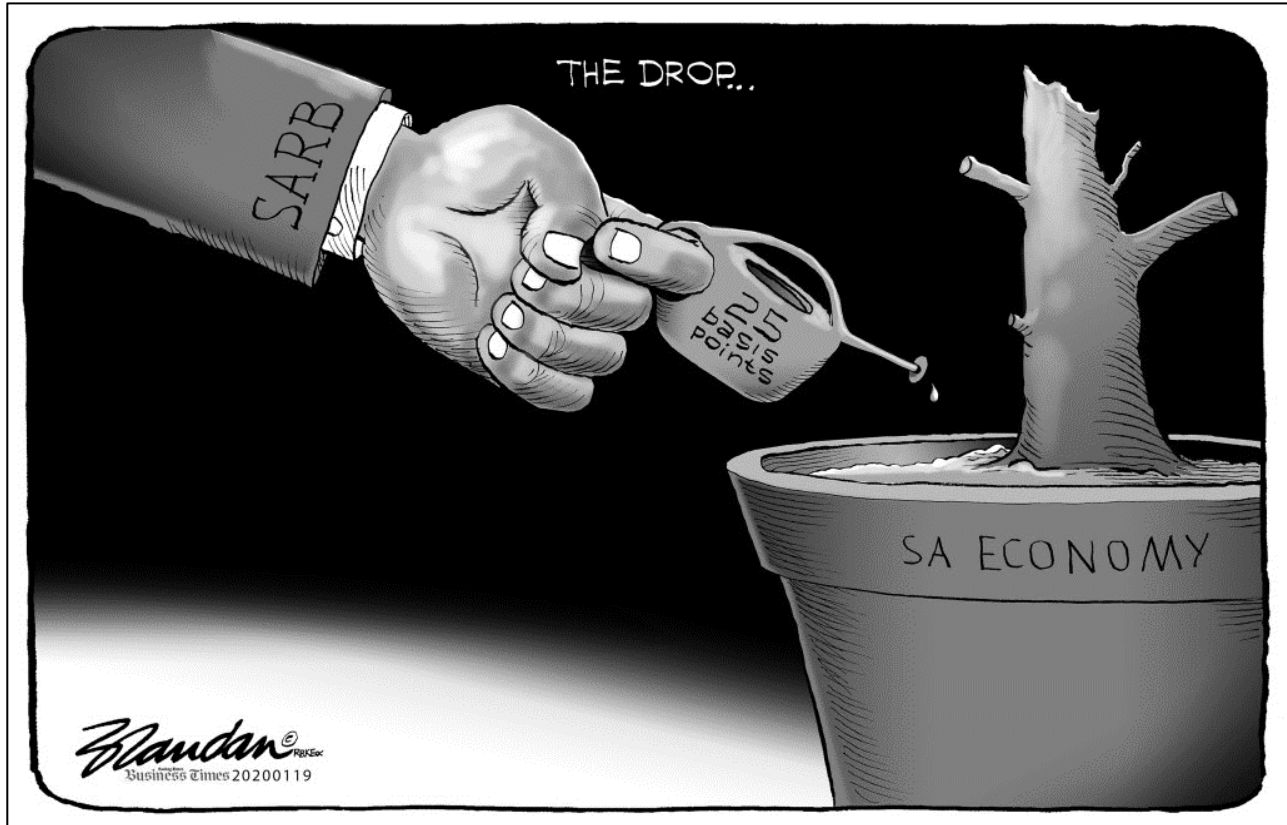
(4)

[illegible]

PLEASE TURN OVER

SECTION C**QUESTION 6 DATA RESPONSE**

6.1 Study **Source 4** below and answer the questions that follow.

Source 4: South Africa's economy

[Source: <<https://twitter.com/brandanrey>>]

6.1.1 What does the acronym SARB stand for?

(2)

6.1.2 Is the cartoon illustrating expansionary or contractionary monetary policy? Briefly explain your answer.

(4)

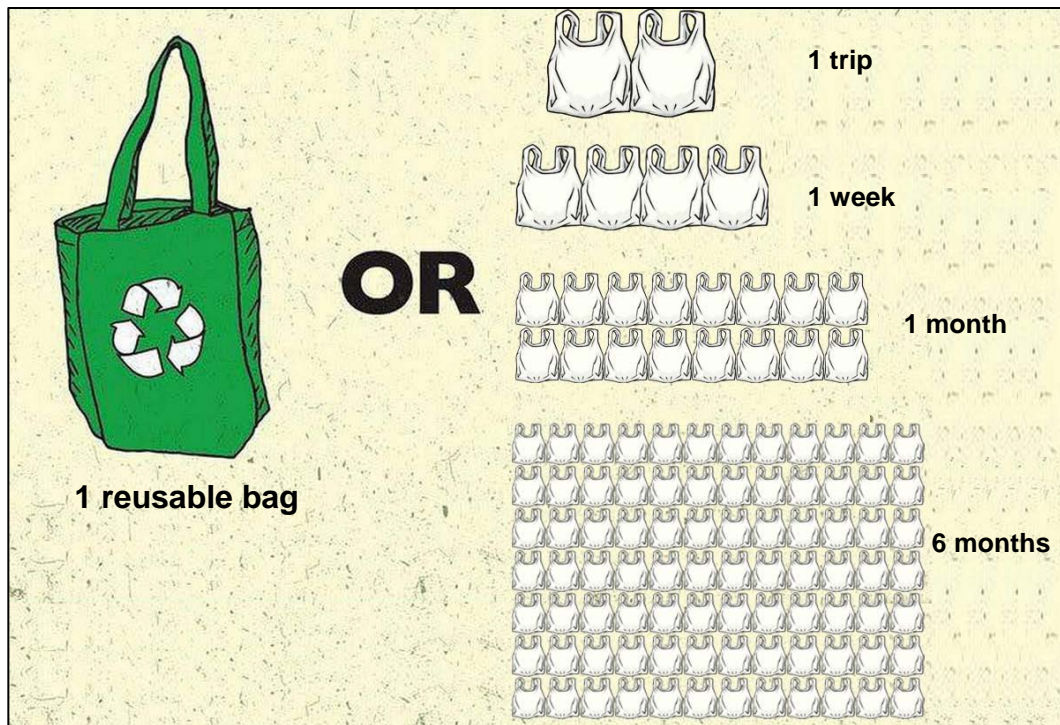
- 6.1.3 Use an aggregate demand and aggregate supply diagram and an explanation to illustrate how monetary policy can boost the economy and lead to economic growth.



(12)

6.2 Study **Source 5** and **Source 6** below and answer the questions that follow.

Source 5: Plastic bag levy



[Source: <<https://greenhome.co.za/blog/south-africans-and-the-plastic-bag/>>]

Source 6: Plastic nation

Plastic nation: South Africa's growing headache

With rising levels of plastic pollution in our country and oceans and a lack of biodegradability in landfills, there are serious reasons for the South African government to impose a ban on plastic bags.

At the levy of 12c a bag, more than 2 billion plastic bags were sold in South Africa last year. The levy appears to have created a small but dependable money-spinner for the National Treasury, with little effect on cutting litter and encouraging reuse.

To tax or to ban?

South Africa is pondering two options — a ban on "prioritised" single-use plastics or a higher tax on single-use plastic products.

The plastics and packaging industries, which employ about 60 000 people, are unhappy on both counts, arguing that properly managed recycling and waste management systems are the answer to South Africa's problem.

[Articles adapted from sources: <<https://bucket.mg.co.za/wp-media/2019/04/4450c872-00-death-or-taxes-for-polluting-plastic-696x445.jpeg>> & <<https://www.businesslive.co.za/fm/features/2019-06-06-plastic-nation-sas-growing-headache/>>]

6.2.1 What is meant by the term *plastic bag levy*?

(2)

6.2.2 Briefly explain why the use of plastic bags by shoppers is an example of a negative externality in consumption.

(4)

6.2.3 Briefly explain why we could assume that the price elasticity of demand for plastic bags could be considered to be either elastic or inelastic.

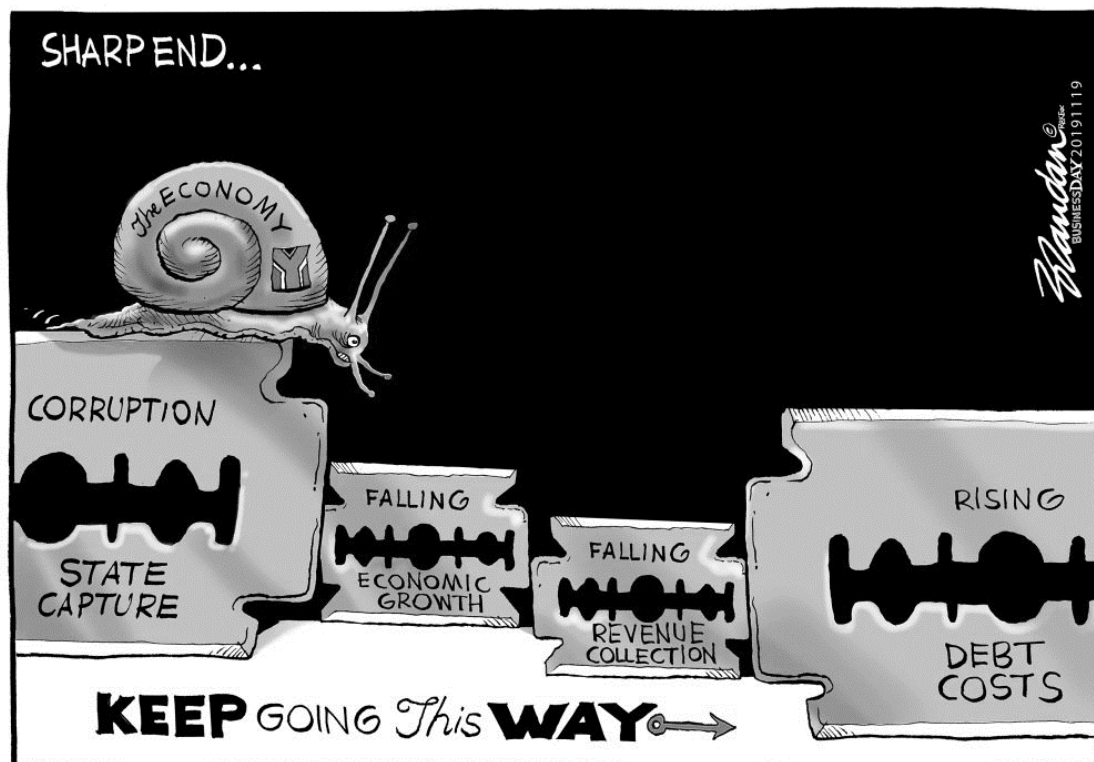
(4)

6.2.4 With reference to Source 6 (page 32), analyse TWO economic challenges South Africa would face if there was a complete ban of single-use plastic.

(6)

6.3 Study **Source 7** below and answer the questions that follow.

Source 7: South Africa's economic growth



[Source: <<https://twitter.com/brandanrey>>]

6.3.1 With reference to Source 7 above, why has the cartoonist depicted South Africa's economy in the way that he has?

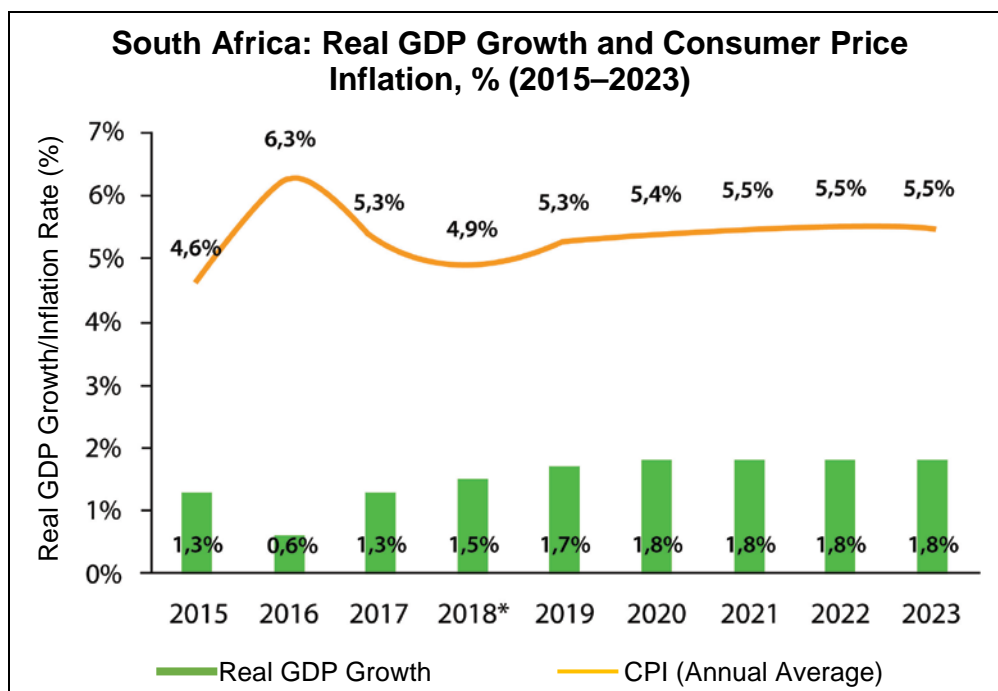
(2)

6.3.2 Choose THREE issues identified in the cartoon above and explain how each of them limits the economic growth of the South African economy.

(6)

6.4 Study **Chart 5** below and answer the questions that follow.

Chart 5: South Africa's Real GDP and CPI



[Source: <<https://politicaleconomy.org.za/2019/08/gdp-growth-and-public-finance-in-south-africa-fy2019-20/>>]

6.4.1 Name FOUR of South Africa's macroeconomic objectives.

(4)

6.4.2 Should the South African Government be concerned with the data in Chart 5 above? Justify your answer.

(4)

50 marks

Total: 300 marks

[illegible]