

# SECONDARY SCHOOL IMPROVEMENT PROGRAMME (SSIP) 2021



**GAUTENG PROVINCE**  
EDUCATION  
REPUBLIC OF SOUTH AFRICA



**GRADE 12**

**SUBJECT: ECONOMICS WINTER REVISION**

**LEARNER WORKBOOK**

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## SESSION 22: PERFECT MARKETS

### SECTION A: TYPICAL EXAM QUESTIONS

#### PERFECT MARKETS

#### QUESTION 1: Section A – Short Questions

(Taken from various sources)

**HINT:** When answering Section A – short question, it is important not to rush but to read the questions carefully and to make sure you understand what the question is asking. Always remember one alternative is completely wrong, one is nearly correct, and one is totally correct. It is easy to eliminate the completely wrong answer, but if you do not read the question carefully the nearly correct answer will also appear correct. The answer will **NEVER** be two options. Only **ONE** option is correct. Your answer will immediately be marked incorrect if you write TWO options.

1.1 Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A–D) next to the question number.

1.1.1 If a firm in perfect competition raises its price, profits will ...

- A Remain unchanged
- B Increase
- C Be driven down to below zero
- D Increase as quantity as income increase

1.1.2 At any given quantity of output, the difference between price and average total cost; also known as

- A Profit margin
- B Economic profit
- C Supernormal normal profit
- D Break-even point

1.1.3 An example of a perfect competition is the

- A Crude -oil market
- B International Diamond Exchange
- C Johannesburg Security Exchange
- D South African Reserve Bank

- 1.1.4 Mergers cannot take place without the consent of the...
- A Competition commission
  - B Competition appeal court
  - C Competition tribunal court
  - D Anti-monopoly policy
- 1.1.5 The...curve shows the firm's lowest cost per unit at each level of output, assuming that all factors of production are variable.
- A Short run
  - B Marginal
  - C Long-term average cost
  - D Average variable cost

1.2 Choose a description from COLUMN B that matches the item in COLUMN A. Write only the letter (A – I) next to the question number (1.2.1 – 1.2.8) in the ANSWER BOOK, for example 1.2.9 J.

COLUMN A	COLUMN B
1.2.1 Long run	A A business in a perfect market will consider closing down if $AR=AVC$
1.2.2 Marginal revenue	B Place where buyers and sellers meet
1.2.3 Shut down-point	C Occurs where average revenue is equal to average cost
1.2.4 Market	D Large number of buyers and sellers
1.2.5 Normal profit	E Extra income the seller earns if one more unit of a product is produced and sold
	F A period of production where all factors of production become variable

(5 × 1)

(5)

- 1.3 Provide the economic term/concept for each of the following descriptions. Write only the term/concept next to the question number. **NO ABBREVIATIONS, ACRONYMS OR EXAMPLES WILL BE ACCEPTED.**
- 1.3.1 The policy of the government that is aimed at promoting competition and preventing the abuse of economic power
- 1.3.2 The difference between total revenue and its total costs.
- 1.3.3 The cost of resources already owned by the firm that could have been put to some other use.
- 1.3.4 Refer to the different market characteristics that determine relations between sellers to each another, of sellers to buyers and more.
- 1.3.5 The seller has to accept the price set by supply and demand in the market.
- 1.3.6 The time is long enough for variable and fixed factors to change.



**SECTION B**

**QUESTION 2: Section B**

**HINT:** When the question requires you to “list” or “name”, you need not write a sentence but merely one or two words. This **MUST** be done in bullet form. This types of questions are applicable for 2.1.1, 3.1.1 and 4.1.1

- |        |  |       |   |
|--------|--|-------|---|
| 2.1.1  | Name any TWO benefits of competition to consumers      | (2x1) | 2 |
| 2.1.2. | Name TWO cost curves that are found in a normal profit | (2x1) | 2 |
| 2.1.3. | List any TWO conditions of a perfect markets.          | (2x1) | 2 |
| 2.1.4. | List TWO kinds of profits associated with business.    | (2x1) | 2 |

**QUESTION 3:** (Taken from various sources)

**HINT:** This types of questions are applicable for 2.1.2, 3.1.2 and 4.1.2

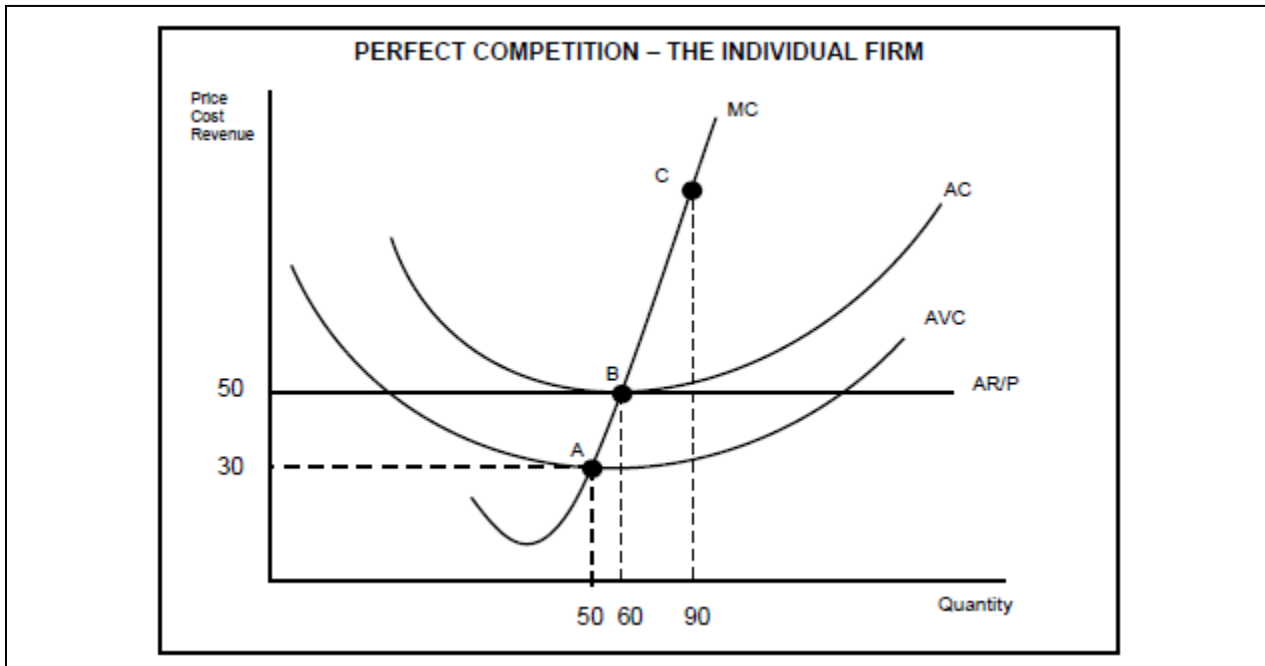
- |        |  |       |   |
|--------|--|-------|---|
| 3.1.1. | What are the long run benefits of running a firm in perfect competition?         | (1x2) | 2 |
| 3.1.2. | How does the Competition Commission policy regulate competition in South Africa? | (1x2) | 2 |
| 3.1.3. | How do you find the output of a perfectly competitive market?                    | (1x2) | 2 |
| 3.1.4  | Why would a firm choose to operate at a loss in the short run?                   | (1x2) | 2 |

**Data Response**

**HINT:** All section B questions have TWO data interpretation questions – each total 10 marks. Section B consist of Questions 2-4 not as numbered in this document

**QUESTION 4:**

Study the graph below and answer the questions that follow



- 4.1 Identify the marginal revenue curve in the graph above. (1)
- 4.2 Which curve is also known as the supply curve? (1)
- 4.3 Why will the individual firm not produce more than 60 units? (2)
- 4.4 How does the market demand curve differ from the curve of the individual firm? (2)
- 4.5 What is the significance of point A? (2x2) (4)

**QUESTION 5:**

Study the graph below and answer the questions that follow.

### COMPETITION COMMISSION OF SOUTH AFRICA VS MEDIA 24

The Competition Tribunal published its order and the reasons therefore today in the matter of the Competition Commission v Media 24 (Pty) Ltd. GMI acted on behalf of the Commission in the matter.

The Commission referred a complaint to the Tribunal that Media 24 engaged in pricing conduct that contravened section 8(d)(iv), alternatively section 8(c) of the Competition Act, 1998. Section 8(d)(iv) prohibits a dominant firm from selling goods or services below their marginal or average variable cost, while section 8(c) prohibits a dominant firm from engaging in any exclusionary act where the anti-competitive effect of such act outweighs its technological, efficiency or other pro-competitive gain. This was the first time that the Tribunal heard a case of predatory pricing conduct in contravention of the mentioned sections of the Competition Act

- 5.1 How many institutions are mentioned in the article above? (1)
- 5.2 What are the aims of South Africa's anti-monopoly policy? (1)
- 5.3 Briefly describe the term *competition policy* (2)
- 5.4 Why should a firm shut down rather than continue to produce? (2)
- 5.5 How successful has the competition Act of 1998 in South Africa been? (2x2) (4)



**QUESTION 6:**

Study the information below and answer the questions that follow.

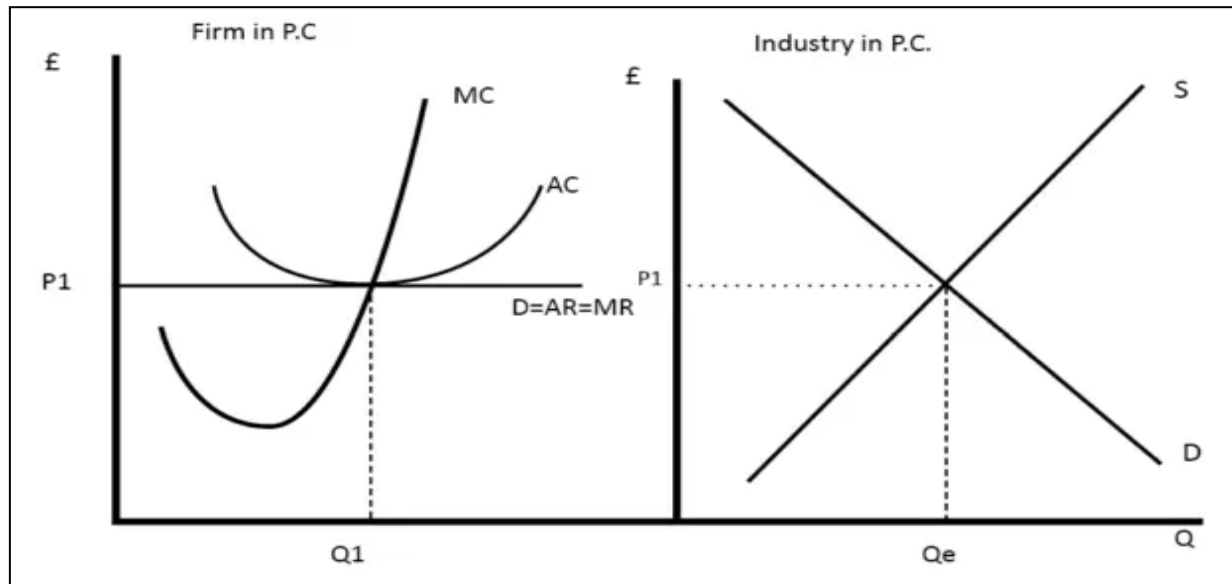
**PRICE MAKERS VS. PRICE TAKERS**



- 6.1 In which market do price takers exist? (1)
- 6.2 Name any market structure. (1)
- 6.3 Briefly describe the term *homogenous*. (2)
- 6.4 Why are consumers price takers? (2)
- 6.5 Discuss characteristics of an individual business. (2x2) (4)

### QUESTION 7

Study the graphs below and answer the questions that follow



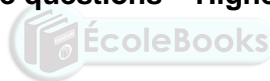
- 7.1 How is the market price determined in firm on the left? (1)
- 7.2 Which curve represent average cost in the industry? (1)
- 7.3 Briefly describe the term *perfect competition* (2)
- 7.4 Which characteristic is enjoyed by the firm and industry above? (2)
- 7.5 Distinguish between the individual business and firm. (2x2) (4)

**HINT:** All section B questions have TWO 8 marks questions, numbered according to questions not like in this document.

**QUESTION 8**                      **Paragraph type questions – Middle Cognitive**

- |      |  |   |
|------|--|---|
| 8.1  | Explain the long-term equilibrium of a firm under perfect competition.                                       | 8 |
| 8.2. | Explain the roles played by any TWO key institutions that monitor competition in South Africa.               | 8 |
| 8.3  | Discuss with an aid of graph the derivation of the supply curve from cost curves for the individual producer | 8 |
| 8.4  | Use a graph of total cost (TC) and total revenue (TR) to explain profit maximisation in a perfect market.    | 8 |
| 8.5  | Briefly explain 'normal profit' in a perfect competitive market.   | 8 |

**QUESTION 9**                      **Paragraph type questions – Higher cognitive**



- |     |  |   |
|-----|--|---|
| 9.1 | Why will the price of a product under perfect competition be equal to the lowest point on the long-run average cost curve? | 8 |
| 9.2 | Explain the effect on the market in the long run if the businesses in a perfect market made an economic profit.            | 8 |
| 9.3 | Why must marginal revenue be equal to marginal cost for profits to be maximised?   | 8 |
| 9.4 | Explain efficiency of a firm in a perfect competition.   | 8 |

**SECTION C**

**HINT:** All section C questions have TWO questions 5 & 6 NOT 9 & 10 like in this document. In the examination you will need to answer only one.

## ESSAY STRUCTURE

**HINT:** Section C – the long question, must be answered in FOUR sections: Introduction (definition), Body (headings and full sentences in bullets) additional part and conclusion (summarising). The mark allocations for Section C is as follows:

STRUCTURE OF ESSAY:	MARK ALLO- CATION:
<p><b>Introduction</b> The introduction is a lower-order response.</p> <ul style="list-style-type: none"> <li>• A good starting point would be to 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 saying in the introduction what you are going to discuss in the body</li> </ul>	Max 2
<p><b>Body</b> <b>Main part:</b> Discuss in detail/In-depth discussion/Examine/Critically discuss/ Analyse/Compare/Evaluate/Distinguish/Differentiate/Explain / Draw a graph and explain / Use the graph given and explain/Complete the given graph/</p> <p><b>Additional part:</b> Give own opinion/Critically discuss/Evaluate/Critically evaluate/ Calculate/Deduce/Compare/Explain/Distinguish/Interpret/Briefly debate/ How/Suggest /Construct graph (foreign exchange market, multiplier)</p>	Max 26  Max 10
<p><b>Conclusion</b> Any Higher or conclusion include:</p> <ul style="list-style-type: none"> <li>• A brief summary of what has been discussed without repeating facts already mentioned in the body</li> <li>• Any opinion or value 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>	Max 2
<b>TOTAL</b>	<b>40</b>

### Question 10

Discuss in detail the various equilibrium positions with aid of graphs

- economic profit
- economic loss
- normal profit (short and long run)

Examine the conditions under which perfect competition successfully operates.

## SESSION 23: MONOPOLY

### SECTION A: TYPICAL EXAM QUESTIONS

#### MONOPOLY

#### QUESTION 1: Section A – Short Questions

(Taken from various sources)

**HINT:** When answering Section A – short question, it is important not to rush but to read the questions carefully and to make sure you understand what the question is asking. Always remember one alternative is completely wrong, one is nearly correct, and one is totally correct. It is easy to eliminate the completely wrong answer, but if you do not read the question carefully the nearly correct answer will also appear correct. The answer will **NEVER** be two options. Only **ONE** option is correct. Your answer will immediately be marked incorrect if you write TWO options.

1.2 Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A–D) next to the question number.

1.1.1 The monopolist is described as a...

- A Market leader
- B Price taker
- C Price maker
- D Sell heterogenous product

1.1.2 In a monopoly market, entry and exit is...

- A Completely blocked
- B Relatively restricted
- C Completely free
- D Unregulated

1.1.3 The slope of the demand curve for a monopoly competitor is ...

- A Positive
- B Horizontal
- C Negative
- D vertical

1.1.4 One of the requirements for a monopoly is that...

- A the product cannot be produced by small firms.
- B there are several close substitutes for the product.
- C there is a unique product with no close substitutes.
- D products are high priced.

1.1.5 A barrier to entry is...

- A an open door.
- B the economic term for diseconomies of scale.
- C illegal in most markets.
- D anything that protects a firm from the arrival of new competitors.

1.2 Choose a description from COLUMN B that matches the item in COLUMN A. Write only the letter (A – I) next to the question number (1.2.1 – 1.2.5) in the ANSWER BOOK, for example 1.2.9 J.

COLUMN A	COLUMN B
1.2.1 Monopoly	A Cost advantages that an enterprise gains
1.2.2 Natural monopolies	B Large business supplies the entire market at a lower price than two or more smaller ones
1.2.3 Long-term equilibrium	C $MR=LMC$
1.2.4 Economies of scale	D There is only one manufacture of the product
1.2.5 Dead weight loss	E Reduction in economic welfare

(5 × 1) (5)

1.3 Provide the economic term/concept for each of the following descriptions. Write only the term/concept next to the question number. **NO ABBREVIATIONS, ACRONYMS OR EXAMPLES WILL BE ACCEPTED.**

- 1.3.1 An exclusive right granted to the author or composer of a literary, musical, dramatic or artistic work.
- 1.3.2 The obstacles to the entry of other firms are not economic in nature.
- 1.3.3 The market structure which is dominated by one seller of a particular good or service.
- 1.3.4 A producer who has enough market power to influence prices.

(4x1)(4)

## SECTION B

### QUESTION 2: Section B

**HINT:** When the question requires you to “list” or “name”, you need not write a sentence but merely one or two words. This MUST be done in bullet form. This types of questions are applicable for 2.1.1, 3.1.1 and 4.1.1

- 2.1.1 Name TWO types of monopoly structures. (2x1) 2
- 2.1.2. List any TWO characteristics of monopoly . (2x1) 2
- 2.1.3. Name any TWO barriers that protect monopoly. (2x1) 2
- 2.1.4. Name any TWO examples of technical superiority. (2x1) 2
- 2.1.5. Name any TWO segments of a monopoly revenue (2x1) 2

### QUESTION 3: (Taken from various sources)

**HINT:** This types of questions are applicable for 2.1.2, 3.1.2 and 4.1.2

- 3.1.1. What is the relationship between marginal revenue and marginal cost for monopoly production? (1x2) 2
- 3.1.2. What makes a firm in a monopoly earn abnormal profits? (1x2) 2
- 3.1.3. Why is a monopolist’s marginal revenue always less than the price? (1x2) 2
- 3.1.4 Why are monopolies inefficient compared to perfect competition? (1x2) 2

## Data Response

**HINT:** All section B questions have TWO data interpretation questions – each total 10 marks. Section B consist of Questions 2-4 not as numbered in this document

### QUESTION 4:

Study the extract below and answer the questions that follow

**MAHALA LAUNCHED – ALL STUDENTS IN SOUTH AFRICA GET MICROSOFT OFFICE FOR FREE!**

Microsoft South Africa and 2Enable are partnering up to offer all South African school learners (ages 8 – 25 years) free access to Microsoft Office across all your devices as well as 1TB of OneDrive, they are also trying to offer all students Printing Services for free for them to be able to do any school tasks. It is obtained through signing up at <http://mahala.ms> Learners can share their schoolwork and collaborate on all devices and platforms with familiar applications and always-accessible files that update in real time.

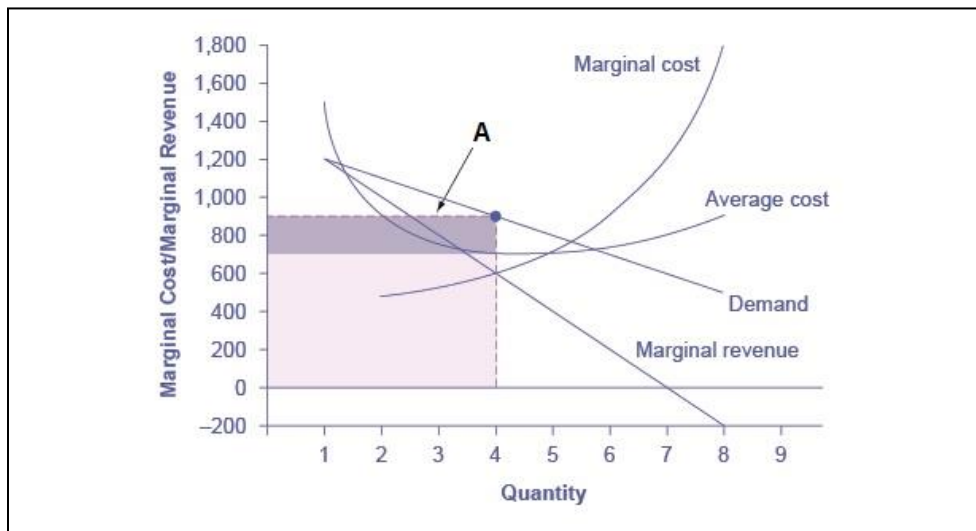
**Source :** <https://www.schoolnet.org.za/news/mahala-launched-all-students-in-south-africa-get-microsoft-office-for-free>.

- |     |  |           |
|-----|--|-----------|
| 4.1 | Which characteristic of monopoly is Microsoft an example of? | (1)       |
| 4.2 | Name any state-owned monopoly.                               | (1)       |
| 4.3 | Briefly describe the term <i>patent</i> .                    | (2)       |
| 4.4 | Why was Microsoft considered a monopoly?                     | (2)       |
| 4.5 | Discuss barriers to entry of a monopoly.                     | (2x2) (4) |



**QUESTION 5:**

Study the graph below and answer the questions that follow.



- 5.1 Name the profit illustrated above (point A) (1)
- 5.2 Which area represents total cost of this firm (1)
- 5.3 Briefly describe the term *total revenue* (2)
- 5.4 Explain the relationship between price and quantity (2)
- 5.5 Calculate the profit of the firm above. (4)

**QUESTION 6:**

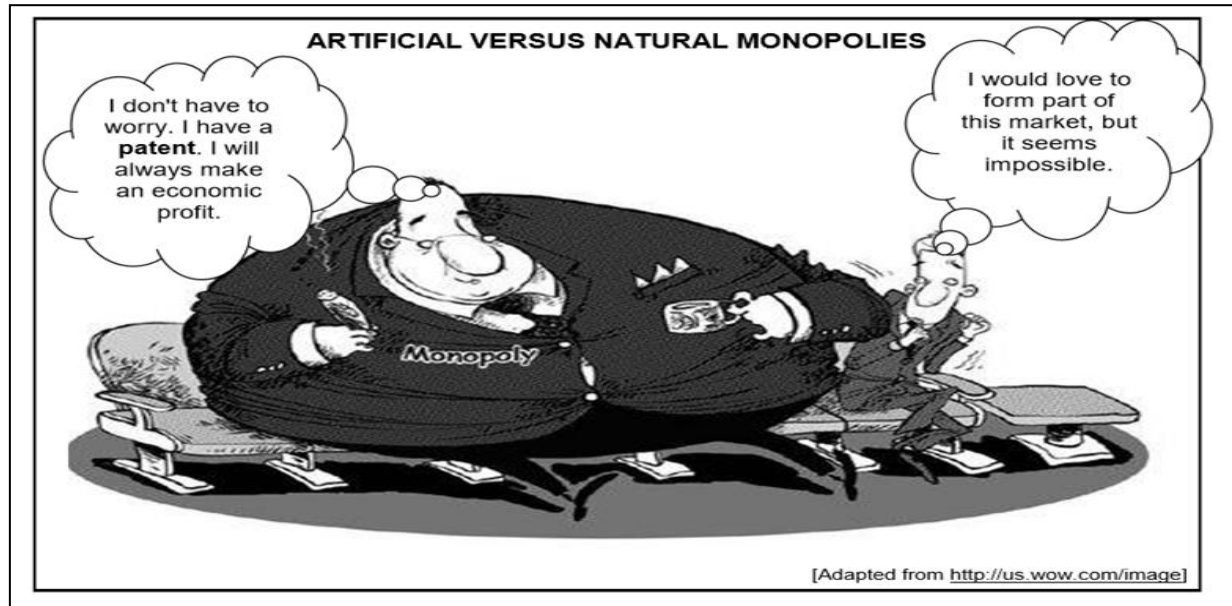
Study the table below and answer the questions that follow.

Quantity (Q)	Price (P)	Total revenue (TR)	Total cost (TC)
1	1200	1200	500
2	1100	2200	750
3	1000	3000	1000
4	900	3600	1250
5	800	4000	1650
6	700	4200	2500
7	600	4200	4000
8	500	4000	6400

- 6.1 Name any ONE example of total fixed cost of a firm (1)
- 6.2 Which formula is used to calculate total revenue? (1)
- 6.3 Briefly describe the term *monopoly* (2)
- 6.4 Why is a monopoly able to earn an economic profit in the long run? (2)
- 6.5 Calculate the marginal cost and marginal revenue when the output increases from 3 to 4 units (4)

### QUESTION 7

Study the extract below and answer the questions that follow



- 7.1 Identify the type of monopoly depicted in the cartoon (1)
- 7.2 How many firms usually dominate this type of market? (1)
- 7.3 Describe the nature of the product produced by a monopoly (2)
- 7.4 How are natural monopolies created? (2)
- 7.5 Why will this monopolist always make economic profit in the long run? (2x2) (4)

**HINT:** All section B questions have TWO 8 marks questions, numbered according to questions not like in this document.

**QUESTION 8**                      **Paragraph type questions – Middle Cognitive**

- |      |   |   |
|------|---|---|
| 8.1  | Distinguish between monopolies and competitive firms.   | 8 |
| 8.2. | Describe how a demand curve for a monopoly differs from a demand curve for a perfectly competitive firm                       | 8 |
| 8.3  | Outline the ways in which government regulations can create barriers to entry in the monopoly market.                         | 8 |
| 8.4  | Discuss the following characteristics of monopoly they decide on their production level and they are exposed to market forces | 8 |

**QUESTION 9**                      **Paragraph type questions – Higher cognitive**

- |     |  |   |
|-----|--|---|
| 9.1 | Explain influence existence of Substitutes in a monopoly                 | 8 |
| 9.2 | Examine how a monopoly grows and develops                                | 8 |
| 9.3 | Why is the marginal revenue curve a downward sloping curve?              | 8 |
| 9.4 | How can policymakers respond to the inefficiencies caused by monopolies? | 8 |

## SECTION C

**HINT:** All section C questions have TWO questions 5 & 6 NOT 9 & 10 like in this document. In the examination you will need to answer only one.

### ESSAY STRUCTURE

**HINT:** Section C – the long question, must be answered in FOUR sections: Introduction (definition), Body (headings and full sentences in bullets) additional part and conclusion (summarising). The mark allocations for Section C is as follows:

STRUCTURE OF ESSAY:	MARK ALLO- CATION:
<p><b>Introduction</b> The introduction is a lower-order response.</p> <ul style="list-style-type: none"> <li>• A good starting point would be to 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 saying in the introduction what you are going to discuss in the body</li> </ul>	Max 2
<p><b>Body:</b> <b>Main part:</b> Discuss in detail/In-depth discussion/Examine/Critically discuss/ Analyse/Compare/Evaluate/Distinguish/Differentiate/Explain / Draw a graph and explain / Use the graph given and explain/Complete the given graph/</p>	Max 26
<p><b>Additional part:</b> Give own opinion/Critically discuss/Evaluate/Critically evaluate/ Calculate/Deduce/Compare/Explain/Distinguish/Interpret/Briefly debate/ How/Suggest /Construct graph (foreign exchange market, multiplier)</p>	Max 10
<p><b>Conclusion</b> Any Higher or conclusion include:</p> <ul style="list-style-type: none"> <li>• A brief summary of what has been discussed without repeating facts already mentioned in the body</li> <li>• Any opinion or value 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>	Max 2
<b>TOTAL</b>	<b>40</b>

### QUESTION 10

Discuss the monopoly profits and losses in the short run under the following headings

- Economic profit
- Economic loss

Explain implications of downward demand curve of a monopoly

## SESSION 24: OLIGOPOLY

### SECTION A: TYPICAL EXAM QUESTIONS

#### OLIGOPOLY

#### QUESTION 1: Section A – Short Questions

(Taken from various sources)

**HINT:** When answering Section A – short question, it is important not to rush but to read the questions carefully and to make sure you understand what the question is asking. Always remember one alternative is completely wrong, one is nearly correct, and one is totally correct. It is easy to eliminate the completely wrong answer, but if you do not read the question carefully the nearly correct answer will also appear correct. The answer will **NEVER** be two options. Only **ONE** option is correct. Your answer will immediately be marked incorrect if you write **TWO** options.

1.3 Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A–D) next to the question number.

1.1.1 Which of the following market types has the fewest seller dominate the market?

- A Monopoly
- B Perfect competition
- C Oligopoly
- D Monopolistic competition

1.1.2 Which of the following is not an example of oligopoly market

- A Bread and milk industry
- B Restaurants
- C Fertiliser industry
- D Car industry

1.1.3 Firms spend lots of money establish brand loyalty with existing customers and attract new customers using media

- A Loyalty schemes
- B Product development
- C Advertising
- D Packaging

1.1.4 When there are only two business in an oligopoly market it is known as a

- A duopoly
- B monopoly
- C monopsony
- D collusion

1.1.5 In which market structure do these two firms belong to:



- A Perfect competition
- B Monopoly
- C Oligopoly
- D Monopolistic competition



1.2 Choose a description from COLUMN B that matches the item in COLUMN A. Write only the letter (A – I) next to the question number (1.2.1 – 1.2.8) in the ANSWER BOOK, for example 1.2.9 J.

COLUMN A	COLUMN B
1.2.1 Duopoly	A Behaviour by firms is motivated by an arrangement that is not formal
1.2.2 Tacit collusion	B Agreement between oligopolists occurs openly and formally
1.2.3 Cartels	C Market dominated with differentiated products
1.2.4 Oligopoly	D marketing strategy in which one firm tries to distinguish its product
1.2.5 Non-price competition	E There are two oligopolies in the market

(5 × 1) (5)

- 1.3 Provide the economic term/concept for each of the following descriptions. Write only the term/concept next to the question number. **NO ABBREVIATIONS, ACRONYMS OR EXAMPLES WILL BE ACCEPTED.**
- 1.3.1 Selling a larger variety of products to satisfy the multiple needs of consumers.
  - 1.3.2 Products are made to be slightly different in terms of physical appearance.
  - 1.3.3 An arrangement between businesses with the aim of limiting competition between them.
  - 1.3.4 Market structure characterized by few large firms that sell a homogeneous.
  - 1.3.5 Market structure dominated by two large firms.
  - 1.3.6 It entails giving particular image that is appealing to consumers.

**SECTION B**

**QUESTION 2: Section B**

**HINT:** When the question requires you to “list” or “name”, you need not write a sentence but merely one or two words. This **MUST** be done in bullet form. This types of questions are applicable for 2.1.1, 3.1.1 and 4.1.1

- 2.1.1 Name any TWO other forms of non-price competition (2x1) 2
- 2.1.2. Name TWO types of collusion in an oligopoly market (2X1) 2
- 2.1.3. List any TWO characteristics of an oligopoly market (2x1) 2
- 2.1.4. Name any TWO examples of firms that use non-price strategies (2x1) 2
- 2.1.5. List any TWO important aspect of non-price competition of an oligopoly market (2x1) 2

**QUESTION 3:** (Taken from various sources)

**HINT:** This types of questions are applicable for 2.1.2, 3.1.2 and 4.1.2



- |        |  |       |   |
|--------|--|-------|---|
| 3.1.1. | Why it is difficult for the oligopolists to compete on price?  | (1x2) | 2 |
| 3.1.2. | Why is advertising good for consumers?   | (1x2) | 2 |
| 3.1.3. | What are the benefits of a firm in an oligopoly market?  | (1x2) | 2 |
| 3.1.4  | Why is mutual interdependence important under oligopoly but not so important under perfect competition and monopoly. | (1x2) | 2 |

### Data Response

**HINT:** All section B questions have TWO data interpretation questions – each total 10 marks. Section B consist of Questions 2-4 not as numbered in this document

### QUESTION 4:

Study the table below and answer the questions that follow

#### THE DEMAND CURVE OF AN OLIGOPOLISTIC FIRM

The demand curve of an oligopolistic firm was developed in 1939 by the American economist Paul Sweezy.

The kinked demand curve illustrates the importance of interdependence and uncertainty in an oligopolistic market and explains why there is a degree of price stability in such a market.

Each firm will face a market demand curve with two segments for its product. The two segments are elastic and inelastic.

- |     |  |       |     |
|-----|--|-------|-----|
| 4.1 | Who developed the theory on the demand curve of an oligopolistic firm? |       | (1) |
| 4.2 | What is the demand curve of an oligopolist called?                     |       | (1) |
| 4.3 | Briefly explain an <i>inelastic demand</i>                             |       | (2) |
| 4.4 | Explain mutual dependence as a characteristic of oligopoly             |       | (2) |
| 4.5 | Draw a fully labelled kinked demand curve                              | (2x2) | (4) |

### QUESTION 5:

Study the extract below and answer the questions that follow.

### AN OLIGOPOLISTIC RETAIL INDUSTRY

The South African retail industry is the largest in the sub-Saharan region and is positioned as the 20th largest retail market in the world. It is more or less an oligopolistic market with five South African companies, namely Shoprite, Pick n Pay, Spar, Massmart and Metcash, constituting 80% of the retail sales. Informal retail forms the other 20%.

Informal retail concepts vary from taverns to tuck shops (small food-selling retailers). Spazas or small retail stores most often run from home are making inroads in the local retail arena, offering both food and non-food products. Hawkers, street stalls, fast foods, kiosks and take-away food are amongst the informal market retailers.

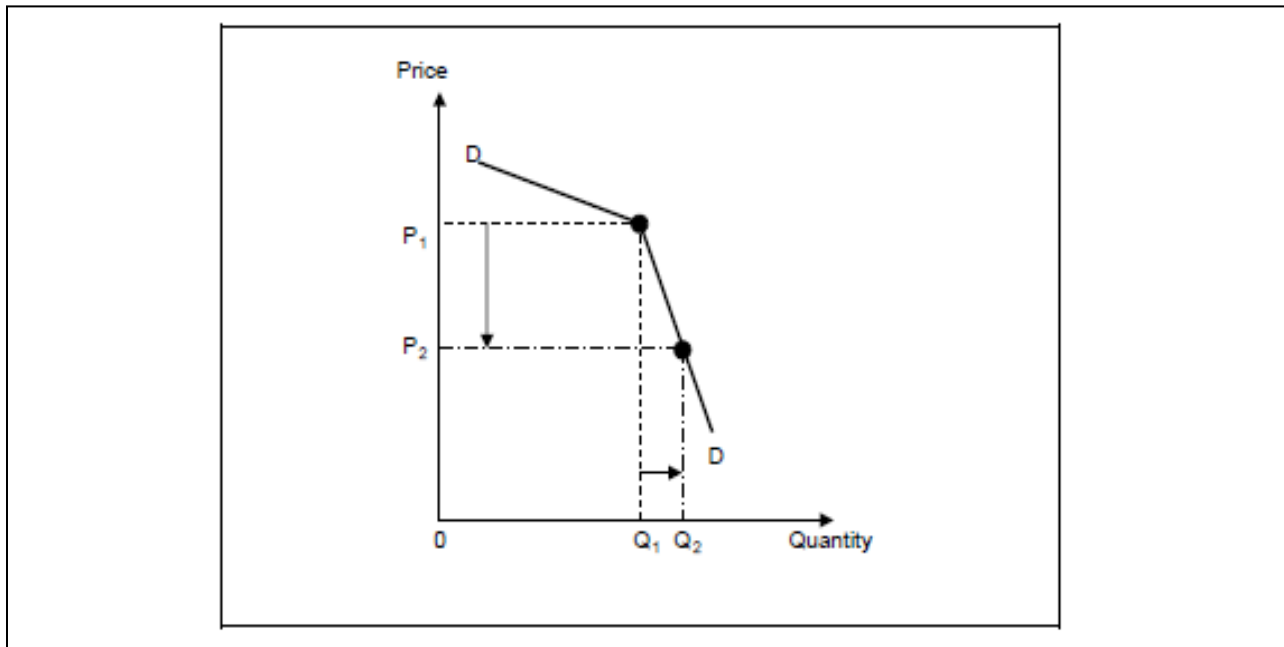
[Adapted from [www.thomaswhite.com](http://www.thomaswhite.com)]

- 5.1 Give TWO examples of informal retailers in South Africa, according to the extract. (1)
- 5.2 Name ONE form of non-price competition (1)
- 5.3 Briefly describe the term *oligopoly* (2)
- 5.4 How can Shoprite influence the price of their goods without forming a cartel? (2)
- 5.5 How can the five biggest South African companies increase their market share in the economy? (2x2) (4)



**QUESTION 6:**

Study the graph below and answer the questions that follow.



- 6.1 Which market structure is represented in the graph above? (1)
- 6.2 What type of demand curve is illustrated in the graph? (1)
- 6.3 Briefly describe the term *elastic demand*. (2)
- 6.4 Why are prices higher under oligopoly market? (2)
- 6.5 Explain why the producer will not decrease the price in order to improve sales (2x2) (4)

**QUESTION 7**

Study pictures below and answer the questions that follow

**FIND TAKE AWAYS**


**Source :** <https://www.findtakeaways.co.za/>

- 7.1 Which product is found in an oligopoly market? (1)
- 7.2 What form of non-price competition is used to deliver goods directly to consumer? (1)
- 7.3 Briefly describe the term *product proliferation* (2)
- 7.4 Explain the importance of advertising of the above firms as a non-price competition. (2)
- 7.5 Discuss price leadership (tacit collusion) of the firms in the oligopoly market. (2x2) (4)

**HINT:** All section B questions have TWO 8 marks questions, numbered according to questions not like in this document.

**QUESTION 8** Paragraph type questions – Middle Cognitive

- |      |  |   |
|------|--|---|
| 8.1  | Discuss collusion of an oligopoly market.  | 8 |
| 8.2. | Discuss advertising as non-price competition of an oligopoly   | 8 |
| 8.3  | Distinguish between overt (explicit) collusion (cartels) and tacit (implicit) collusion (price leadership) | 8 |
| 8.4  | Discuss the expanded definition of an oligopoly.   | 8 |

**QUESTION 9** Paragraph type questions – Higher cognitive


- |     |  |   |
|-----|--|---|
| 9.1 | Why do oligopolies often collude, although it is illegal in South Africa?                    | 8 |
| 9.2 | How can the five biggest South African companies increase their market share in the economy? | 8 |
| 9.3 | Why it is difficult for the oligopolists to compete on the price?                            | 8 |
| 9.4 | Evaluate the impact of branding on market share of a firm in an oligopoly                    | 8 |

## SECTION C

**HINT:** All section C questions have TWO questions 5 & 6 NOT 9 & 10 like in this document. In the examination you will need to answer only one.

### ESSAY STRUCTURE

**HINT:** Section C – the long question, must be answered in FOUR sections: Introduction (definition), Body (headings and full sentences in bullets) additional part and conclusion (summarising). The mark allocations for Section C is as follows:

STRUCTURE OF ESSAY:	MARK ALLO- CATION:
<p><b>Introduction</b> The introduction is a lower-order response.</p> <ul style="list-style-type: none"> <li>• A good starting point would be to 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 saying in the introduction what you are going to discuss in the body</li> </ul>	Max 2
<p><b>Body:</b> <b>Main part:</b> Discuss in detail/In-depth discussion/Examine/Critically discuss/ Analyse/Compare/Evaluate/Distinguish/Differentiate/Explain / Draw a graph and explain / Use the graph given and explain/Complete the given graph/</p> <p style="text-align: center;"></p> <p><b>Additional part:</b> Give own opinion/Critically discuss/Evaluate/Critically evaluate/ Calculate/Deduce/Compare/Explain/Distinguish/Interpret/Briefly debate/ How/Suggest /Construct graph (foreign exchange market, multiplier)</p>	Max 26  Max 10
<p><b>Conclusion</b> Any Higher or conclusion include:</p> <ul style="list-style-type: none"> <li>• A brief summary of what has been discussed without repeating facts already mentioned in the body</li> <li>• Any opinion or value 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>	Max 2
<b>TOTAL</b>	<b>40</b>

### QUESTION 10

- Discuss in detail, without the use of graphs, the market structure of an oligopoly. (26 MARKS)
- How effective is the competition policy in regulating mergers and takeovers in South Africa? (10 MARKS)

# SESSION 25 : PROTECTIONISM AND FREE TRADE- PART 1

## PROTECTIONISM & FREE TRADE:

## PART 1

### 1. Export promotion

When government pays incentives to encourage the production of goods that can be exported. Export promotion means that the government actively assists and encourages local firms to sell goods and services in international markets.

#### Reasons:

- Achieve export-led economic growth.
- Enlarge the production capacity of a country.
- Export-markets are much bigger than domestic markets.
- Leads to reduced prices due to large volumes.
- Improving international competitiveness of South African producers.
- Improving performance of manufacturing, service industries.
- Ensuring optimal use of resources.
- Job creation.
- Improves Balance of Payments.

#### Methods:

- **Incentives** - Export incentives include information on export markets, research with regard to new markets, concessions on transport charges, export credit / grants.
- **Subsidies** -Direct and indirect subsidies: Direct subsidies result in government expenditure, to reduce the cost of production, establish overseas markets. - Indirect subsidies help companies by not allowing them to pay certain taxes that may result in government having not do without some of revenue e.g. tax rebates. Cash payments for exporters, refund of import tariffs, general tax rebates / tax exemptions, tax concessions on profits.
- **Trade neutrality** - export processing zones.

#### Advantages:

- No limitations on size and scale since world market is very large.
- Cost and efficiency of production based on this and organised along lines of comparative advantage.
- Increased domestic production will expand exports to permit more imports and may result in backward linkage effects that stimulate domestic production in related industries.
- Exchange rates are realistic and there is no need for exchange control and quantitative restrictions.
- Value can be added to natural resources of the country.
- Creates employment opportunities.
- Increase in exports has positive effect on balance of payments.

- Increase in production leads to lower domestic prices, which benefit local consumers.

#### Disadvantages:

- The real cost of production is concealed by the subsidies. Product may thus never compete in an open market.
- Lack of competition Total potential trade is less with subsidies than without subsidies.
- Increased tariffs and quotas Powerful overseas businesses can afford similar products at much lower prices.
- Protection of labour-intensive industries Developed countries often maintain high levels of effective protection for their industries that produce labour intensive goods in which developing countries already have or can achieve comparative advantage.
- Withdrawal of incentives may lead to the closure of effected companies
- Can be seen as dumping - Can be against the spirit of the provision of WTO.

## 2. Import Substitution

When countries introduce policies to local encourage the production of goods that are usually imported. Import substitution occurs when the government of a country encourages the use of local goods and services rather than imported ones.

#### Reasons:

- Diversification Expansion of manufacturing makes economies less dependent on foreign countries.
- Trade Developing countries rely on their natural resources as a basis for economic growth and development Increase employment opportunities.
- To establish domestic industries.
- To replace imports by encouraging local economic growth.
- Correct BOP problems.
- Create national independence.

#### Methods:

- Tariffs customs duties or import duties are taxes on imported goods. They can be ad valorem (Tariff is levied on a good based on a percentage of that good's value) or specific (Tariff can vary according to the type of good imported.)
- Quotas limit the supply of goods or services.
- Subsidies to domestic enterprises that export goods may be used as an indirect way of protecting them.
- Exchange control -A government or free trade area may seek to reduce imports by limiting the amount of foreign exchange made available.
- Physical control takes the form of a complete ban or embargo on the import of certain goods.
- Diverting trade Import deposits. Time-consuming customs procedures. Quality standards.



- Voluntary import substitution- where a country decides of its own free will to replace goods that are imported.
- Forced import substitution -when a country is forced to produce certain goods because they are excluded from taking part in international trade / boycotts sanctions, disinvestment.

#### **Advantages:**

- Increased employment stimulates the economy and GDP increases. More workers will be employed to produce goods that substitute foreign goods.
- Bigger variety of products produced/Diversification/Broader industrial base. Because goods are locally produced, more foreign exchange will be available for importing other goods.
- Decrease in imports will have a positive effect on BOP.
- Industrial development encouraged Contributes revenue to the treasury.
- Easy to implement through the imposition of tariffs and quotas /Method of restricting imports.
- More choice because goods are locally produced. The foreign exchange that becomes available can be used for other imports, thereby increasing the choices made available to consumers.

#### **Disadvantages:**

- Capital and entrepreneurial talent are drawn away from the areas of comparative advantage.
- Technology is often borrowed from abroad where capital is relatively abundant.
- It lowers the competitiveness of sectors where a comparative advantage exists.
- It often leads to demands for protection to industries that provide inputs.
- Policy often causes exchange rates to be overvalued – discourage exports.
- Does not necessarily lead to an overall reduction in imports – SA imports capital and intermediate goods.
- Local production can be inefficient.
- Domestic consumers are forced to buy goods at prices that are higher than prices of goods on international market.
- Costly and uneconomical projects – e.g. Moss Gas.

### **3. Protectionism**

#### **Arguments in favour of protectionism**

##### **i. Raising revenue for the government.**

- In developing countries the tax base is more often limited because of low incomes of individuals and businesses.
- Low incomes do not provide much in form of income taxes.
- Customs duties on imports – significant source of revenue.

## ii. Protecting the whole industrial base.

- Maintaining domestic employment/reduce unemployment and provide more job opportunities.
  - Countries with high levels of unemployment – pressurised to stimulate employment creation.
  - Protectionist policies used to stimulate industrialization.
  - Domestic employment encouraged through imposing import restrictions
- Protecting workers
  - Countries with low wages represent unfair competition and threaten the standard of living of more highly paid workers.
  - Protection necessary to prevent local wage levels from falling.
  - Helps protect local businesses from closing down or becoming unprofitable.
- Diversifying the industrial base
  - Protectionism helps countries not to over-specialize.
  - Import restrictions may be imposed on range of products in order to ensure that more domestic industries develop.
- Developing strategic industries
  - Certain industries of strategic importance e.g. minerals and energy.
  - Developing countries need to develop these industries to become more self-Sufficient.

## iii. Protecting particular industries:

- Dumping
  - Due to government subsidies enterprises are permitted to sell at very low prices – leads to price discrimination.
  - Products can be exported to dispose of accumulated stocks – importing country will benefit.
  - Objective can also be to drive out domestic producers and gain strong market position – consumers will lose out due to reduction in choice.
- Infant industries/Industrial development
  - Newly established industries suffer to survive due to higher average costs.
  - Competition in the early days makes growth possible, they can take advantage of economies of scale, lower average costs and become more competitive – protection can now be removed.
- Declining industries
  - Structural changes in demand and supply may influence industry negatively.
  - These businesses must leave the industry gradually – possible if protection is granted – gives factors of production time to move to other industries.
  - They lost their comparative advantage – may lead to large-scale unemployment

## iv. Protecting domestic standards.

- Trade restrictions like food safety, human rights, and environmental standards.
- Stabilizing exchange rate and balance of payments.
- Protecting natural resources from being exploited.
- Economic self-sufficiency.

- Greater economic stability.
- Natural resources not depleted

#### 4. Free trade

### ARGUMENTS IN FAVOUR OF FREE TRADE

- **Specialisation.**
  - The theory of comparative advantage shows that output can be increased using specialisation.
  - World trade and consumption can be maximised if countries specialise in what they can best produce.
- **Economies of scale.**
  - It allows economies of scale to be maximised and unit costs to be reduced.
  - Economies of scale lead to comparative advantage.
- **Choice.**
  - It allows consumers the choice of goods and service.
  - Consumer's welfare can be improved because of the choice of goods available to them.
- **Innovation.**
  - It leads to competition which provides incentive to innovate.
  - Innovation leads to the production of new goods and services.
  - It can also reduce costs and improve the quality and reliability of goods.

#### 5. A desirable mix



Free trade cannot operate without being controlled. However, there is no watch dog system to control international trade. Problems such as the following arise when there are no control measures:

- Products imported from abroad are inspected, but consumers do not always know if the workers who produced them were paid a reasonable wage and worked in safe conditions. The FAIR-TRADE system will help with this.
  - Fair pay and working conditions.
  - Sustainable practices.
  - Crafts are often handmade.
  - Farmers are involved in the entire production process and crops are grown and harvested in smaller quantities.
  - Integrated farm management system that improve soil fertility and preserve valuable ecosystems are used.
  - Fairtrade artisans and small farmers are able to invest Fairtrade earnings in their communities, improving housing, healthcare and schools.
- The World Trade Organisation (WTO) is the only international organisation that deals with the global rules of trade between nations.
- The WTO aims to ensure that trade flows as smoothly, predictable and freely as possible.

## 6. South Africa's international trade policies

**Teacher Note:** This part of the work is frequently in the news and ideal for data response questions and especially cartoons. Pupils must watch the news and update their general knowledge to interpret the cartoons and show the economic context. Teachers should use the internet and Google economic cartoons and use them in the classroom. Too many pupils answer the cartoon data questions without making the economic significance connections.

### Southern African Customs Union (SACU)

- SA part of **customs union** since 1910 – various protocols now replaced by SADC protocol – progress made towards strengthening bilateral ties with main trading partners – has taken form of free trade area (FTA) protocols.
- South African Customs Union – members currently jointly negotiate FTAs with the rest of the world like European Free Trade Association.
- The Southern African Customs Union, abbreviated as SACU, is the oldest customs union in the world.
- Countries such as South Africa, Botswana, Swaziland, and Namibia have participated in the programme since 1985
- The programme makes provision for a standardized tariff on the goods passing between the borders of member countries. SACU further renders administrative and support services and has a dispute settlement mechanism at the aid of member countries.



### South African Development Community (SADC)

- South African Development Community (SADC) presently has status of FTA – 97% qualifies for duty-free access to SA – should be fully liberalized by 2010.
- African Union is developing continent into **economic and monetary union** – adopted Nepad as strategy – first phase to develop 5 regional FTAs – SADC is one of the FTAs.
- The SADC vision is one of a common future, within a regional community that will ensure economic well-being, improvement of the standards of living and quality of life, freedom, and social justice; peace and security for the peoples of Southern Africa. This shared vision is anchored on the common values and principles and the historical and cultural affinities that exist amongst the peoples of Southern Africa.

### African Union (AU)

- The AU was established in 2001 and consists out of fifty three African states.
- The purpose of the organization is to help secure Africa's democracy, human rights and sustainable development through the ending of the intra-Africa

conflict and the creation of a common market. The whole of the Africa except for Morocco is covered by the Africa Union.

### **The Common Market for Eastern and Southern Africa**

- The Common Market for Eastern and southern Africa, referred to as COMESA, is a preferential trading agreement between twenty member states.
- COMESA is one of the pillars of the African economic community and the current members are Angola, Burundi, Comoros, Democratic Republic of the Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan Swaziland, Uganda, Zambia and Zimbabwe.

### **New Partnership for Africa's development (NEPAD)**

- NEPAD is a vision and strategic framework for Africa's renewal and is designed to address the current challenges that face our continent.
- Spearheaded by African leaders, issues such as poverty, unemployment and the continuous marginalization of the continent are addressed through this initiative.

### **European Union (EU)**

- European Union-SA FTA entails freeing of tariffs – 95 % of EU imports from SA by 2010 and 86 % free of tariffs on imports from EU over 12-year period. Trade, Development and Cooperation Agreement implemented in 2000 established free trade between SA and EU.



### **Mercusor**

- Mercusor – SA signed a Framework Agreement with Mercusor in 2000, to expand trade and create free trade area between parties (Latin America) – eventually FTA will include all SACU members.

### **BRICS**

**Teacher Note:** A lot of articles and cartoon have been in the news lately regarding BRICS – make sure you discuss this with your learners. (The whole issue with Russia and America )

- BRICS is a grouping of five countries, Brazil, Russia, India, China and South Africa, which are all emerging industrial countries and are at roughly the same level of economic development.

## SESSION 26 : PROTECTIONISM AND FREE TRADE- PART 2

### FREE TRADE AND PROTECTIONISM-Part 2

1.1 Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A–D) next to the question number.

1.1.1 When there are no restrictions to trade such as taxes on goods or bans on imports, it is called ...

- A. dumping
- B. protectionism
- C. free trade
- D. diversification

1.1.2. Interfacing and interaction of economies, with trade as a key element, is known as ...

- A. free trade.
- B. communication.
- C. industrialisation.
- D. globalisation.

1.1.3 An argument in favour of the protection of local industries is...

- A. unstable wage levels.
- B. economies of scale
- C. the prevention of dumping
- D. fewer job opportunities

1.1.4 An advantage of import substitution is ... in the domestic economy

- A. less competition
- B. more diversification
- C. less protection
- D. fewer job opportunities

1.1.5 The use of tariffs by government to discourage imports is known as ...

- A. protectionism.
- B. import substitution.
- C. export promotion.
- D. globalisation.

1.2 Choose a description from COLUMN B that matches the item in COLUMN A. Write only the letter (A – I) next to the question number (1.2.1 – 1.2.8) in the ANSWER BOOK, for example 1.2.9 J.

Column A	Column B
1.2.1 trade liberalisation	A. A tariff as percentage of the value of imported goods
1.2.2 Specific import duties	B. Calculated as a certain amount per unit, mass or size of a good
1.2.3 Ad valorem	C. A deliberate government policy to protect domestic industries against foreign competition
1.2.4 Excise duties	D. Custom duties and quotas
1.2.5 Import control	E. The removal of trade barriers
	(5 x 1) (5)

1.3 Give ONE term for each of the following descriptions. Write only the term next to the question number (1.3.1 – 1.3.6) in the ANSWER BOOK. Abbreviations, acronyms and examples will NOT be accepted.

- 1.3.1 Government policy of encouraging domestic producers by means of incentives and facilities to increase their output
- 1.3.2 Total percentage reduction in the total tax payable-rebates
- 1.3.3 Money paid to businesses to decrease their cost of production
- 1.3.4 A ban on the import of goods or services
- 1.3.5 Charging very low prices that are below the cost of production
- 1.3.6 Increased output at lower cost
- 1.3.7 Trade agreements that lay down the rules governing the level of trade
- 1.3.8 The organisation that replaced GATT and promotes the reduction of all trade barriers

**SECTION B:**

**QUESTION 2**

**HINT:** When the question requires you to “list” or “name”, you need not write a sentence but merely one or two words. This **MUST** be done in bullet form. This types of questions are applicable for 2.1.1, 3.1.1 and 4.1.1

- |     |  |         |     |
|-----|--|---------|-----|
| 2.1 | Name any TWO reasons for export promotion            | (2 x 1) | (2) |
| 2.2 | List any TWO reasons for import substitution         | (2 x 1) | (2) |
| 2.3 | Name TWO South Africa’s international trade policies | (2 x 1) | (2) |
| 2.4 | Name TWO arguments in favour of protectionism        | (2 x 1) | (2) |
| 2.5 | List any TWO arguments for free trade                | (2 x 1) | (2) |

**QUESTION 3**

- |     |   |                |     |
|-----|---|----------------|-----|
| 3.1 | How are wages of local workers negatively affected by dumping?                                | (2)<br>(1 x 2) | (2) |
| 3.2 | What effect will quotas have on imports?  | (1 x 2)        | (2) |
| 3.3 | How can a country protect itself from dumping?  | (1 x 2)        | (2) |
| 3.4 | How is ad valorem tariff applied?   | (1 x 2)        | (2) |
| 3.5 | Why it is unlikely that a free international trade policy will be successful in South Africa? | (1 x 2)        | (2) |



**QUESTION 4:**

Study the information and answer the questions that follow



Producers and consumers are free to buy goods and services from anywhere in the world, without the interference of government.

Regionalisation, in the form of trade blocs, makes use of free trade and protection with one another. Member countries pursue free trade with one another but apply trade restrictions outside their bloc e.g. NAFTA and Mercusor.

Source: Linkedin.com

- 4.1 Which trade policy is referred to in the above cartoon? (1)
- 4.2 Name any member country of the Mercusor trade bloc (1)
- 4.3 Briefly describe the term *free trade* (2)
- 4.4 Explain innovation as an argument in favour of free trade. (2)
- 4.5 How will protection of natural resources favour local industries? (2x2) (4)

**QUESTION 5:**

Study the information and answer the questions that follow

### BUY LOCAL AND BOOST THE SOUTH AFRICAN ECONOMY

The Proudly South African campaign requested the support of all South African producers. South Africa currently faces the challenge of competing in an unfair global economy. All South Africans buy home-grown products and contribute to job creation. Our own industries need protection until they establish a base. Korea's giant brands like Samsung and Hyundai are not only big in their own country; they are also global giants and major providers of jobs.

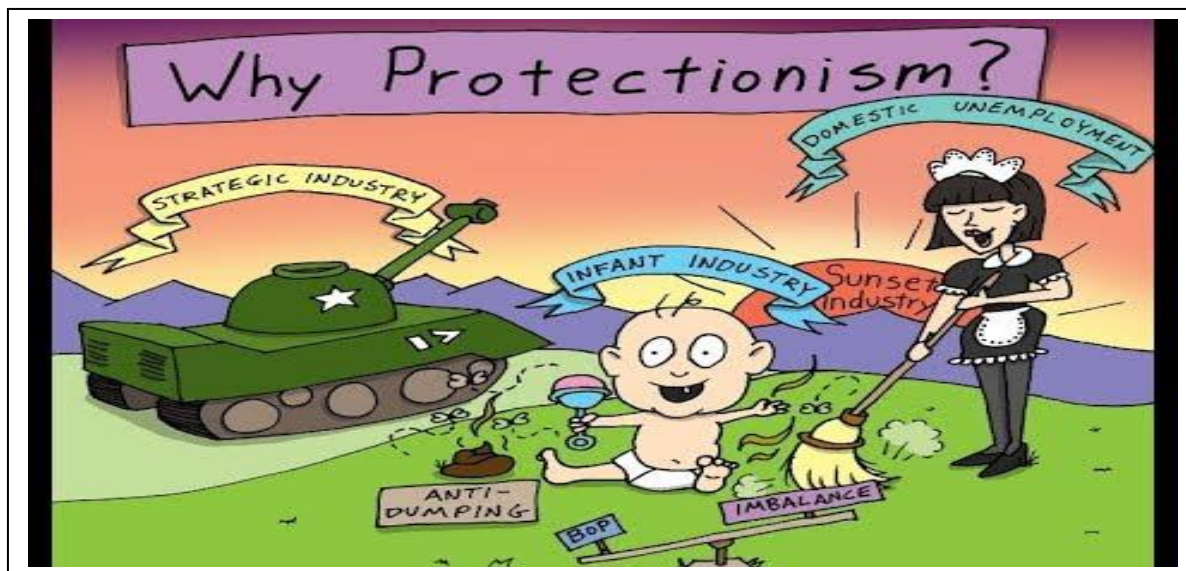
[Adapted from *Fin week*, 12 October 2015]

- 5.1 Name ONE brand from the extract which is imported from Korea (1)
- 5.2 Identify the challenge faced by South Africa to succeed in the international markets from the extract. (1)
- 5.3 Briefly describe the term *protectionism* (2)
- 5.4 What measures can government take to ensure that local industries are protected? (2)
- 5.5 How can local support boost the South African economy? (2x2) (4)

#### QUESTION 6



Study the cartoon below and answer the questions that follow.



- 6.1 List ONE argument in favour of protectionism (1)

- 6.2 What is the name of the international organisation that was created to monitor and liberalise international trade? (1)
- 6.3 Briefly describe the *protectionism* (2)
- 6.4 What is the impact of dumping on the RSA's economy? (2)
- 6.5 How successful has protectionism as a trade policy protected industries against foreign competition? (2 x 2) (4)

### QUESTION 7

Study the extract below and answer the questions that follow.

#### SA, NIGERIA HOLD OFF ON FREE TRADE

The free trade agreement tabled in Kigali remains unsigned by the two continental giants, South Africa and Nigeria. The agreement on the African Continental Free Trade Area (ACFTA) is seen as a new beginning for the continent, that will catapult African countries and companies to higher levels of growth.

The agreement commits countries to remove tariffs on 90% of goods.

[Source: *The New Age Business*, 22 March 2018]

- 7.1 Name ONE other trade agreement that South Africa is part of with other African countries (1)
- 7.2 Give ONE benefit South Africa would have from trading with Nigeria (1)
- 7.3 Briefly describe the term *free trade area* (2)
- 7.4 Explain the impact of free trade on the prices of goods? (2)
- 7.5 How would imposing tariffs on imported goods benefit South Africa? (4)

### Question 8

Study the information below and answer the questions that follow.

## AFRICAN CONTINENTAL FREE TRADE AREA (AfCFTA)



The AfCFTA is a framework agreement covering trade in goods and services including the following protocols: Trade in Goods, Trade in Services, Intellectual Property Rights, Competition Policy, Investment and Dispute Settlement.

The AfCFTA agreement aims to progressively reduce and eventually eliminate customs duties and non-tariff barriers on goods and allow free provision of services in priority sectors. Concerning trade in goods, the goal is set for 90% of products at zero duty across the continent

Source : <https://africa-eu-partnership.org/en/afcfta>

- 8.1 Who does south Africa have free trade agreements within Southern Customs Union (SACU)? (1)
- 8.2 How many countries have ratified the African Continental Free Trade Agreement? (1)
- 8.3 Briefly describe the term *new partnership for African development* (NePad) (2)
- 8.4 What are the challenges with implementing the AfCFTA? (2)
- 8.5 Explain the relationship between AfCFTA and tariffs? (4)

**QUESTION 9**

**Paragraph type questions-Middle cognitive**

- 9.1 Explain specialisation and economies of scale as arguments in favour of free trade. (8)
- 9.2 Explain tariffs as a method for import substitution. (8)
- 9.3 Discuss the advantages of import substitution (8)
- 9.4 Discuss the different forms of economic integration (8)

**QUESTION 10**

**Paragraph type questions-Higher cognitive**

- 10.1 How is the South African economy influenced by the effects of international trade? (8)
- 10.2 Evaluate the effectiveness of export promotion policy in South Africa (8)
- 10.3 How successful are the methods implemented by South Africa to promote exports of goods and services? (8)
- 10.4 Why is it important for government to keep on protecting their key strategic industries against industrial take-overs? (8)
- 10.5 How has South Africa attempted to encourage the export of its products to foreign markets? (8)

## SECTION C

**HINT: All section C questions have TWO questions 5 & 6 NOT 9 & 10 like in this document. In the examination you will need to answer only one.**

## ESSAY STRUCTURE

**HINT: Section C – the long question, must be answered in FOUR sections: Introduction (definition), Body (headings and full sentences in bullets) additional part and conclusion (summarising). The mark allocations for Section C is as follows:**

STRUCTURE OF ESSAY:	MARK ALLOCATION:
<b>Introduction</b> The introduction is a lower-order response. <ul style="list-style-type: none"> <li>• A good starting point would be to 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 saying in the introduction what you are going to discuss in the body</li> </ul>	<b>Max 2</b>
<b>Body</b> <b>Main part:</b> Discuss in detail/In-depth discussion/Examine/Critically discuss/ Analyse/Compare/Evaluate/Distinguish/Differentiate/Explain / Draw a graph and explain / Use the graph given and explain/Complete the given graph/ <b>Additional part:</b> Give own opinion/Critically discuss/Evaluate/Critically evaluate/ Calculate/Deduce/Compare/Explain/Distinguish/Interpret/Briefly debate/ How/Suggest /Construct graph (foreign exchange market, multiplier)	<b>Max 26</b>  <b>Max 10</b>
<b>Conclusion</b> Any Higher or conclusion include: <ul style="list-style-type: none"> <li>• A brief summary of what has been discussed without repeating facts already mentioned in the body</li> <li>• Any opinion or value 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>	<b>Max 2</b>
<b>TOTAL</b>	<b>40</b>

## QUESTION 12

- Discuss in detail arguments in favour of protectionism. (26 marks)
- Explain what you regard as the correct (mix trade and protectionism) (10 marks)

## SESSION 27: PROTECTIONISM AND FREE TRADE- HOMEWORK

### QUESTION 1

**HINT:** When answering Section A – short question, it is important not to rush but to read the questions carefully and to make sure you understand what the question is asking. Always remember one alternative is completely wrong, one is nearly correct, and one is totally correct. It is easy to eliminate the completely wrong answer, but if you do not read the question carefully the nearly correct answer will also appear correct. The answer will **NEVER** be two options. Only **ONE** option is correct. Your answer will immediately be marked incorrect if you write TWO options.

- 1.1 Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A – D) of your choice next to the question number in the ANSWER BOOK.
- 1.1.1 When there are no restrictions to trade such as taxes on goods or bans on imports, it is called ...
- A Dumping
  - B Protectionism
  - C Free trade
  - D Diversification
- 1.1.2 Interfacing and interaction of economies, with trade as a key element, is known as...
- A Free trade
  - B Communication
  - C Industrialisation
  - D Globalisation
- 1.1.3 As from 1995, General Agreement on Tariffs and Trade was replaced by the...
- A Southern African Customs Union
  - B Free Trade Area
  - C World trade organisation
  - D Nepad
- 1.1.4 To reap the benefits of efficient markets, countries rely on the principle of...advantage.
- A Nominal
  - B Competitive
  - C Relative

- D Comparative
- 1.1.5 An advantage of import substitution is...in the domestic economy
- A Less competition
  - B More diversified
  - C Less protection
  - D Fewer job opportunities

1.2 Choose a description from COLUMN B that matches the item in COLUMN A. Write only the letter (A – I) next to the question number (1.2.1 – 1.2.8) in the ANSWER BOOK, for example 1.2.9 J.

COLUMN A	COLUMN B
1.2.1 Surety	A Reduced cost of production associated with producing a large quantity of output
1.2.2 Economies of scale	B Producing of a wide variety of products in an industry
1.2.3 Boycott	C Charging below the cost of production
1.2.4 Diversification	D Third party guarantees that a loan agreement will be repaid by signing the contract
1.2.5 Predatory pricing	E Ban on the import goods or service
1.2.6 Globalisation	F Increased economic integration leading to cultural and economy harmony

(6 × 1) (6)

1.3 Give ONE term for each of the following descriptions. Write only the term next to the question number (1.3.1 – 1.3.6) in the ANSWER BOOK. Abbreviations, acronyms and examples will NOT be accepted.



- 1.3.1 A trade policy whereby the state discourages the importing of certain goods and services in order to protect local industries against unequal competition from abroad.
- 1.3.2 The worldwide interaction of economies, with trade as a key element
- 1.3.3 Goods that were previously imported are replaced with locally produced goods.
- 1.3.4 Selling goods in a foreign country at prices that are below the cost of production in the country of origin.
- 1.3.5 A penalty applied by one or more countries on another country

## SECTION B

### QUESTION 2:

**HINT:** When the question requires you to “list” or “name”, you need not write a sentence but merely one or two words. This **MUST** be done in bullet form. This types of questions are applicable for 2.1.1, 3.1.1 and 4.1.1

- 2.1 Name any TWO arguments in favour of free trade (2 x 1) (2)
- 2.2 List any TWO members of Southern African Custom Union (2 x 1) (2)
- 2.3 Name TWO reasons for import substitution (2 x 1) (2)
- 2.4 List any TWO benefits of free trade (2 x 1) (2)
- 2.5 Name TWO main operating principles of the world trade organisation (2 x 1) (2)

### QUESTION 3

**HINT:** This types of questions are applicable for 2.1.2, 3.1.2 and 4.1.2

- 3.1 What effect will Ad Valorem tariffs have on the import of luxury items? (1)

- 3.2 How does a decrease in import prices affect the terms of trade (1)
- 3.3 How can SADC countries reduce problems of export markets? (1)
- 3.4 How does trade cause income inequality? (1)
- 3.5 Why is dumping viewed as a problem? (1)

### Data Response

**HINT:** All section B questions have TWO data interpretation questions – each total 10 marks. Section B consist of Questions 2-4 not as numbered in this document

### QUESTION 4:

Study the text below and answer the questions that follow.

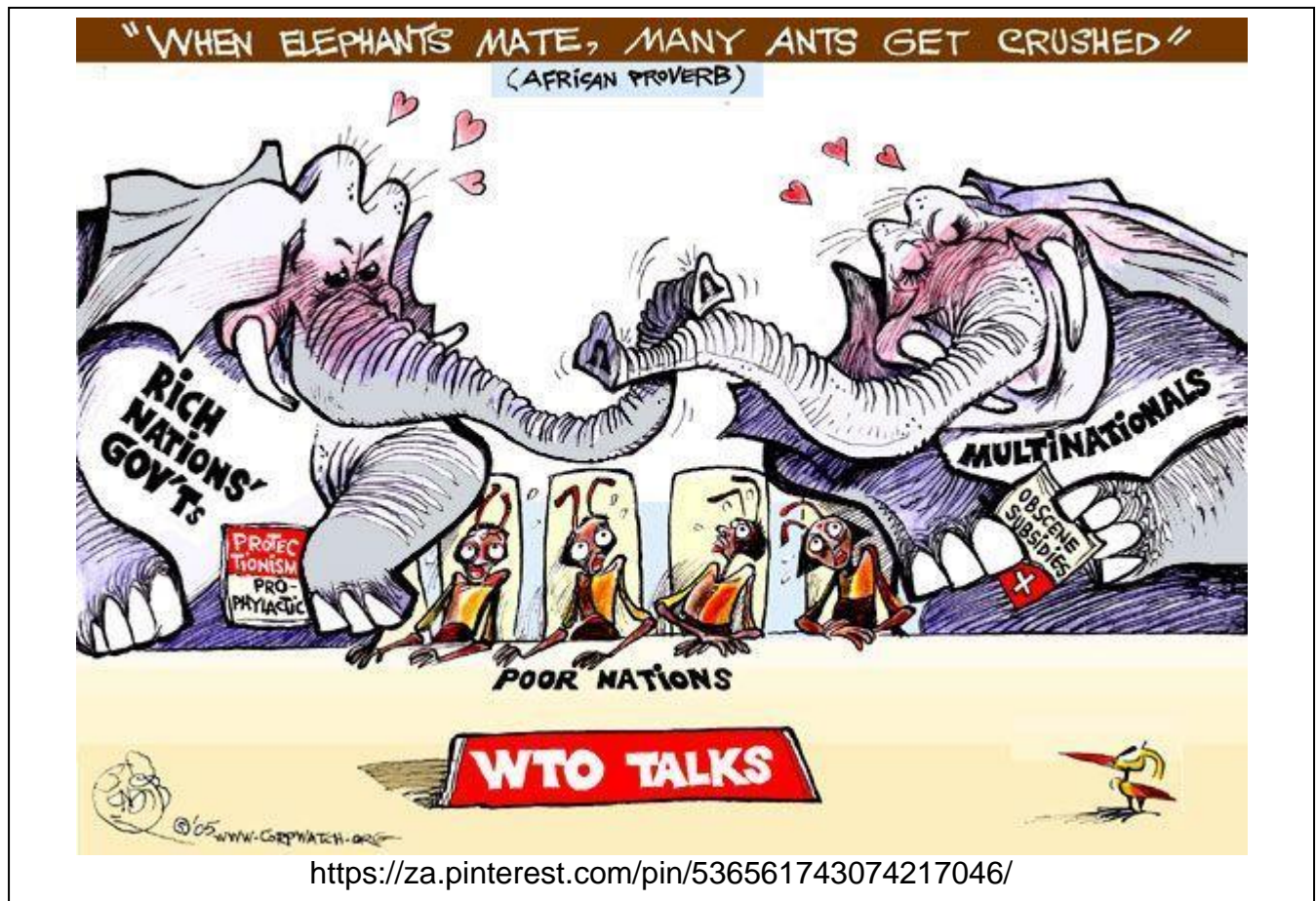
## CHINA SEEN AS A GROWING U.S. RIVAL

More than two-thirds of respondents say China plays a more important role in the world than it did a decade ago, according to a 2018 survey conducted across 25 countries. However, the majority still call the United States the world's leading economic power and a substantial majority prefers U.S. leadership.

*[Source: Richard Wike et al.]*

- 4.1 Which economic concept best describes the above situation? (1)
- 4.2 Give the trade protocol that China along with South Africa belongs to? (1)
- 4.3 Briefly describe the term *free trade* (1)
- 4.4 Why would countries of the world see international trade differently? (1)
- 4.5 How can governments effectively promote exports in international markets? (1)

Study the cartoon below and answer the questions that follow.



- 5.1 Name any ONE South Africa's trade protocols (1)
- 5.2 Identify type of protectionism form on the cartoon (1)
- 5.3 Briefly describe the term *predatory pricing* (2)
- 5.4 Explain the role of world trade organisation (WTO) in developing countries? (1X2) (2)
- 5.5 Discuss advantages of protectionism on poor (developing) nations. (2X2) (4)

## QUESTION 6

Study the extract below and answer the questions that follow.


### FEATHERS FLY IN POULTRY STANDOFF

The SA Poultry Association has lobbied the International Trade Commission of South Africa to increase import tariffs on chicken from Brazil to a staggering 82%. Obviously, offshore associations are opposed to the plan, but the sentiment is also shared by local importers and exporters.

“Increasing the tariffs to 82% from the current 37% and 12% will close the market to imports, as it will render most imports unfeasible. Most critically, an 82% tariff will allow the local chicken industry, already dominated by a few large conglomerates, to further consolidate the domestic market, thereby decreasing competition and leading to further price increases.”

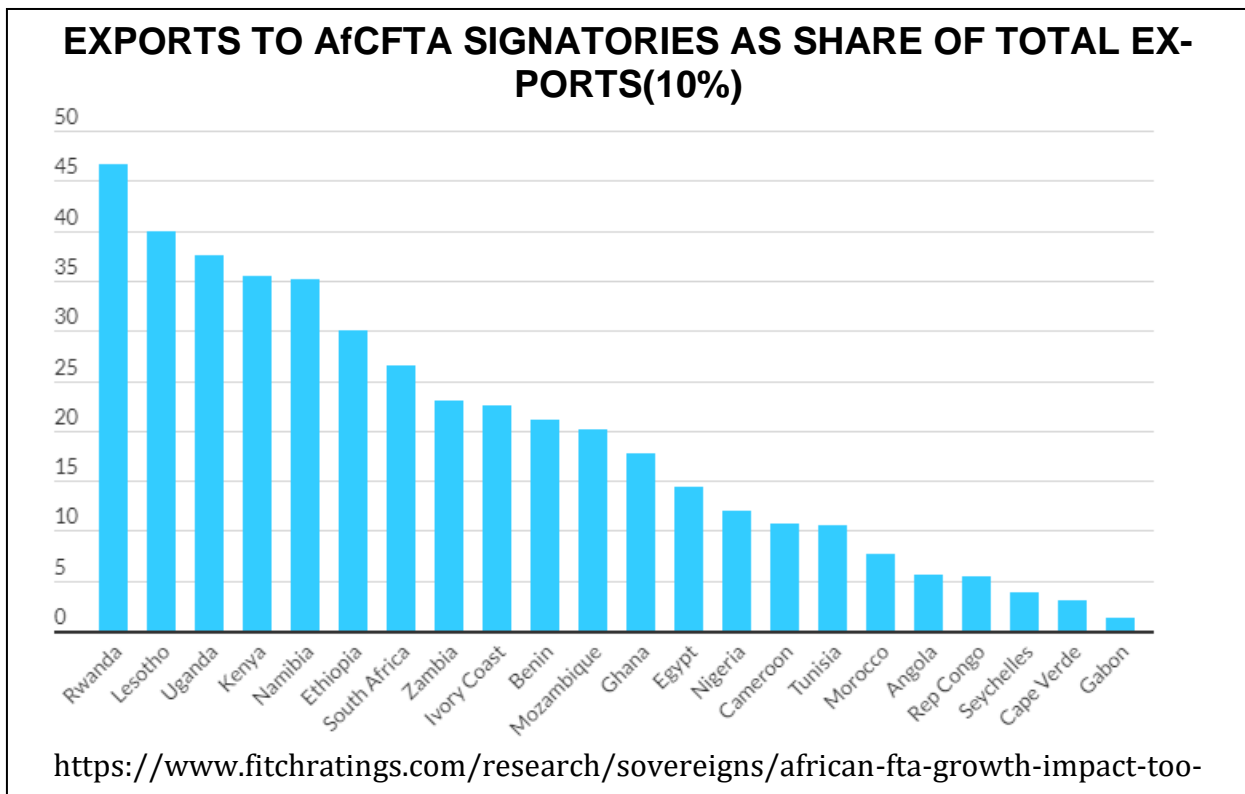
Brazil is not dumping chicken in South Africa, it is supplying quality, un-brined chicken, sold at a price comparable to that of South Africa’s, and helping to meet local demand. This ensures that healthy competition is maintained, to the benefit of South African consumers, Matthew states.

<https://www.dailymaverick.co.za/article/2019-08-27-feathers-fly-in-poultry-tariff-standoff/>

- 
- |     |  |           |
|-----|--|-----------|
| 6.1 | Name any ONE method of import substitution                                 | (1)       |
| 6.2 | What is the main reason for import by developing countries?                | (1)       |
| 6.3 | Briefly describe the term <i>dumping</i>                                   | (2)       |
| 6.4 | Why would an increase in import tariffs benefit the South African economy? | (1X2) (2) |
| 6.5 | Discuss sceptical reasons for import substitution (2X2)                    | (4)       |

**QUESTION 7**

Study the bar-graph below and answer the questions that follow.



- 7.1 Identify the country which is part of Southern African Customs Union (SACU) (1)
- 7.2 Name any ONE disadvantage of export promotion (1)
- 7.3 Briefly describe the term *export promotion* (2)
- 7.4 Why is trade so difficult in Africa? (2)
- 7.5 How can exports be promoted in Southern African Development Community? (4)

**QUESTION 8**                      **Paragraph type of questions**                      **Middle order**

- |     |  |         |     |
|-----|--|---------|-----|
| 8.1 | Discuss the reasons for export promotion                     | (4 x 2) | (8) |
| 8.2 | Explain quotas and tariffs as methods of import substitution | (4 x 2) | (8) |
| 8.3 | Discuss methods to promote exports                           | (4 x 2) | (8) |
| 8.4 | Explain economies of scale as argument in favour of trade.   | (4 x 2) | (8) |
| 8.5 | Distinguish between free trade and protectionism             | (4 x 2) | (8) |

**QUESTION 9**                      **Paragraph type of questions**                      **Higher cognitive**

- |     |  |         |     |
|-----|--|---------|-----|
| 9.1 | Why should developing countries ensure survival of labour-intensive industries in a global economy?                              | (4 x 2) | (8) |
| 9.2 | How harmful can protectionism become if implemented wrongly?   | (4 x 2) | (8) |
| 9.3 | How can governments effectively promote exports in international markets   | (4 x 2) | (8) |
| 9.4 | Assess how an increase in import prices and an increase in export prices (terms of trade) will affect the South African economy. | (4 x 2) | (8) |

## SESSION 28: ECONOMIC GROWTH AND DEVELOPMENT

**HINT:** Pupils must understand that Growth = goods and development = people

### Economic Growth

Consists of growth in the REAL GDP and implies an increase in the CAPACITY of the ECONOMY to produce more goods and services. It requires policies that empower the economy.

### Economic development

Consists of growth of PER CAPITA REAL GDP and implies an increase in the CAPACITY of the POPULATION to PRODUCE more goods and services. It requires policies that EMPOWER people.

### The demand-side approach

**Teacher Note:** Can be asked as part of a long question or as an 8-mark question in Section B. This was also done in Topic 1- National Account the expense method. Now the focus is how this expense (spending) leads to higher demand which in term will lead to increased production – economic growth

An increase in domestic demand for a product or service will cause an increase in the level of its production, this increase in the quantity of goods and services will lead to economic growth.

### $C + I + G + X - M$

**Teacher Note:** The exam guideline for 2021 clearly indicate the scope and depth of this topics. It clearly outlines what must be taught in this unit.

### DEMAND SIDE POLICIES TO STIMULATE GROWTH(SOUTH AFRICA'S APPROACH)

#### 1. MONETARY POLICY

★ **Instruments used:**

- a. **Interest rate changes** it is a rate to stabilise the exchange rate by encouraging capital inflows or outflows.
- b. **Open market transaction**-the SARB sells securities to restrict bank credit. (when banks buy these securities **money** flows from the bank to the SARB ) (the banks then have less money to lend and cannot extend its credit as before), to encourage credit creation the SARB buys securities in the open market (money the flows into the banking system)
- c. **Moral persuasion**-the SARB consults with banks and persuade them to consider current economic conditions in the country, such as recessions. The SARB

can see security papers, such as treasury bills and government bonds, which will drain excess liquidity and banks will have less money to lend.

## 2. FISCAL POLICY

**Involves the government expenditure and taxation to stimulate growth.**

- a. **Progressive personal income tax** higher income earners are taxed at higher rates than lower income earners. The taxes are used to finance social development, such as wage subsidies and grants.
- b. **Wealth taxes**-Properties such as houses, offices and buildings are taxed on the value of the property. Transfer duties are paid when properties are bought and securities (shares and bonds) are taxed when they are traded. Capital gains tax (CGT) is levied on the gains earned on the sale of capital goods such as properties and shares. Estate duties are levied on the estates of deceased with a value of more than R3.5 million (2012)
- c. **Cash benefits**-old age pensions, disability grants, child support grants.
- d. **Benefits in kind** these include the provision of healthcare, education and school meals, protection, municipal services and infrastructure.
- e. **Other redistributions**-public works programmes provide employment and **Strategic Integrated Projects (SIPs)** provide employment subsidies and cash benefits, such as for training, financing and export incentives to **SMMEs**.
- f. **Land redistribution and restitution**-the purpose of land restitution is to return land to those who lost it due to apartheid laws. Land redistribution focuses on land for residential (town) and productive (farm) use. The main aim is to redistribute 50% of the country's agriculture to the HDIs.

## SUPPLY SIDE POLICIES TO STIMULATE ECONOMIC GROWTH (South African approach)

### 1. THE EFFECTIVENESS AND EFFICIENCY OF MARKETS

- a. **Effective**-government demands that markets operate in a manner that ensures that more black people are absorbed into the mainstream of the economy.
  - ★ -Two acts were introduced to enforce a preference for black workers and HDI:
  - ★ **The Employment Equity Act** this act prohibits discrimination and requires that the workforce reflects the racial and gender profile of the population. Enterprises have to file an employment equity plan with the Department of Labour and inspectors from the department will business sites to ensure compliance.
  - ★ **Broad Based Black Economic Empowerment (BBBEE)**-this act provides the legal basis for the transformation of the South African economy. It requires redress so that the number of black people who own, manage and control businesses in the country increases significantly.
  - ★
- b. **Efficiency**-this includes productive and allocative efficiency in the workplace competition
- c. **Deregulation**-private sector power imbalances that inhibit the free operation of markets have been revised and some were even abolished in the mid-1990s. exchange control measures were occasionally relaxed to encourage FDIs



## 2. Business efficiency

- a. **Taxes**- Company tax is 28% on the profits of a firm. (Very high for developing economy). Small and micro enterprises pay lower tax rates, depending on their income levels. The effect of bracket creeping (PAYE) for individuals has been reduced over the past few years. Capital Gains Tax (CGT) was slowly introduced since 2012. (Taxes on capital gains.) Value Added Tax (VAT) has been steady at 14% but the poor are negatively affected.
- b. **Capital formation**-depreciation of capital goods used by businesses is designed to encourage investments. Government, though the DTI and the IDC also provides capital and loans to SMMEs and larger businesses.
- c. **Human resources**-education receives the largest portion of the national budget expenditure. Sector Education and Training Authorities (SETAs) must accommodate the Labour Relations Act states that it promotes economic development, social justice and peaceful labour relations.
- d. **Free advisory service** –examples include the development of export markets, managing and running SMMEs, agricultural production weather forecasts and preventing animal diseases.

★

## 3. Cost of doing business

- a. **Transport costs**-transport options are air, rail and sea, while government controls air and rail. A large amount of cargo is still moved by road, causing many problems and delays. Transport costs within South Africa are expensive, due to long distances travelled.
- b. **Communication costs**-communication options are cable, signal and mail. Government controls cable (land and fixed line) and mail communication services. The high costs makes IT services for businesses and individuals expensive and reduces global competitiveness.
- c. **Energy costs**- the forms of energy in South Africa are electricity capacity and liquid fuels. Eskom is a monopoly electricity supplier, and its rates has escalated recently to meet local demands. Government is continually investing in new electricity capacity, such as solar power, wind farms, etc. Government regulates petrol and paraffin prices, controlled by NERSA (National Electricity Regulator OF South Africa). The prices of crude oil are linked to international market prices, which is increased by the weaker rand.

## EVALUATION OF GROWTH AND DEVELOPMENT POLICIES USED IN SOUTH AFRICA

### a. The New Growth path(NGP)

**Teacher Note:** New in CAPS. Use the CAPS training document. In this document there are several tips in how to present this to the learners.

This policy was announced in October 2010 and implemented in 2011. The aim is to enhance growth, create employment and create greater equity.

The key areas where jobs can be created are:

- Infrastructure expansion
- Agricultural value chain
- Mining value chain
- Green economy
- Manufacturing sector
- Tourism

★

**b. National Development Plan(NDP)**

★ To expand economic opportunities through investment in infrastructure, more innovation, private investment and entrepreneurship.

**c. National Skills Development Strategy(NSDS)**

★ -The NSDS provides a framework for skills development in the workplace.

★ -The first phase focus on productive citizenship.

★ -The second phase on equity, equality, quality training and skills development.

★ -The third phase focus on institutional learning

## **PREVIOUS PLANS AND STRATEGIES AIMED AT GROWTH AND DEVELOPMENT**

### **d. Reconstruction and Development Programme (RDP)**

The RDP was implemented in 1994 and was aimed at improving living standards among South Africans.

#### **RDP AIMS:**

##### **A.MEETING BASIC NEEDS**

1. Many people live below the poverty level
2. There is a shortage of houses
3. Houses don't have electricity

##### **Providing the following needs**

Jobs, Land, Housing, Water, Telephones, Transport, Food, Health care, Environment, Social security, and welfare

##### **B.DEVELOPING OUR HUMAN RESOURCES**

Aims to develop a culture of teaching and learning. All have equal access to education. Important areas to be developed include:

- Education and training
- Literacy
- Arts and culture
- Sport and recreation
- Youth development

##### **C.BUILDING THE ECONOMY**

RDP's goals for the economy

- End poverty
- Create jobs
- Build the SA economy and integrate it into the world economy
- End discrimination

The three keys to building the economy:

1. Reconstruction
2. Restructuring
3. Development

#### **D.TO DEMOCRATISE THE ECONOMY**

#### **E.IMPLEMENTING THE RDP AT ALL SECTORS**

#### **EVALUATION:**

The public works programme were mostly labour intensive, this helped alleviate unemployment and poverty slightly'

Some achievements in building house and providing clean water.

#### **e. Growth, Employment and Redistribution Programme (GEAR)**

GEAR is a macroeconomic strategy adopted by the Department of Finance in June 1996 as a five-year plan.

#### **Aims**

- Strengthening economic development
- Broadening of employment
- Redistribution of income and socioeconomic opportunities in favour of the poor
- GEAR remains government macroeconomic policy

#### **EVALUATION:**

- Mixed outcomes.
- Brought greater financial discipline and macroeconomic stability.
- Real reduction in fiscal deficit (less than 3% in terms of international benchmarks).
- Inflation has dropped mostly to within inflation targets.
- Foreign exchange reserves increased in most regards.
- Failure to create sustainable job opportunities.
- Failure to redistribute wealth more evenly.

#### **f. Accelerated and Shared Growth Initiative for South Africa (AsgiSA)**

This plan consists of the following components:

- **The challenge (aim):** To halve poverty and unemployment by 2014. Aim seen as feasible if economic growth rate is maintained.
- **Consultation:** Local governments and provincial governments consulted.
- **Targets of accelerated and shared growth:** Between 5 and 6% growth rate and achievement of a more balanced and sustainable growth.

- **Binding constraints:** Include currency volatility (rand exchange rate varies considerably), backlogs in infrastructure and investment, shortage of suitably skilled labour, barriers to entry, limits to competition and limited new investment opportunities, many state regulations on small businesses and deficiencies in state organisation, capacity and leadership.

The programme plans to achieve these objectives by concentrating its efforts on the following six areas:

1. Infrastructure investment
2. Sector investment strategies
3. Education and skills development
4. Eliminating the Second economy
5. Macroeconomic issues
6. Governance and institutional interventions

### **EVALUATION:**

- Growth in infrastructure investment, especially in the public sector.
- Employment growth has lagged behind economic growth – reason real wage increases are higher than productivity.
- The second economic strategy helped slightly to reduce unemployment through the Expanded public Works Programme.
- Poor economic growth and high unemployment for the youth.

### **OTHER POLICIES TO be EVALUATED**

**g. Joint Initiative on Priority Skills Acquisition(JIPSA)**

**h. Expanded Public Works Programme(EPWP)**

**i. Small Business Development Promotion Programme**

**j. Black Economic Empowerment Programmes**

## **EVALUATION OF GROWTH AND DEVELOPMENT IN SOUTH AFRICA USING DIFFERENT INDICATORS**

### **1.GROWTH POLICIES**

#### **a. Economic growth**

Performance of the economy has to be measured and economic indicators are used for this purpose. The following indicators are used:

- Percentage annual change in GDP at market price Percentage annual change in GDP at constant 2005 prices
- GDP per capita at constant 2005 prices
- Income distribution
- Standard of living
- The GEAR policy(phased out by 2010) reduced the budget deficit to less than 3% of the GDP in the years out by 2009

#### **b. Inflation**

- The SARB adopted an inflation targeting, in a 3% to 6% range in order to control inflation

- The interest rate, based on the repo rate, is the main instrument used in stabilising inflation
- The consistently low, relatively low budget deficit, also stabilise the inflation rate

**c. Employment**

- Employment in non-agricultural sectors of the economy increased at a low rate.
- The global recession between 2008 and 2009 made the average growth rate even worse.
- The result is that the unemployment rate increased from 14% (1994) to 25% in 2012.
- Public sector employment increased during and after the global recession, reducing the total effect on unemployment.

**d. Exchange rate stability**

- The South African currency depreciates considerably from one year to the other.
- The SARB uses a free-floating exchange rate system
- South Africa uses the market forces to determine its real exchange value, with minimal intervention

**THE NORTH/SOUTH DIVIDE**

**Teacher Note:** Be careful to refer to hemispheres- rather talk about developed and developing. The developed countries include countries like Australia that is in the Southern hemisphere and the developing countries include countries like India that is in the Northern hemisphere. The developed countries are MOSTLY in the Northern hemisphere and the developing countries are MOSTLY in the Southern hemisphere. A table work the best to explain the differences between developed and developing. Always be careful when using stats – stats become outdated, rather stick to theory.

**Characteristics of developed countries:**

- Well-developed infrastructure
- Relatively high standard of living
- High productivity
- Low population growth
- Rapid capital development
- Normal distribution of income
- Diversified economic structure

**Characteristics of developing countries:**

- Low standard of living
- Low productivity
- High population growth
- Unemployment
- Defective economic structure
- Weaker position in international relations
- Climate, soil and terrain restrictions

**THE DIVIDE RELATES TO THREE AREAS, SUCH AS:**

**A. Unequal standard of living :**

- ★ -per capita income
- ★ -life expectancy

★ -education

**B. Globalisation challenges**

-poverty

-growth

-trade

**C. Environment**

-northern countries

-southern countries



## SESSION 29: ECONOMIC GROWTH AND DEVELOPMENT


### SECTION A: TYPICAL EXAM QUESTIONS

#### ECONOMIC GROWTH AND DEVELOPMENT

#### QUESTION 1: Section A – Short Questions

(Taken from various sources)

**HINT:** When answering Section A – short question, it is important not to rush but to read the questions carefully and to make sure you understand what the question is asking. Always remember one alternative is completely wrong, one is nearly correct, and one is totally correct. It is easy to eliminate the completely wrong answer, but if you do not read the question carefully the nearly correct answer will also appear correct. The answer will **NEVER** be two options. Only **ONE** option is correct. Your answer will immediately be marked incorrect if you write TWO options.

- 1.1 Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A–D) next to the question number.
- 1.1.1 Which of the following South African approaches have a vision for 2030?
- 
- A New Growth Path (NGP)
  - B Reconstruction and Development Programme (RDP)
  - C National Development Plan (NDP)
  - D Growth, Employment and Redistribution (GEAR)
- 1.1.2 The South Africa workforce should represent the demographics of the country's population
- A Affirmative action
  - B Black Economic Empowerment
  - C Land redistribution and restitution
  - D Broad-based Black Economic Empowerment
- 1.1.3 ...is the application of new scientific knowledge in the form of inventions and innovations
- A Capital
  - B Natural resources
  - C Technology
  - D entrepreneurship

1.1.4 To ensure economic growth, there should be an adequate and growing ... for goods and services

- A Demand
- B Exports
- C Supply
- D Imports

1.1.5 Which of the following is not a Human Development Index composite?

- A Health
- B Education
- C Natural resources
- D Income

1.2 Choose a description from COLUMN B that matches the item in COLUMN A. Write only the letter (A – I) next to the question number (1.2.1 – 1.2.8) in the ANSWER BOOK, for example 1.2.9 J.

COLUMN A	COLUMN B
1.2.1 Economic growth	A It is measured using education
1.2.2 Technology	B Introduced to create jobs and redistribution of income
1.2.3 Fiscal	C Government maintains it is committed to improving the ease of doing business in South Africa
1.2.4 Deregulation	D Adjust towards the fourth industrial revolution
1.2.5 GEAR	E It focus on production of goods and services
1.2.6 Human Development index	F Government use progressive personal income tax

(8 × 1) (8)

1.3 Provide the economic term/concept for each of the following descriptions. Write only the term/concept next to the question number. **NO ABBREVIATIONS, ACRONYMS OR EXAMPLES WILL BE ACCEPTED.**



- 1.3.1 Increase in the production capacity of a country/ it is an increase in the real GDP.
- 1.3.2 Improvement in the standard of living in general.
- 1.3.3 Theory that argues that when business flourish and people get rich, it will result in benefits for the poor as well.
- 1.3.4 The process of the increasing integration of markets in the world economy.

**SECTION B**

**QUESTION 2: Section B**

**HINT:** When the question requires you to “list” or “name”, you need not write a sentence but merely one or two words. This MUST be done in bullet form. This types of questions are applicable for 2.1.1, 3.1.1 and 4.1.1

- 2.1.1 Name any TWO monetary policy instruments used in demand side promoting economic growth and development (2x1) 2
- 2.1.2. List any TWO South African growth and development policies and strategic initiatives. (2x1) 2
- 2.1.3. Name any TWO aspects used to compare the standard of living between North and South Divide. (2x1) 2
- 2.1.4. List any TWO challenges of globalisation. (2x1) 2
- 2.1.5. Name any TWO features of fiscal policy of the demand-side approach in promoting growth and development in South Africa. (2x1) 2

**QUESTION 3:** (Taken from various sources)

**HINT:** This types of questions are applicable for 2.1.2, 3.1.2 and 4.1.2

- 3.1.1. How does economic growth lead to economic development? (1x2) 2
- 3.1.2. How do countries in the North divide contribute to the destruction of the environment? (1x2) 2

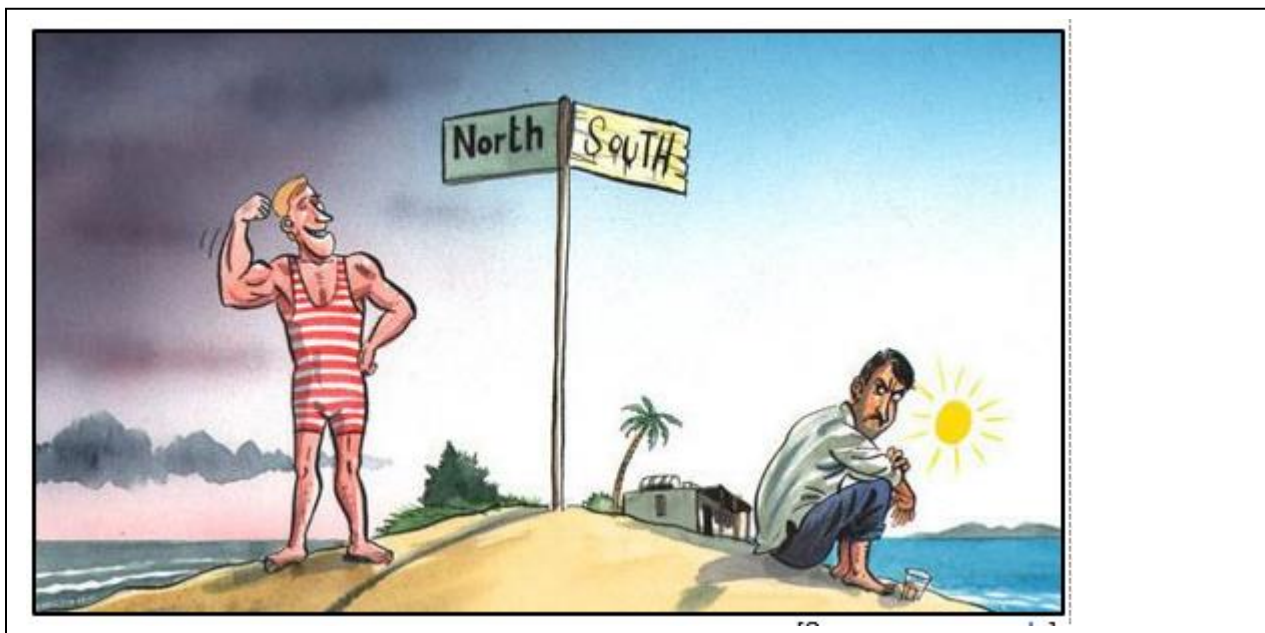
- 3.1.3. How can the National Development Plan (NDP) support economic growth? (1x2) 2
- 3.1.4 What are positive impacts of expanded public works programme (EPWP)? (1x2) 2
- 3.1.5 Why is Black Economic Empowerment necessary in South Africa's mining industry? (1x2) 2

**Data Response**

**HINT:** All section B questions have TWO data interpretation questions – each total 10 marks. Section B consist of Questions 2-4 not as numbered in this document

**QUESTION 4:**

Study the cartoon below and answer the questions that follow

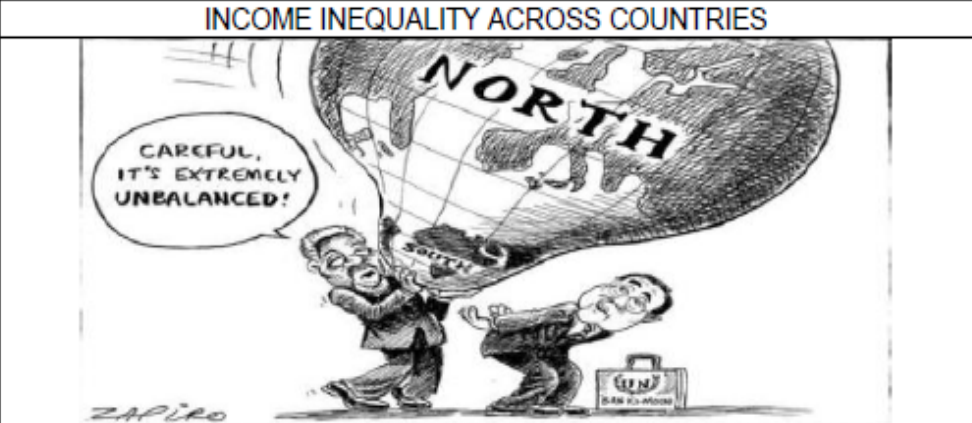


- 4.1 What is the expression North/South in the cartoon about? (1)
- 4.2 Name ONE example of a G8 country. (1)
- 4.3 Briefly describe the term *globalisation* (2)
- 4.4 Explain why the COP17 Summit failed to address environmental challenges that damage the ozone layer. (2)
- 4.5 How can life expectancy as an indicator be used to assess the standard of living? (2x2) (4)

**QUESTION 5:**

Study the information below and answer the questions that follow.

**INCOME INEQUALITY ACROSS COUNTRIES**



The Gini co-efficient of international inequality fell from 63 in 1980 to 53 in 2010. Despite this positive trend, absolute disparities among countries are still very large. The average income of people living in Europe is 11 times higher than that of people in Sub-Saharan Africa, the absolute gap between the mean per capita income of high-and low-income countries has changed from \$27, 600 in 1990 to over \$42, 800 in 2018.

*[adapted from WordPress.com & World Social Report 2020]*

- 5.1 Identify the aspect addressed by the North-South divide on the above information. (1)
- 5.2 How much was the increase in the mean per capita income between 1990 and 2018? (1)
- 5.3 Describe the term *north-south divide*. (2)
- 5.4 What is the negative impact of globalisation in less developed countries? (2)
- 5.5 How can poverty levels be reduced in South Africa? (2x2) (4)

**QUESTION 6:**

Study the extract below and answer the questions that follow.

**THE GAS DISCOVERIES OFF SOUTH AFRICA'S COAST  
COULD BE 'GAME CHANGERS'**

"The discovery of gas condensate fields during 2019 and 2020 are significant and they have the potential to expedite the government's much touted energy transformation, the firm said.

"Whilst studies are still being conducted, early estimates are that the two gas fields may hold in excess of 1 billion barrels of gas condensate each. If these estimates are accurate, these discoveries would be huge for South Africa as a non-producing country, which is heavily reliant on oil and gas imports."

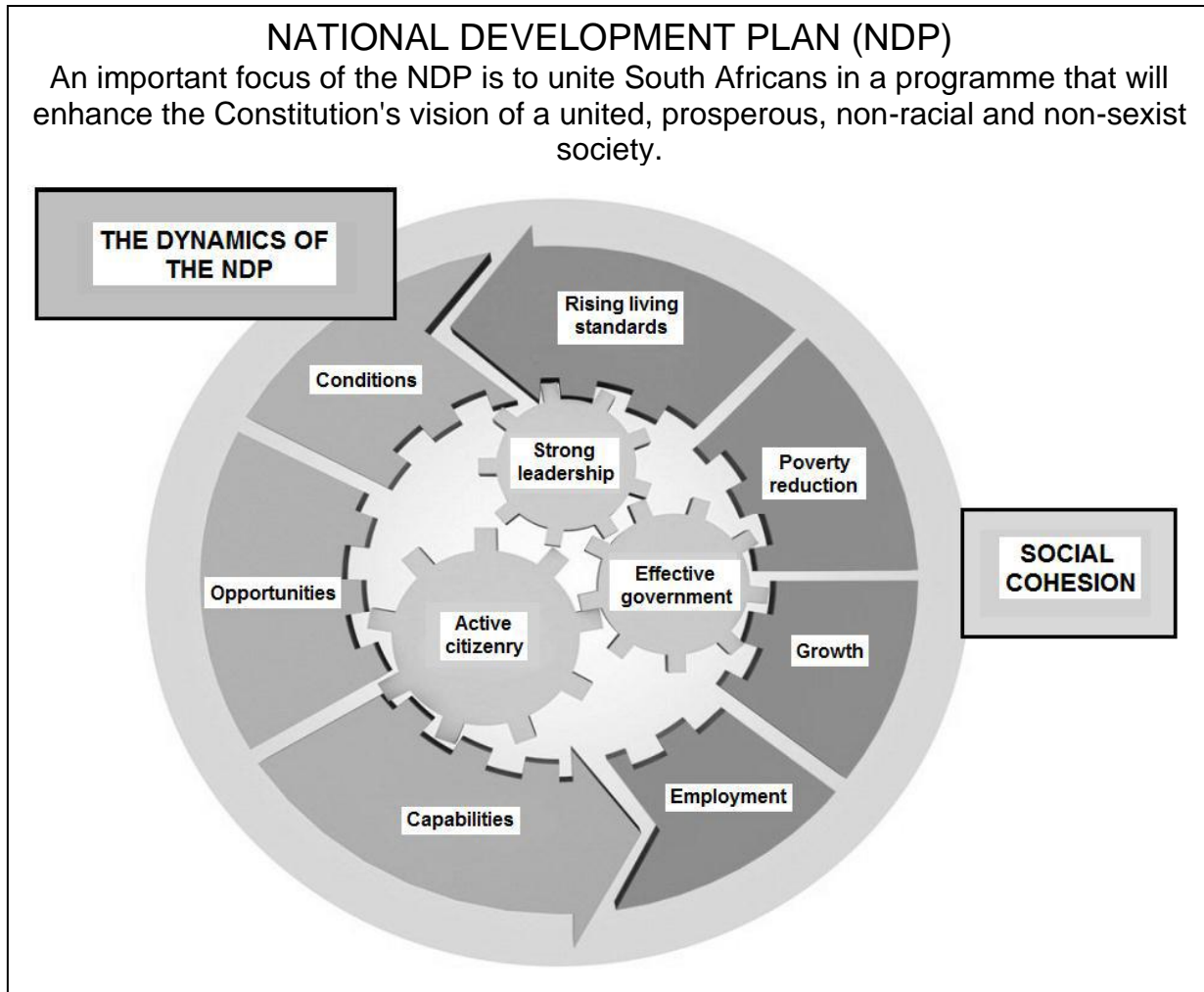
Oil and gas production would dramatically reduce South Africa's current reliance on imports, create employment opportunities in various sectors and provide an alternative to the current coal dominated energy sector.

Currently, the majority of South Africa's gas demand is supplied by the Pande-Temane development in Mozambique.

- 6.1 Name the supply-side policy to stimulate growth above. (1)
- 6.2 List any supply factor of the supply side approach to of growth and development. (1)
- 6.3 Briefly describe the term *economic policies*. (2)
- 6.4 Explain the importance of this gas discoveries to economic development in South Africa. (2)
- 6.5 How does the discovery of gas increase the value of exports? (2x2) (4)

**QUESTION 7**

Study the information below and answer the questions that follow



- 7.1 Name ONE inequality that should be addressed by the National Development Plan. (1)
- 7.2 Which economic indicator measures the standard of living of a community? (1)
- 7.3 Briefly describe the term *employment*. (2)
- 7.4 Why should government focus on small business development to solve the major problem of unemployment? (2)
- 7.5 How would the success of the NDP benefit the economy? (2x2) (4)

**HINT:** All section B questions have TWO 8 marks questions, numbered according to questions not like in this document.

**QUESTION 8**                      **Paragraph type questions – Middle Cognitive**

- |      |   |   |
|------|---|---|
| 8.1  | Briefly discuss poverty and trade as challenges of globalisation (North/South divide).                        | 8 |
| 8.2. | Discuss monetary policy as a demand-side approach in promoting growth and development in South Africa.        | 8 |
| 8.3  | Discuss the effectiveness and efficiency of markets as supply side policies used to stimulate economic growth | 8 |
| 8.4  | Differentiate between economic growth and economic development.   | 8 |
| 8.5  | Explain Black Economic Empowerment (BEE) as a development initiative  | 8 |

**QUESTION 9**                      **Paragraph type questions – Higher cognitive**

- |     |   |   |
|-----|---|---|
| 9.1 | What can South African policy makers do to improve the country's economic standing?                           | 8 |
| 9.2 | How does economic growth relate to economic development ?   | 8 |
| 9.3 | Evaluate the approaches of growth strategies used in South Africa:  | 8 |
| 9.4 | To what extent has the government's fiscal policy succeeded in ensuring a desirable redistribution of income? | 8 |

## SECTION C

**HINT: All section C questions have TWO questions 5 & 6 NOT Q 10 & 11 like in this document. In the examination you will need to answer only one.**

### ESSAY STRUCTURE

**HINT: Section C – the long question, must be answered in FOUR sections: Introduction (definition), Body (headings and full sentences in bullets) additional part and conclusion (summarising). The mark allocations for Section C is as follows:**

STRUCTURE OF ESSAY:	MARK ALLO- CATION:
<b>Introduction</b> The introduction is a lower-order response. <ul style="list-style-type: none"> <li>• A good starting point would be to 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 saying in the introduction what you are going to discuss in the body</li> </ul>	<b>Max 2</b>
<b>Body</b> <b>Main part:</b> Discuss in detail/In-depth discussion/Examine/Critically discuss/ Analyse/Compare/Evaluate/Distinguish/Differentiate/Explain / Draw a graph and explain / Use the graph given and explain/Complete the given graph/ <b>Additional part:</b> Give own opinion/Critically discuss/Evaluate/Critically evaluate/ Calculate/Deduce/Compare/Explain/Distinguish/Interpret/Briefly debate/ How/Suggest /Construct graph (foreign exchange market, multiplier)	<b>Max 26</b>  <b>Max 10</b>
<b>Conclusion</b> Any Higher or conclusion include: <ul style="list-style-type: none"> <li>• A brief summary of what has been discussed without repeating facts already mentioned in the body</li> <li>• Any opinion or value 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>	<b>Max 2</b>
<b>TOTAL</b>	<b>40</b>

### QUESTION 10

Discuss the following South African growth and development strategies in detail:

- National Skills Development Strategy (NSDS)
- The New Growth Path (NGP)
- National Development Plan (NDP)

(26 Marks)

Evaluate the strategies used in South Africa.

(10 Marks)

**Question 11**

Discuss in detail the demand-side approach in promoting growth and development in South Africa (26 Marks)

Has the South African government been successful in meeting the basic needs of the poor? Motivate your response. (10 marks)

