NATIONAL SENIOR CERTIFICATE EXAMINATION
SUPPLEMENTARY EXAMINATION – MARCH 2018

ECONOMICS

EXAMINATION NUMBER

Time: 3 hours 300 marks

PLEASE READ THE FOLLOWING INSTRUCTIONS CAREFULLY

1. This question paper consists of 32 pages. Please check that your question paper is complete.

2. Read the questions carefully.

3. All questions are **COMPULSORY**. Answer SIX questions as follows:
   ONE compulsory question from SECTION A;
   FOUR compulsory questions from SECTION B; and
   ONE compulsory question from SECTION C.

4. Answer ALL the questions in the spaces provided in this question paper.

5. Answer questions, where possible, point by point but in full sentences. A systematic presentation of facts is required.

6. It is in your best interest to write legibly and to present your work neatly.

7. Non-programmable calculators may be used.

8. Please do not **write** in pencil as work in pencil will not be marked. However, any sketches or diagrams may be done in pencil.

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SECTION A

QUESTION 1

This question is **compulsory**.

Select the correct alternative and indicate with an X in the corresponding box of your chosen answer.

1.1 Choice is an important element in the basic economic problem because …

A needs increase with income. ☐

B resources are distributed equally. ☐

C limited resources have alternative uses. ☐

D high demand leads to high prices. ☐ (2)

1.2 The total value of all final goods and services produced in a country during a particular year is called …

A gross national income. ☐

B gross domestic expenditure. ☐

C net national income. ☐

D gross domestic product. ☐ (2)

1.3 A current account deficit on South Africa's balance of payments means that generally …

A the total value of imports exceeds the total value of exports. ☐

B government expenditure exceeds government revenue. ☐

C the volume of imports of services is less than the value of exports of services. ☐

D the volume of imports of goods and services exceeds the volume of exports of goods and services. ☐ (2)

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1.4 Study Table 1 below and answer the question that follows.

Table 1: Income Tax Table

Income per year	**Tax paid per year**		
	Tax A	**Tax B**	**Tax C**
R100 000	R10 000	R5 000	R10 000
R200 000	R20 000	R20 000	R10 000
R300 000	R30 000	R40 000	R10 000
R400 000	R40 000	R65 000	R10 000

Which of these taxes is progressive?

A Tax A ☐

B Tax B ☐

C Tax C ☐

D All of the above ☐ (2)

1.5 Which ONE of the following would cause an increase in supply?

A Lower labour productivity ☐

B Improved technology ☐

C Higher prices ☐

D Increased demand ☐ (2)

1.6 The perfectly competitive firm will continue to produce as long as it makes at least what is called a/an … profit.

A economic ☐

B normal ☐

C marginal ☐

D maximum ☐ (2)

1.7 Which ONE of the following is **not** included in the calculation of a country's Human Development Index (HDI)?

A Education ☐

B Income per person ☐

C Life expectancy ☐

D Population growth ☐ (2)

1.8 If you went shopping in Germany, which currency would you need?

A Euro ☐

B Deutschmark ☐

C Swiss franc ☐

D German dollar ☐ (2)

1.9 The Phillips curve helps us understand …

A the trade-off between the levels of unemployment and output. ☐

B the trade-off between the levels of unemployment and inflation. ☐

C the trade-off between a 2 per cent drop in the unemployment rate for a 1 per cent increase in output. ☐

D the trade-off between a 1 per cent increase in the unemployment rate for a 2 per cent decrease in output. ☐ (2)

1.10 All other things being equal, demand pull inflation is most likely to result from an increase in …

A the level of interest rates. ☐

B government spending. ☐

C the rate of income tax. ☐

D the cost of imported raw materials. ☐ (2)

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

Table 2: Multiplier

Initial change in investment expenditure (R million)	Marginal propensity to consume (MPC)	Marginal propensity to save (MPS)	Change in equilibrium national income (R million)
400	?	?	2 000

According to the information in the table, what are the values of MPC and MPS?

A MPC is 5,0 and MPS is 5,0 ☐

B MPC is 0,5 and MPS is 0,5 ☐

C MPC is 8,0 and MPS is 2,0 ☐

D MPC is 0,8 and MPS is 0,2 ☐ (3)

1.12 Table 3 shows estimates of income elasticity of demand for selected items in Lesotho and Swaziland.

Table 3: Income Elasticity

Type of food	**Lesotho**	**Swaziland**
Rice	–0,2	0,5
Meat	0,5	0,8
Tobacco	0,6	1,1

It can be deduced from the table that …

A the demand for tobacco is income inelastic in both countries. ☐

B a 10% increase in income would cause a less than 10% increase in demand for meat in both countries. ☐

C rice is a normal good in Lesotho but an inferior good in Swaziland. ☐

D the demand for meat is more responsive to changes in income in both countries than the demand for tobacco. ☐ (3)

1.13 Which one of the following is most likely to lead to an increase in spending on imports?

A A depreciation of the currency. ☐

B A rise in unemployment. ☐

C A rise in the rate of Value Added Tax (VAT). ☐

D A cut in income tax rates. ☐ (3)

1.14 In which one of the following circumstances are the benefits of a monopoly most likely to exceed the costs of a monopoly for the **consumer**?

A When there are no economies of scale. ☐

B When the monopoly's market power increases. ☐

C When the monopoly is privately owned. ☐

D When the monopoly uses its profit to invest and innovate. ☐ (3)

1.15 Assuming new housing developments are regarded as a normal good, what effect will a **decrease** in real incomes have on the price of new housing and the wage rate of bricklayers?

A The price of new housing will increase and the wage rate for bricklayers will increase. ☐

B The price of new housing will decrease and the wage rate for bricklayers will decrease. ☐

C The price of new housing will increase and the wage rate for bricklayers will decrease. ☐

D The price of new housing will decrease and the wage rate for bricklayers will increase. ☐ (3)

1.16 An economy had nominal GDP growth of 8% last year, inflation of 5,5% and population growth of 2,5%. The approximate percentage change in real GDP per capita was …

A –2,5 ☐

B 0 ☐

C +2,5 ☐

D +5,0 ☐ (3)

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1.17 Table 4 shows the share of total income of different income groups in an economy in 2006 and 2016.

Table 4: Income Groups

Income Group	% share of total income	
	2006	**2016**
Bottom 30%	16%	12%
Top 30%	47%	54%

From the data it may be concluded that over the period in question …

A the bottom income groups experienced a fall in their income. ☐

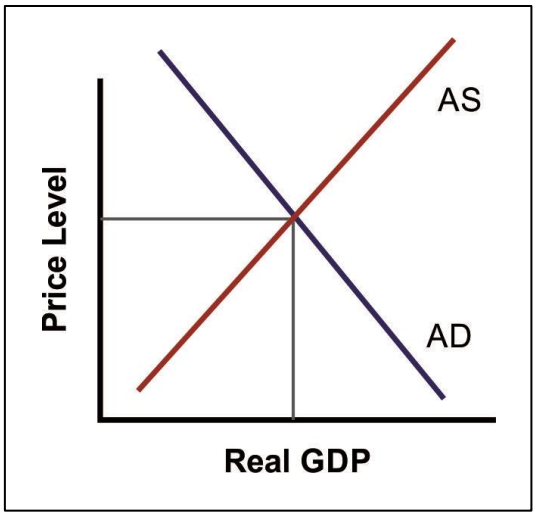
B the distribution of income became more unequal. ☐

C the distribution of wealth became more unequal. ☐

D everyone became better off because total income increased. ☐ (3)

1.18 Graph 1 below shows Aggregate Demand (AD) and Aggregate Supply (AS) curves for an economy.

Graph 1: Aggregate Demand and Aggregate Supply



Which one of the following is most likely to reflect government policy designed to increase efficiency and equilibrium output?

A AS curve shifts to the left ☐

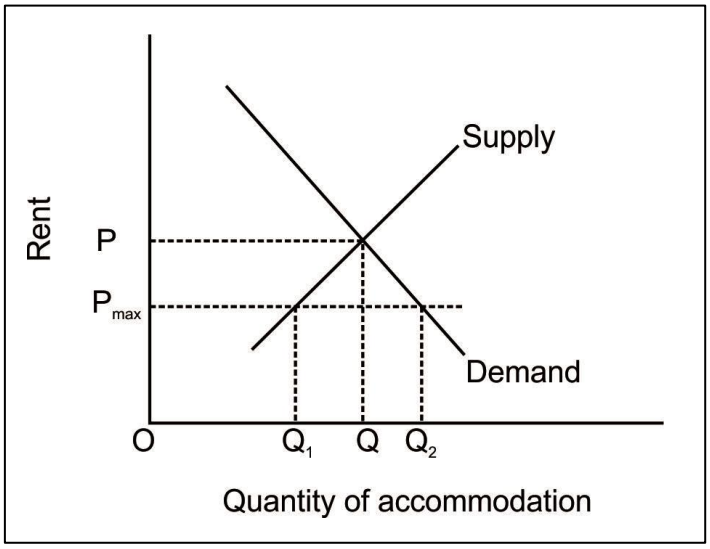
B AD curve shifts to the left ☐

C AS curve shifts to the right ☐

D AD curve shifts to the right ☐ (3)

1.19 Graph 2 below shows the market for rented accommodation.

Graph 2: Maximum Prices



Rent is initially at P. If a maximum rent of P_{max} is now imposed, all other things being equal, the effect will be to …

A increase the amount of accommodation available from Q1 to Q2. ☐

B increase the amount of accommodation available from Q to Q2. ☐

C decrease the amount of accommodation available from Q to Q1. ☐

D decrease the amount of accommodation available from Q2 to Q1. ☐ (3)

1.20 Foreign companies build new factories in a country to take advantage of cheap labour and cheap land. All other things being equal, the result of this investment for that country's economy would be …

A a movement along both its aggregate demand curve and aggregate supply curve. ☐

B a movement along its aggregate demand curve and a shift in its aggregate supply curve. ☐

C a shift in its aggregate demand curve and a movement along its aggregate supply curve. ☐

D a shift in both its aggregate demand curve and aggregate supply curve. ☐ (3)

50 marks

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SECTION B

Answer all the questions in this section.

QUESTION 2 MACROECONOMICS

2.1 Study Table 5 below and answer the questions that follow.

Table 5: National Account Figures 2016

Item	**R million**
Taxes on products	438 785
Operating surpluses	411 945
Compensation to employees	869 738
Primary payments to the rest of the world	198 382
Other subsidies on production	7 503
Consumption of fixed capital	560 397
Other taxes on production	81 307
Primary payments from the rest of the world	98 016
Subsidies on products	15 005

[Source: *SARB Quarterly Bulletin*]

2.1.1 Which method of calculating national income is used in Table 5?

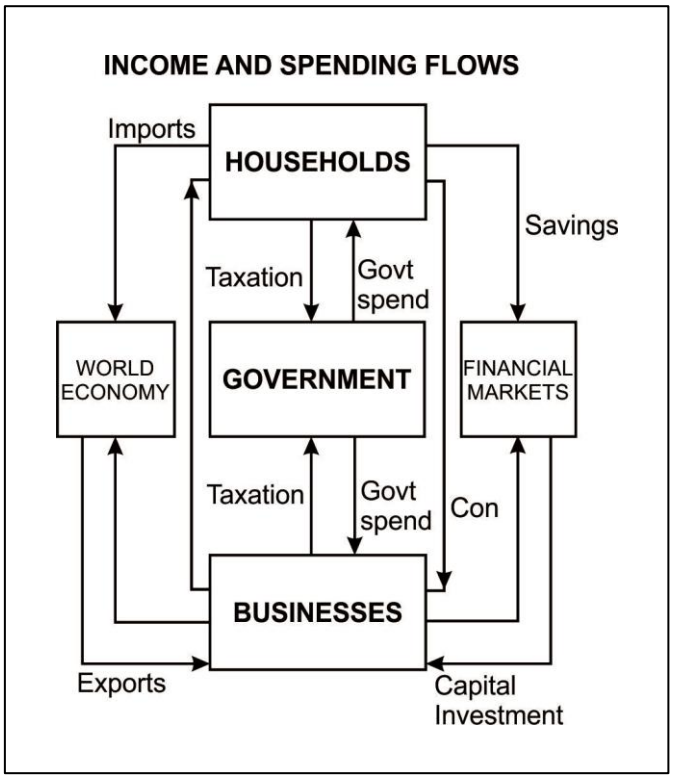
_____ (2)

2.1.2 Calculate the GDP at market prices for 2016. Show all calculations.

(6)

2.2 Study Diagram 1 below and answer the questions that follow.

Diagram 1: Circular Flow



[Source: <http://www.tutor2u.net>]

2.2.1 Is the economy in Diagram 1 an open or a closed economy? Give a reason for your answer.

_____

_____

_____

_____ (2)

2.2.2 Briefly explain the difference between real flows and monetary flows.

_____

_____

_____

_____

_____

_____

_____ (4)

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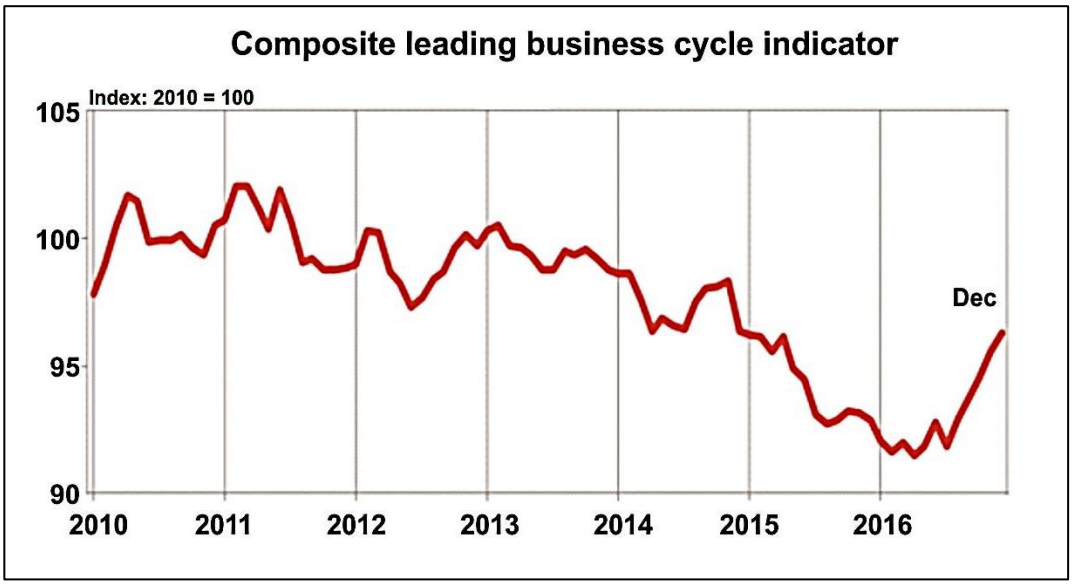
2.2.3 Explain the significance of T + S + M = G + I + X in the circular flow model. In your explanation, identify the relationships between the various parts of the equation.

(10)

2.3 Study Graph 3 below and answer the questions that follow.

Graph 3: South Africa's Business Cycle Leading Indicator



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

2.3.1 Describe the economic term 'leading indicator'.

_____

_____

_____

_____ (2)

2.3.2 List TWO examples of leading indicators.

_____

_____ (4)

2.3.3 Briefly explain the difference between a recession and a depression.

_____

_____

_____

_____

_____ (4)

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2.3.4 Explain how fiscal and monetary policy might be used to **stimulate** economic activity.

(16)
[50]

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QUESTION 3 MICROECONOMICS

3.1 '**If the price of beef increases by 10%, the quantity of chicken demanded increases by 15%.**'

3.1.1 Calculate the cross-price elasticity of demand for chicken with respect to the price of beef. Show all calculations.

(4)

3.1.2 With reference to cross-price elasticity, briefly discuss the likely relationship between the price of beef and the demand for chicken.

(4)

3.2 '**Market failure occurs when the market system is unable to achieve an efficient allocation of resources.**'

Briefly discuss the following causes of market failure:

3.2.1 Externalities

(4)

3.2.2 Imperfect competition

(4)

3.3 '**The Competition Commission revealed it had been investigating a case of collusion involving price-fixing in trading foreign currency against 17 major banks, including South Africa's Absa, Investec and Standard Bank.**'

3.3.1 In what market structure does collusion take place?

(2)

3.3.2 Briefly explain why any type of price-fixing is negative for the economy.

(4)

3.3.3 Briefly explain the role of the Competition Commission.

(4)

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3.4 **Use the following table** to differentiate between market forms.

Table 6: Market Structures

Criteria	**Perfect competition**	**Monopolistic competition**
Number of sellers		
Nature of the product		
Price-maker or price-taker?		
Is branding/marketing important?		
Are entry barriers zero, low or high?		

(10)

3.5 '**OPEC and several independent producers agreed to influence the supply of oil. The effort has helped oil prices to rise to $55 a barrel, from a 12-year low near $27 a barrel a year ago.**'

3.5.1 What does the acronym OPEC stand for?

_____

_____ (2)

3.5.2 Assuming the demand for oil is relatively inelastic in the short term, briefly explain what will happen to the total revenue of oil producers as a result of the price increase.

_____

_____

_____

_____

_____

_____ (4)

3.5.3 Explain, with the aid of a graph, what OPEC did to increase the price of oil. Clearly indicate the axes, lines and movements.

(8)
[50]

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QUESTION 4 ECONOMIC PURSUITS

4.1 Explain the **relationship** between economic growth and economic development.

(6)

4.2 '**Youth unemployment poses huge problems for the economy.**'

4.2.1 How is unemployment measured?

(2)

4.2.2 Briefly discuss how education, as a supply side policy, could reduce youth unemployment.

(4)

4.2.3 Briefly explain TWO reasons why high levels of youth unemployment might be considered undesirable within an economy.

_____

_____

_____

_____

_____

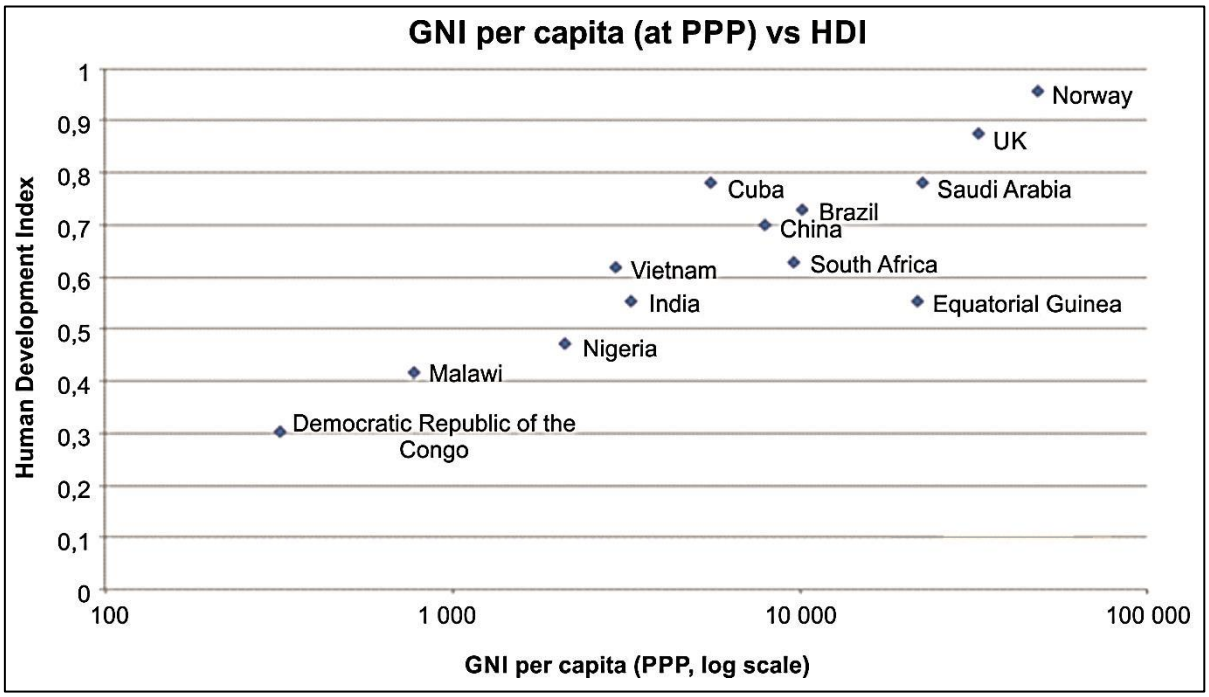
_____

_____

_____ (4)

4.3 Study Graph 4 below and answer the questions that follow.

Graph 4: Indicators



4.3.1 Name the country that has the **highest** standard of living.

_____ (2)

4.3.2 Identify TWO countries on the graph that are regarded as emerging economies.

_____

_____ (4)

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4.3.3 With reference to the graph on the previous page, discuss the extent to which GNI per capita, compared to HDI, is a good indicator of living standards within a country.

(6)

4.4 '**The long-term progress made towards a free-trade world must be maintained. Calls for greater protectionism would lead to a disastrous collapse of global economic activity.**'

4.4.1 Briefly explain the economic term 'free trade'.

(2)

4.4.2 Briefly explain TWO protectionist measures that countries use to protect domestic business.

(4)

4.4.3 Discuss FOUR arguments in favour of protectionism.

(16)
[50]

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QUESTION 5 CONTEMPORARY ECONOMIC ISSUES AND MIXED QUESTIONS

5.1 Explain the following concepts:

5.1.1 CPI

_____

_____

_____ (2)

5.1.2 Deflation

_____

_____

_____ (2)

5.1.3 Hyperinflation

_____

_____

_____ (2)

5.2 **Demand for Labour or Supply of Labour?**

Analyse the statements below and decide whether demand for labour or supply of labour would be affected.

5.2.1 The number of firms (employers) changes.

_____ (2)

5.2.2 The number of workers decreases.

_____ (2)

5.2.3 A new substitute for labour becomes available.

_____ (2)

5.2.4 Improvements in the occupational mobility of labour.

_____ (2)

5.2.5 The price of a complementary factor of production changes.

_____ (2)

5.3 **'The national minimum wage affects the millions who might have had jobs were they not priced out of the labour market.'**

Use a diagram and an explanation to analyse this statement.

(10)

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5.4 Study Cartoon 1 below and answer the questions that follow.

Cartoon 1: Inflation

[Source: <http://www.zanews.co.za>]

5.4.1 Which institution plays a key role in influencing inflation in South Africa?

_____ (2)

5.4.2 What is South Africa's inflation target rate percentage?

_____ (2)

5.4.3 Using examples from the cartoon, explain the economic term 'cost-push' inflation and analyse how the factors identified in the cartoon cause inflation.

_____

_____

_____

_____

_____

_____

_____

_____

_____ (4)

5.4.4 Discuss FOUR consequences of inflation.

(16)
[50]

200 marks

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SECTION C

QUESTION 6 DATA RESPONSE

Study the following information and answer the questions that follow.

Question 6.1 is based on Source 1.

SOURCE 1

[Source: <http://www.fin24.com>]

6.1 6.1.1 Describe the economic concept 'public goods'.

_____

_____

_____

_____ (2)

6.1.2 Briefly discuss TWO issues with service delivery by the public sector.

(8)

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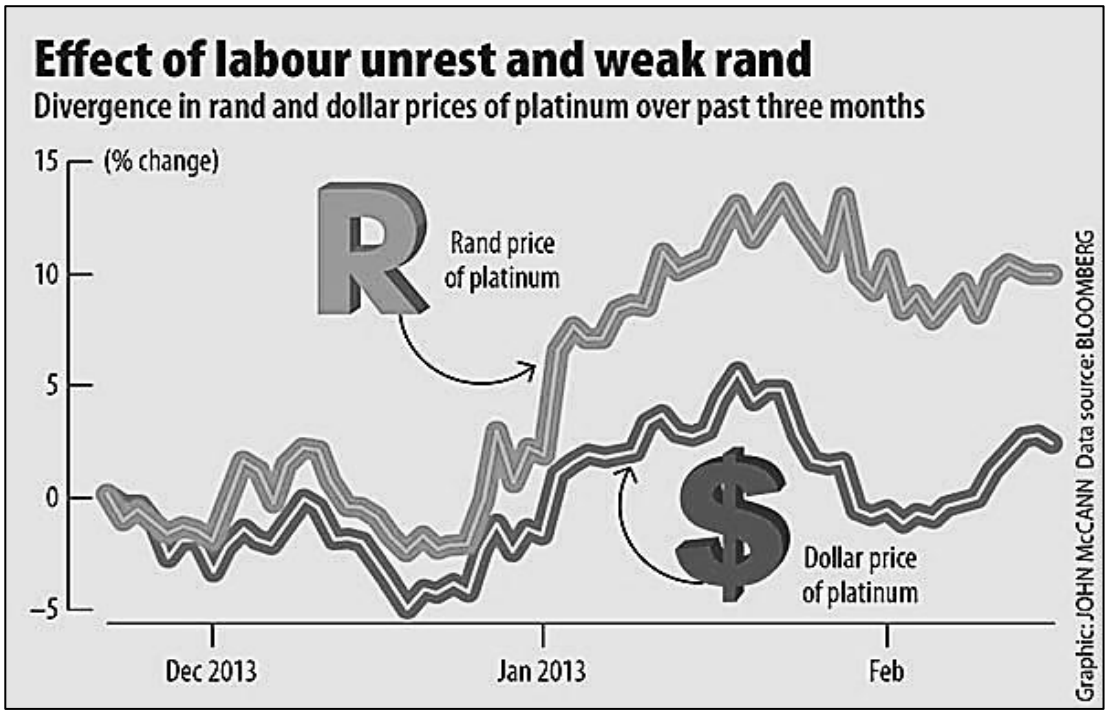
6.1.3 '**One way to reduce government wastage and to improve service delivery would be to privatise parastatals.**'

Evaluate TWO advantages and TWO disadvantages of privatising parastatals in South Africa.

(12)

Question 6.2 is based on Source 2 and Source 3.

SOURCE 2



[Source: <http://mg.co.za>]

SOURCE 3

Mining has a big multiplier effect

According to the Chamber of Mines, mining:

- creates one million jobs (500 000 direct and 500 000 indirect).
- accounts for about 18% of GDP (8,6% direct, 10% indirect and induced).
- is a critical earner of foreign exchange at more than 50%.
- accounts for 20% of investment (12% direct).
- accounts for R441-billion in expenditures, R407-billion spent locally.
- accounts for R78-billion spent in wages and salaries.
- accounts for 50% of volume of Transnet's rail and ports.
- accounts for 94% of electricity generation via coal power plants.
- takes 15% of electricity demand.

[Source: <http://www.sanews.gov.za>]

6.2 6.2.1 Explain the economic term 'multiplier effect'.

_____

_____

_____

_____ (2)

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6.2.2 Briefly explain THREE reasons why labour unrest in the mining sector is negative for the economy.

(6)

6.2.3 Use ONLY a **graph** to explain what will happen to the R/$ exchange rate as a result of labour unrest in South Africa.

(8)

6.2.4 Discuss THREE reasons for International Trade.

(12)

50 marks

Total: 300 marks

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