GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

GAUTENG DEPARTMENT OF EDUCATION

PREPARATORY EXAMINATION

2020

10732

ECONOMICS

PAPER 2

MARKING GUIDELINES

TIME: 2 hours

MARKS: 150

17 pages

SECTION A (COMPULSORY)

QUESTION 1

1.1 MULTIPLE-CHOICE QUESTIONS

1.1.1	C – horizontal ✓✓		
1.1.2	B – normal profit ✓✓		
1.1.3	D – barrier to entry ✓✓		
1.1.4	B – price ✓✓		
1.1.5	C – labour ✓✓		
1.1.6	A – Statistics South Africa ✓✓		
1.1.7	D – biodiversity ✓✓		
1.1.8	D – outbound ✓✓	(8 x 2)	(16)

1.2 MATCHING ITEMS

1.2.1	H ✓		
1.2.2	G ✓		
1.2.3	F ✓		
1.2.4	I ✓		
1.2.5	E ✓		
1.2.6	C ✓		
1.2.7	B ✓		
1.2.8	A ✓	(8 x 1)	(8)

1.3 GIVE A TERM

1.3.1	Perfect competition ✓		
1.3.2	Interdependence of firms ✓		
1.3.3	South African Bureau of Standards ✓		
1.3.4	Economic policies √		
1.3.5	Tourism Enterprise Development Programme ✓		
1.3.6	Flora and Fauna✓	(6 x 1)	(6)

TOTAL SECTION A: 30

SECTION B

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

QUESTION 2: MICROECONOMICS

2.1 Answer the following questions.

2.1.1 **Name any TWO objectives of anti-monopoly policies.**

- There should be *no restrictions on entry*. ✓
- Curb the economic power. ✓
- Businesses had to become competitive. ✓
- New trade agreements ✓

(Accept any other correct relevant response.)

(Any 2 x 1) (2)

2.1.2 **Why are individual market participants in a perfect market insignificant to the market as a whole?**

- They don't have control over prices. ✓
- Large amount of competition exists. ✓

(Accept any other correct relevant response.) (1 x 2) (2)

2.2 **Data response**

2.2.1 **Which market structure is depicted in the extract above?**

Oligopoly market ✓ (1)

2.2.2 **What is the nature of the product in the extract above?**

- A few large sellers dominate the market. ✓
- Products can be homogeneous or differentiated. ✓
- Barriers to entry do exist, but limited restrictions.✓
- Oligopolies are inter-dependent in terms of price. ✓
- Oligopolies do have a degree of price control/market power. ✓

(Accept any other correct relevant response.) (1)

2.2.3 **Briefly describe the term *focus on superiority.***

- Oligopolies use product differentiation, which could be imaginary/two painkillers could have the same basic ingredients, but differ in terms of trademarks, etc. ✓✓
- Oligopolies use product recognition, whereby they use packaging and brand names to convince the consumers. ✓✓
- The oligopolies can also make use of product proliferation, whereby they focus on service delivery to gain market share. ✓✓

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

2.2.4 **How do producers use market research to maximize profits?**

- Information on the producer's competitors analyse factors that drive consumers to prefer competitors' products above their brand. ✓✓
- Due to this, they make adjustments to their product quality, price, appearance or the marketing strategy to make consumers prefer their commodity. ✓✓

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

2.2.5 **How was the wine industry affected by the Corona virus lockdown in South Africa?**

- The wine industry lost many jobs/income to workers. ✓✓
- The industry lost foreign currency as they could not export.✓✓
- The contribution to the GDP was also negatively affected. ✓✓

(Accept any other correct relevant response.) (2 x 2) (4)

2.3 **Data response**

2.3.1 **Identify ONE intangible cost associated with the implementation of the BRT system in South Africa.**

- The costs of obtaining and maintaining buses are high.✓
- The BRT system is restricted to specific routes only, which can limit its operations. ✓
- The buses are competing with taxis/Uber operators, which could make buses inefficient or un-economical. ✓

(Accept any other correct relevant response.) (1)

2.3.2 **Name ONE benefit associated with public transport systems in South Africa.**

- Bus transport is effective in cities to transport people to work. ✓
- In most cities public bus services are subsidised by the councils, to the benefit of the commuters. ✓
- Bus services can provide transport to a large volume of people, even across provincial borders. ✓

(Accept any other correct relevant response.) (1)

2.3.3 **Briefly describe the term *net present value.***

- This indicates the present value of an investment project.✓✓
- The present value is calculated by discounting all present and future receipts and expenses at an appropriate interest rate. ✓✓
- If the net present value is positive, it is worthwhile for the government to invest in the project. ✓✓

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

2.3.4 **What is meant by "the BRT system is draining the fiscus"?**

- The bus service is not profitable enough. ✓✓
- The cost of operations is more than the income that it generates.✓✓
- Tax money is used/wasted to fund these bus services. ✓✓

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

2.3.5 **Evaluate the impact of the BRT on other transport systems in South Africa.**

- The bus services require large amounts of capital, at the expense of subsidising other transport systems. ✓✓
- The bus service industry is also in conflict with other types of transport, such as Uber/taxi operators, which are not subsidised. ✓✓

(Accept any other correct relevant response.) (2 x 2) (4)

2.4 **With reference to an oligopoly graph, explain the two elasticity segments of the demand curve.**

- The upper segment of the oligopoly graph is more elastic in nature. ✓✓
- Any price increases in this segment above the market price will have a large decrease in the quantity demanded (law of demand). ✓✓
- An oligopoly competitor will lose many sales for any small increase in price. ✓✓
- If a firm decreases its price, while other firms do not follow, it will face a more inelastic demand curve, which will allow it to increase sales. ✓✓
- The large price decrease will cause a small increase in the quantity demanded in this inelastic segment. ✓✓
- The profit obtained by any price decrease is actually less than at the original market price. ✓✓

(Accept any other correct relevant response.) (4 x 2) (8)

2.5 **How does the government deal with lack of information as a consequence of market failure?**

- The SABS regulates standards in South Africa. This means that all firms must produce goods that meet with certain health, safety and quality standards. ✓✓
- Information must be included on the packaging of goods. ✓✓
- Regulations for advertising standards, exist to prevent false claims and deceptive advertising.✓✓
- Access to information and regulations must be easily available.✓✓
- E.g. prepared food products must carry details of the contents on the packaging. ✓✓

(Accept any other correct relevant response.) (8)

[40]

QUESTION 3: CONTEMPORARY ECONOMIC ISSUES

3.1 3.1.1 **List any TWO policy suggestions for tourism.**

- Marketing ✓
- Spatial distribution ✓
- Taxing ✓
- Infrastructure development✓

(Accept any other correct relevant response.) (2 x 1) (2)

3.1.2 **How does stagflation affect the construction industry?**

- Prices of raw materials will increase due to delays in the supply or increased demand, which increases the inflation rate. ✓✓
- Due to price hikes and people not willing to invest in the purchasing of new houses and buildings, as well as slow growth rates✓✓

(Accept any other correct relevant response.) (1 x 2) (2)

3.2 **Data response**

3.2.1 **Identify the type of inflation associated with the increase in fuel prices in the above extract.**

Cost-push inflation/supply inflation ✓ (1)

3.2.2 **Name ONE way in which inflation is measured.**

- Price indices PPI/CPI ✓
- Weighting ✓
- Inflation rate ✓ (1)

3.2.3 **Briefly describe the term *core inflation.***

Core inflation excludes items from the CPI basket that have highly volatile prices and items with prices affected by government intervention and policy. ✓✓ (2)

3.2.4 **Why should the wage rate be determined at the same or higher rate than the average consumer price index?**

- Workers must enjoy a better or the same standard of living. ✓✓
- Workers should be able to afford basic goods. ✓✓
- They should have enough money to satisfy their basic wants. ✓✓
- Cushions the effect of inflation, which could reduce disposable income. ✓✓
- The real wage increases to keep track with the cost of living increases. ✓✓

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

3.2.5 **How can the government use fiscal policy to combat inflation?**

- Increase in direct tax to decrease the disposable income of consumers ✓✓
- Increase in indirect taxation to reduce credit expenditure ✓✓
- Reduction in government expenditure, such as postponement of or even cancelling expensive infrastructure projects ✓✓

(Accept any other correct relevant response.) (2 x 2) (4)

3.3 **Data response**

3.3.1 **Name the type of tourism depicted in the above cartoon.**

Medical tourism ✓ (1)

3.3.2 **Which institution is responsible for marketing South Africa as a tourist destination?**

South Africa Tourism Agency (SATOUR) ✓ (1)

3.3.3 **Briefly describe the term *tourism.***

Activities relating to individuals travelling and staying in places outside their usual environment ✓✓ (2)

3.3.4 **Why is it difficult to measure the impact of tourism on the economy?**

- Tourism has an indirect impact on the economy. ✓✓
- The contribution by these sectors/activities could even be unrecorded as they also involve the informal/secondary sectors. ✓✓
- Tourism is a service-based industry and has been responsible for the services sector growth. ✓✓
- Many suppliers provide goods and services to the tourism industry, such as food, water and cleaning material. ✓✓

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

3.3.5 **Why is indigenous knowledge growing in South Africa?**

- Foreign tourists look for authentic and unique local knowledge and sites. ✓✓
- Indigenous knowledge (IK) is the local knowledge – knowledge that is unique to a given culture or society. It often forms the basis for local-level decision making. ✓✓
- Indigenous culture – the traditions, architecture, rituals, music and artwork of local or regional cultural groups. ✓✓
- This is a huge tourist attraction that was neglected in the past. ✓✓
- Many cultures have come together in South Africa in the past 500 years. ✓✓
- Because the indigenous culture in South Africa is so diverse and rich, it attracts millions of foreign tourists. ✓✓
- These tourists are no longer satisfied with a passive experience – they seek authenticity and uniqueness at destinations. ✓✓
- They want to understand the indigenous culture, history and environment, and how local people live and work. ✓✓

(Accept any other correct relevant response.) (2 x 2) (4)

3.4 **Discuss the monetarists' explanation of inflation.**

- The monetarists believe that inappropriate government intervention in the market causes a disturbance in the economy. ✓✓
- According to the monetarists, sustained high rates of growth in the money supply cause high inflation, while low rates of growth cause low inflation. ✓✓
- They base their views on the quantity theory of money (MV = PT). They make three basic assumptions: The velocity of circulation of money is stable; the quantity of money is exogenously determined by monetary authorities and real output is determined by the quantity and quality of various factors of production. ✓✓
- The general price level rises only due to the increase in the supply of money, but not proportionally ✓✓
- MV = PT and P = MV/T✓✓
- This clearly shows that the price level increases proportionately with the increase in the money supply (MV) and the total number of transactions (T) remain constant. ✓✓
- This proposition is not acceptable to the modern monetarists and does not agree with the proportional increase in the price level. ✓✓

(Accept any other correct relevant response.) (4 x 2) (8)

3.5 **Evaluate the effect of investments on tourism.**

Positive effects:

- Tourists contribute to sales, profits, jobs, tax revenues, and income in an area. ✓✓
- The most direct effects occur within the primary tourism sectors, such as lodging, restaurants, transportation, amusements, and retail trade. ✓✓
- Tourism stimulates the creation of employment, particularly in the service sector, such as waiters, hotel staff, retail outlets or tour guides. ✓✓
- It creates and improves infrastructure through the building of hotels, roads and other facilities, which also creates jobs. ✓✓
- It helps to develop and maintain rural services such as transport, village shops and other services. ✓✓
- It increases the demand for local food and crafts, creating additional income for communities. ✓✓
- Local people can enjoy increasing wealth, a better public health system and more infrastructure. ✓✓
- They can also enjoy pollution control and clean beaches, aimed at tourists and benefit from the cultural exchange with tourists. ✓✓

Negative effects:

- Investors will be discouraged or withdraw due to the number of strikes and crime in South Africa. ✓✓
- Unstable exchange rates will demotivate investors ✓✓
- Political instability in the country causes investors to lose value on the money invested. ✓✓
- Can lead to increased inequalities between groups in the country, because rural people do not always benefit fully from it ✓✓
- Less educated people seldom gain any benefits. ✓✓
- It can cause local prices to increase, because tourists often pay more for goods and services, which is often beyond what local people can afford. ✓✓
- High levels of tourism can lead to traffic congestion, pollution, litter, increased CO2 emissions, increased water consumption and crime. ✓✓
- Tourism can change the appearance of a community through the development of more shops and hotels. ✓✓

(Accept any other correct relevant response.) (8)

QUESTION 4: MICROECONOMICS AND CONTEMPORARY ECONOMIC ISSUES

4.1 Answer the following questions.

4.1.1 **Name TWO examples where maximum prices can be applied.**

- Rent ✓
- Food ✓
- Tickets✓ (Any 2 x 1) (2)

4.1.2 **What will be the impact of the Corona virus pandemic on the price of goods and services?**

- Retailers may overcharge consumers on certain goods, leading to inflation. ✓✓
- Production could slow down when workers become ill and close down industries, with fewer goods available, becoming more expensive.✓✓

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

4.2 4.2.1 **Identify the market price of the monopoly depicted above.**

R 20 ✓ (1)

4.2.2 **Name ONE characteristic of marginal revenue.**

- The extra unit sold provides an additional revenue. ✓✓
- The change in income, divided by the change in quantity, thus income (Q) decreases. ✓✓ (Any 1) (1)

4.2.3 **Briefly describe the term *price discrimination.***

The practice of charging different prices to different consumers for the same goods or services. ✓✓ (2)

4.2.4 **How can monopolies advance technology?**

- Investing in the latest/updated technology for more cost efficiency ✓✓
- To implement more efficient production systems, such as robots in factories/mechanisation ✓✓
- Public entities must invest in modern equipment, such as more efficient power stations. ✓✓

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

4.2.5 **Why does the graph above depict a profit situation?**

- The LAC curve (point B) is situated lower than the average revenue (point C) on the graph. ✓✓
- The revenue of the monopoly (R 20) is more than the cost (R 10) ✓✓
- The monopoly makes an economic profit between B/C/R 10/R 20)/Shaded area. ✓✓

(Accept any other correct relevant response.) (2 x 2) (4)

4.3 4.3.1 **Name the type of inflation currently experienced by Venezuela.**

Hyper inflation ✓ (1)

4.3.2 **Who carries the burden of high inflation rates?**

Consumers ✓ (1)

4.3.3 **Briefly describe the term *inflation.***

A sustained and considerable increase in prices of goods and services in a country for some time, resulting in the buying power of money to decrease. ✓✓ (2)

4.3.4 **What are the political and social consequences of high inflation rates in South Africa?**

- Continuing increase in the prices of goods and services will make people unhappy, i.e. increasing prices of bread and taxi fares will increase the cost of living of poor households, which may lead to social and political unrest. ✓✓
- There could be health problems, because of malnutrition among the poorest of the poor. ✓✓

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

4.3.5 **How does inflation affect infrastructure development for tourism?**

- If the inflation rate of a country is high, the buying power of the currency loses value, causing government projects to be delayed or cancelled. ✓✓
- Due to cost increases, the prices of raw materials become expensive and infrastructure projects cannot be developed. ✓✓
- If inflation is low, the cost of raw materials become cheaper, therefore infrastructural development can occur, which increase tourism activities in the country✓✓
- A country with high levels of inflation also does not draw investments for tourism development projects. ✓✓

(Accept any other correct relevant response.) (2 x 2) (4)

4.4 **Discuss the supply of demerit goods in South Africa and how the government can intervene.**

- Items such as cigarettes, alcohol and non-prescription drugs are examples of demerit or undesirable goods. ✓✓
- These goods are often over-supplied in the market, due to the fact that the external cost is not added to the market price. ✓✓
- Some consumers may be unaware of the true cost of consuming them, and their negative externalities. ✓✓
- Government can ban their consumption or reduce it by means of taxation. ✓✓
- Taxation on these products will increase the market price and hopefully the demand for these products will decrease. ✓✓ (4 x 2) (8)

4.5 **How could tourism be promoted while simultaneously protecting the environment?**

- Some countries derive a large income from tourism, but it is necessary to protect the natural environment visited by tourists, including natural ecosystems often unique in global biodiversity. ✓✓
- Therefore, part of tourism revenues is spent on protecting the visited natural biological environments.
- Techniques for nature conservation and natural ecosystems should be constantly improved. ✓✓
- New information technologies should be used to analyse the state of natural environments. ✓✓
- New information technologies typical of the current technological revolution, Industry 4.0, is increasingly used to promote tourism and marketing in individual countries. ✓✓
- More frequently, social media portals are used to globally promote tourism in individual countries. ✓✓
- The same technologies should also be increasingly used to promote the protection of nature, natural ecosystems and biodiversity. ✓✓ (8)

[40]

TOTAL SECTION B: 80

SECTION C

Answer ONE question from this section in the ANSWER BOOK.

QUESTION 5: MICROECONOMICS

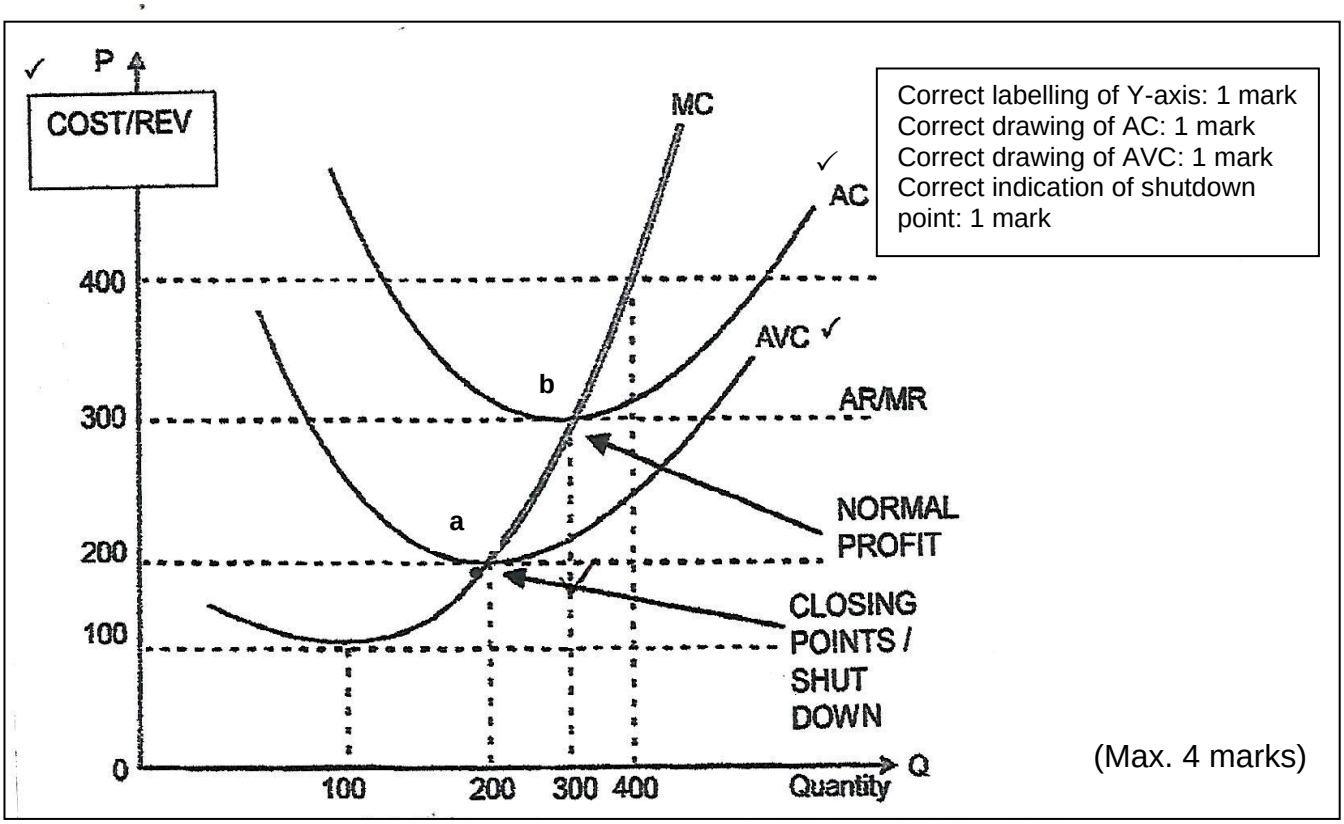
- Discuss, with the aid of a graph, the shutdown point of a firm under perfect market conditions. (26 marks)

- Why is competition in the marketplace good for the economy? (10 marks)

INTRODUCTION

A market is an institution or mechanism that brings together the buyers and sellers of goods or services. ✓✓ (max. 2 marks)

MAIN PART



Correct labelling of Y-axis: 1 mark
Correct drawing of AC: 1 mark
Correct drawing of AVC: 1 mark
Correct indication of shutdown point: 1 mark

(Max. 4 marks)

- In determining whether to shut down, a firm should compare total revenue to average AVC variable costs rather than total costs (FC + VC). ✓✓
- If the revenue that the firm is receiving is greater than its average variable cost (TR > AVC) then the firm is covering all variable costs, plus there is additional revenue ("contribution"), which can be applied to fixed costs. ✓✓
- (The size of the fixed costs is irrelevant as it is a sunk cost). ✓✓
- The same consideration is used whether fixed costs are R1 or R1 000 000. ✓✓
- On the other hand, if AVC > TR then the firm is not even covering its production costs and it should shut down immediately. ✓✓

The Shut-down Rule

- In the short run, a firm that is operating at a loss (where the revenue is less than the total cost or the price is less than the unit cost) it must decide to operate or temporarily shut-down. ✓✓
- The dark part of the marginal cost curve represents the supply curve of the business. ✓✓
- The supply curve starts at point (a) (shutdown-point) and slopes upward from there due to the marginal cost (MC) which increases as output increases. ✓✓
- At a market price of R200 the business is only able to pay its variable costs (VC). ✓✓
- If the market price drops below R200 the business will be forced to close down and this point (a) is known as the shutdown-point. ✓✓
- At point (b) (output 300), the firm is making a normal profit because AR = AC.✓✓
- However, the loss is minimised because the firm produces where MR = MC. ✓✓

(Max. 26 marks)

ADDITIONAL PART
Competition in the marketplace is good for the economy, because:

- If firms compete with each other, consumers get the best possible prices, quantity and quality of goods and services. ✓✓
- Low prices and good quality products will lead to an increase in aggregate demand. ✓✓
- As a result, firms will expand and produce more goods and services and boost the economy in general. ✓✓
- Competition encourages firms to invent low cost manufacturing processes, which can increase their profits and help them to compete internationally. ✓✓
- It can also encourage business opportunities and improve a country's performance. ✓✓
- Competition can also lead to higher productivity and efficiency in the market. ✓✓

(Accept any other correct relevant response.) (10 marks)

CONCLUSION

The individual firm maximises profit where the marginal revenue (MR) equals marginal cost (MC), provided that the average revenue (AR) is sufficient to cover the average variable costs (AVC). ✓✓
(Accept any higher order conclusion.) (2 marks)

[40]

QUESTION 6: CONTEMPORARY ECONOMIC ISSUES

- Discuss in detail the following problems and the international measures taken to ensure sustainable development:

  - Biodiversity (8)
  - Climate change policy (8)
  - Chemical waste (10) (26 marks)

- How do market-related measures ensure environmental sustainability? (10 marks)

INTRODUCTION

Environmental sustainability involves the maintenance of the natural environment in order to ensure that resources of a good quality are available to support life and continued economic activity. ✓✓ (Max. 2)

CONTENT: MAIN PART

Biodiversity loss:

- If species become extinct (die out completely), this cannot be reversed. ✓✓
- Modern techniques such as gene transplants can limit the loss of species. ✓✓
- The Convention of International Trade in Endangered Species (CITES) compiles many policies to deal with species losses. ✓✓
  - Biological diversity includes two related elements:
    - The amount of genetic variety among individuals within a single species; ✓
    - The number of species within a community of organisms ✓
  - Due to species extinction, the diversity of the forms of life that inhabit the planet is decreasing at an unprecedented rate. (Extinction is an irreversible process.) ✓✓
  - These extinctions are occurring at precisely the moment in history when we would be able to take advantage of the gene pool of plant diversity. ✓✓
  - Modern techniques now make it possible to transplant desirable genes from one species into another and creating species with new characteristics such as enhanced resistance to disease or pests. ✓✓
  - The gene pool must be diverse to serve as a source of donor genes. ✓✓
  - Trade in endangered species is prohibited internationally. ✓✓
  - Control is executed through the use of permits and quotas to regulate trade in certain species that might become endangered. ✓✓ (Max. 8 marks)

Chemical waste

- Chemical waste is toxic, because it causes immediate or delayed death. ✓✓
- It has a negative effect on living beings and can cause infertility or death. ✓✓
- Chemical waste need to be carefully managed to ensure it does not seep into the ground water. ✓✓
- The Stockholm Protocol is a United Nations agreement to limit chemical waste. ✓✓
- The United Nations Framework convention on Climate Control (UNFCCC) aims to reduce greenhouse gases in the atmosphere. ✓✓
- In normal concentrations most chemicals are not toxic, but others are toxic by design, such as DDT. ✓✓
- In excessive concentrations even a small substance can become toxic, such as medicines in the incorrect dosages. ✓✓ (Max. 8 marks)

Climate change policy – adaptation and mitigation

- Global warming primarily causes climate change. ✓✓
- Climate change can be reversed through widespread international cooperation, e.g. sharing weather information and weather patterns, agreeing on limiting pollution, and banning chemical products such as greenhouse gases that damage the ozone layer. ✓✓
- The Kyoto Protocol of 1997 is an international agreement to limit the production of greenhouse gases. ✓✓
- Climate change has enormous economic and social consequences. ✓✓
- The impact of climate change includes changes in sea temperatures, weather patterns, land uses, animal life, disease zones such as malaria, natural disasters, etc. ✓✓
    - The United Nations Framework Convention on Climate Change (UNFCCC) recognises the problems posed by climate change. ✓✓
    - It sets an ultimate objective of stabilising greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous human induced interference with the climate system. ✓✓
    - It was based on voluntary reduction of CO2 levels. A lack of success led to the signing of the Kyoto Protocol in 1997, in which the 186 signatories agreed on a set of binding emissions targets for developed countries based on 1990 levels. (The objective was to reduce greenhouse gas emissions by an average of 5,2 % by the year 2012) ✓✓
    - This was not achieved and the Kyoto Protocol agreement was not renewed at the COP 17 in Durban in 2011. ✓✓
    - In addition to agreeing on specific target emissions the deal also included the following:
        - Countries must submit plans for reducing greenhouse gas emissions and provide updates on progress in meeting their targets. ✓✓
        - An international system of trading in carbon emissions will be initiated. ✓✓
        - Industrialised countries will be able to claim credits for removing CO2 from the atmosphere through such actions as planting and managing forests and changing farming practices. ✓✓
        - Countries failing to meet their first set of targets by 2012 will be penalised. ✓✓

- Industrialised countries will provide some financial assistance to developing countries to help them adapt to climate change and to provide new clean technologies. ✓✓ (Max. 10 marks)

(Accept any other correct relevant response.)

(Max. 26 marks)

CONTENT: ADDITIONAL PART

- The market is driven by self-interest, which is why sustainable development does not always occur in a free market environment. ✓✓
- Industries/individuals use the environment for their own benefit, without any concern for social costs. ✓✓
- Market-related measures are designed to use the price mechanism to better effect. ✓✓
- It is based on incentives that are charged, or imposing taxes on polluters according to the rand value of the damage they do. ✓✓

- Examples are fuel and vehicle taxes (green taxes), recycling, congestion charges, effluent/waste charges and tradable, emissions permits, such as:

  - Tradable emissions permits are used in an environmental regulatory scheme where the sources of the pollutant to be regulated are given permits. ✓✓
  - These permits allow the polluters to release a specified number of tons of the pollutant. ✓✓
  - The government issues only a limited number of permits, consistent with the desired level of emissions. ✓✓
  - The owners of the permits may keep them and release the pollutant, or reduce their emissions and sell the permits. ✓✓
  - Congestion charges is a practise used by municipalities, which involves the installation of a fee structure for the use of highways, bridges or tunnels during high-use periods for the purpose of, e.g. promoting public transport usage, such as E-tolls. ✓✓

(Accept any other correct relevant response.) (Max. 10)

CONCLUSION

In a free market, sustainability is achieved only if prices are increased, because they are scarce, but the social costs and benefits to society must also be considered. ✓✓

(Accept any higher order conclusion.) (Max. 2) **[40]**

TOTAL SECTION C: 40

TOTAL 150