GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

GAUTENG DEPARTMENT OF EDUCATION

PROVINCIAL EXAMINATION

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GRADE 11

ECONOMICS
PAPER 2

MARKING GUIDELINES

18 pages

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SECTION A (COMPULSORY)
QUESTION 1

1.1 MULTIPLE-CHOICE QUESTIONS

1.1.1 B ✓✓ (income elasticity)
1.1.2 C ✓✓ (ineffective allocation of resources)
1.1.3 A ✓✓ (variable costs divided by units produced)
1.1.4 B ✓✓ (complimentary)
1.1.5 D ✓✓ (IMF)
1.1.6 A ✓✓ (free movement of goods and service)
1.1.7 D ✓✓ (social grants)
1.1.8 B ✓✓ (ultraviolet rays) (8 x 2) (16)

1.2 MATCHING ITEMS

1.2.1 F ✓ (Able to influence the market price through changing the quantity it supplies to the market.)
1.2.2 D ✓ (Barriers to enter the market)
1.2.3 G ✓ (Making as much profit as possible)
1.2.4 E ✓ (Period long enough to change the input)
1.2.5 B ✓ (A low population density and much of the land is dedicated to agriculture)
1.2.6 C ✓ (Appear when a country can produce more of a product than another country using the same amount of resources)
1.2.7 H ✓ (Gas emissions and climate change)
1.2.8 I ✓ (People care for flora and fauna if they are given the rights to own them) (8 x 1) (8)

1.3 GIVE ONE TERM

1.3.1 Cross elasticity ✓
1.3.2 Relative price ✓
1.3.3 Monopolistic competition ✓
1.3.4 Sustainability / Environmental sustainability ✓
1.3.5 Import substitution ✓
1.3.6 Urbanisation ✓ (6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

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

QUESTION 2: MICROECONOMICS

2.1 **Answer the following questions.**

2.1.1 **Name any TWO monopoly industries in South Africa.**
Eskom✓ / Rand Water✓ / any other relevant answer✓ (2 x 1) (2)

2.1.2 **How does scarcity impact on total utility?**
One has to choose which goods and services to buy with their limited resources in order to get maximum satisfaction. ✓✓ (1 x 2) (2)

2.2

2.2.1 **How are monopolies protected?**
- By legislation ✓✓
- Barriers such as a patent ✓✓ (2)

2.2.2 **Identify TWO of the three state monopolies implied in the extract**
- SAA ✓
- Eskom ✓
- Transnet ✓ (Any 2 x 1) (2)

2.2.3 **Explain the role of a monopoly as a *price maker***
The monopolist is considered a price maker because it is able to influence the market price by changing the quantity available to the market. ✓✓
(Any other relevant answer) (2)

2.2.4 **Why do you think South Africa should end the monopolies in the above extract?**
- Underperformance: Tax fees are used to counteract the underperformance of these monopolies, ✓✓
- No substitutes: The consumer is left with no other choice as they are the only suppliers of these specific services / products. ✓✓
- Limited competition: More competition will lead to more efficiency and fairer prices. ✓✓
- Restricted access: Access to the market for alternative competition is blocked. ✓✓
(Any other relevant answer) (2 x 2) (4)

2.3

2.3.1 **What does the abbreviation TVC stand for?**

Total variable cost ✓ (1)

2.3.2 **Why is the TFC curve horizontal?**

- Total Fixed Cost remains constant. ✓
- Total Fixed Cost is a fixed amount and not linked to production or output. ✓✓

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

2.3.3 **Give the formula for total cost as seen in the graph above.**

Total Cost = Fixed cost + Variable cost✓✓ (2)

2.3.4 **Explain the term *short term* in terms of fixed and variable inputs.**

- The short term is the production period during which only the variable production factors can change while, fixed inputs remain constant. The period is too short for fixed input to change.✓✓
- A period where some fixed production factors cannot change.✓✓. (2)

2.3.5 **What does the marginal cost of a business entail?**

- The increase in total cost when one additional unit of output is produced.✓✓
- The change in total cost, resulting from a change in the quantity of output produced by a firm.✓✓
- If you know the marginal cost of a product, you know how much it costs to produce an additional unit. ✓✓
- Marginal cost must be calculated and together with marginal revenue it determines the profit maximisation point of the business. ✓✓

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

2.4 **Discuss non-price methods to increase market share.**

- To create loyalty to a brand name✓✓
- To have longer shopping and business hours ✓✓
- To do business over the internet (banking and shopping) ✓✓
- To provide good after-sales services ✓✓
- To provide additional services (such as free travel insurance by banks) ✓✓
- To reward customers for loyalty ✓✓
- To offer door-to-door delivery✓✓ (Any 4 x 2) (8)

2.5 **What reasons would you provide for the reaction of consumers to price changes?**

- The availability of substitutes - the greater the number of substitutes and the closer the substitutes are to each other, the easier it is for households to start using alternative goods. ✓✓
- The period in question - Households have time to adjust to price changes by changing their behavior over the long term; the longer price increases continue, the more consumers will adjust their demand for the product. ✓✓
- The degree of necessity or luxury of the product - Goods considered essential by households tend to be more price inelastic. ✓✓
- The proportion of income spent on the product - The smaller the proportion of income spent on a product, the more price-inelastic the demand for the product will be. ✓✓ (4 x 2) (8)

[40]

QUESTION 3: CONTEMPORARY ECONOMIC ISSUES

3.1 **Answer the following questions.**

3.1.1 **Give TWO indicators used to measure poverty.**

- Purchasing-power parity (PPP) ✓
- Cost-of-basic needs method ✓
- Food-energy intake method ✓

(Any other relevant answer) (2 x 1) (2)

3.1.2 **Why is it beneficial for a country to engage in free trade?**

It promotes international trade ✓ and also promotes foreign direct investment. ✓
(Any other relevant answer) (1 x 2) (2)

3.2

3.2.1 **Where does the government get the funds to pay social grants?**

From tax revenue✓
(Any other relevant answer) (1)

3.2.2 **How does the payment of social grants affect the poor?**

It increases their living standards ✓ / enables them to meet basic needs ✓
(Any other relevant answer) (1)

3.2.3 **Briefly describe the term absolute poverty.**

Lack of basic human needs such as food, shelter and clean water. ✓✓
(Any other relevant answer) (2)

3.2.4 **Identify TWO attempts by the government to alleviate poverty in South Africa.**

- The government has come up with the following strategies: RDP, GEAR, ASGISA, New Growth Path. ✓
- Government could create job opportunities. ✓
- Government could provide social grants. ✓
- Government could skill and train people. ✓
- Government could fix prices of basic goods. ✓
- Government could offer certain services for free. ✓
- Access to basic services. ✓
- Employment generating programmes and income support. ✓
- Change in labour laws. ✓

(Accept any other relevant correct answer) (Any 2 x 1) (2)

3.2.5 **Explain how inefficient policies can lead to poverty.**

- Poor government policy can aggravate poverty instead of solving it. ✓✓
- Discrimination against certain ethnic groups may occur due to a certain group being in power in government and this may increase poverty levels of certain other groups in a country. ✓✓
- Sometimes a policy may have unintended consequences, e.g. land reform may lead to land being given to incompetent farmers. ✓✓
- Corruption may also lead to bad government actions, where projects are implemented, not on the basis of the good that they contribute to the population, but on the basis of bribes. ✓✓ (2 x 2) (4)

3.3

3.3.1 **Identify TWO environmental issues (problems) that can be derived from the cartoon.**

- Climate change ✓
- Loss of biodiversity ✓
- Energy crisis ✓
- Over-utilization of natural resources✓
- Land degradation ✓
- Overpopulation ✓
- Pollution ✓
- Waste Management ✓ (Any 2 x 1) (2)

3.3.2 **Explain *sustainable economic development*.**

Sustainable economic development is the development of an area using techniques and approaches that will help to protect the environment for future use ✓✓ (2)

3.3.3 **Name action steps that households can take to reduce the amount of toxic material we use.**

- Households can retrieve cans, paper, plastic containers and bottles✓
- Make more use of lift clubs and public vehicles to reduce the number of vehicles on the roads✓
- Use solar power and water-saving appliances✓
- Use non-toxic detergents✓
- Use of proper dumping sites, specially allocated for dumping✓
- Creating environmentally friendly gardens by planting indigenous, water-saving plants, using organic waste compost and avoiding poisonous insecticides and herbicides✓

(Any relevant answer) (Any 2 x 1) (2)

3.3.4 **What could the government do to prevent the unsustainable use of the environment?**

- Appropriate government policies can increase the protection of the environment. ✓✓
- Remove dangerous additives from petrol, such as lead. ✓✓
- Encourage the use of environmentally friendly energy sources such as wind, wave and solar power, as opposed to power generated by fossil fuels. ✓✓
- Ensure that all new buildings are energy efficient. ✓✓
- Implement regulations to reduce pollution, such as the successful policy to reduce the use of plastic shopping bags. ✓✓

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

3.4 **Tabulate TWO differences to illustrate the North-South divide.**

NORTH	SOUTH
• Highly developed infrastructure✓✓ • High levels of production and consumption✓✓ • Industrialised countries✓✓ • Average incomes are very high ✓✓ MAX: 4 MARKS	• Weak infrastructure✓✓ • Low levels of production and consumption✓✓ • Non-industrialised ✓✓ • Average incomes are low✓✓ MAX: 4 MARKS

(2 x 4) (8)

3.5 **How do unequal income levels and education shortages contribute to poverty?**

Unequal income levels

- The wages and salaries earned for various jobs are not the same. ✓✓
- There are high paying jobs in the financial and technological sectors. Workers in the low-paying jobs will not be able to satisfy their basic needs. ✓✓

(Max 2 x 2)

Lack of education

- Many poor countries are unable to fund education. ✓✓
- This leads to a large percentage of the population being uneducated and lacking in skills that are needed in the workplace. ✓✓
- Lack of educational qualifications usually leads to lower productivity, lower income levels and lower employment. ✓✓ (Max 2 x 2)

(2 x 4) (8)
[40]

QUESTION 4: MICROECONOMICS AND CONTEMPORARY ECONOMIC ISSUES

4.1 **Answer the following questions.**

4.1.1 **List any TWO types of pollution.**

- Land pollution ✓
- Air pollution ✓
- Water pollution ✓
- Noise pollution ✓ (Any 2 x 1) (2)

4.1.2 **What effect does a price elastic demand have on a producer?**

Should the price of a product increase:

- The quantity demanded decreases leading to a decrease in total revenue. ✓✓
- It will be easy for the consumer to substitute the expensive product for a cheaper product and the producer will lose customers. ✓✓
  (Accept the opposite, that is, the effect of decrease in price.)

(1 x 2) (2)

4.2

4.2.1 **Identify the phenomenon depicted by the cartoon.**

Price elasticity of demand / inelastic demand ✓ (1)

4.2.2 **Name ONE example of normal goods.**

Any product that is competitive in consumption and exclusive e.g. Medical Services ✓ (Any other relevant example) (1)

4.2.3 **Explain *perfectly inelastic demand*.**

- Perfect inelastic demand has an elasticity coefficient of zero and is depicted by a vertical line. ✓✓
- It indicates that a change in the price has no effect on the quantity demanded. ✓✓ (2)

4.2.4 **A product has a price elasticity of 1,58. What kind of elasticity of demand does it represent? Motivate your answer.**

Price elastic demand (Price elasticity <1) ✓
The amount demanded by the consumer reacts strongly to a price change ✓/ the percentage change in quantity demanded is greater than the percentage change in price. ✓ (2)

4.2.5 **Why is the elasticity of demand important to producers?**

- Tells a producer that for every action there is a reaction. ✓✓
- By studying price elasticity of demand, we can predict what the change in price will be for the producers. ✓✓
- Price elasticity of demand is useful to help firms decide how to increase their total revenue. ✓✓
- To increase its total revenue the producer can (1) raise the price to get more revenue per product; ✓✓ and (2) drop the price to increase the quantity sold. ✓✓
- If the buyers are sensitive to the price (elastic demand), they will buy more if the price drops, ✓✓ so the producers should drop the price. ✓✓
- If the buyers are not sensitive to price (inelastic demand) they will not buy much less even if the price goes up,✓✓ so the producers should increase the price. ✓✓
- To increase sales, raise the price when the demand is inelastic,✓✓ or drop the price when the demand is elastic. ✓✓
- Producers want to know how sensitive the market supply is to a change in the price of the product. ✓✓ (Any 2 x 2) (4)

4.3

4.3.1 **Name ONE main function of the World Trade Organization (WHO).**

- Promotes free trade ✓
- Provides the benefits of economic development for all countries✓
- Negotiates lower rates✓
- Clears trading disputes ✓ (Any 1)

4.3.2 **Why is the USA seen as a first-world country?**

Because the USA :

- Is economically better developed✓
- residents have a higher life expectancy✓
- has an effective and functional education and health system✓
- has a highly developed infrastructure. ✓
- have high production and consumer levels. ✓
- is an industrialized country ✓
- average income is very high. ✓

(Any relevant answer) (Any 1)

4.3.3 **Briefly explain the concept *free trade.***

It is the removal or reduction of trade tariffs such as import quotas and import duties ✓✓ (2)

4.3.4 **Explain the relationship between comparative advantage and free trade.**

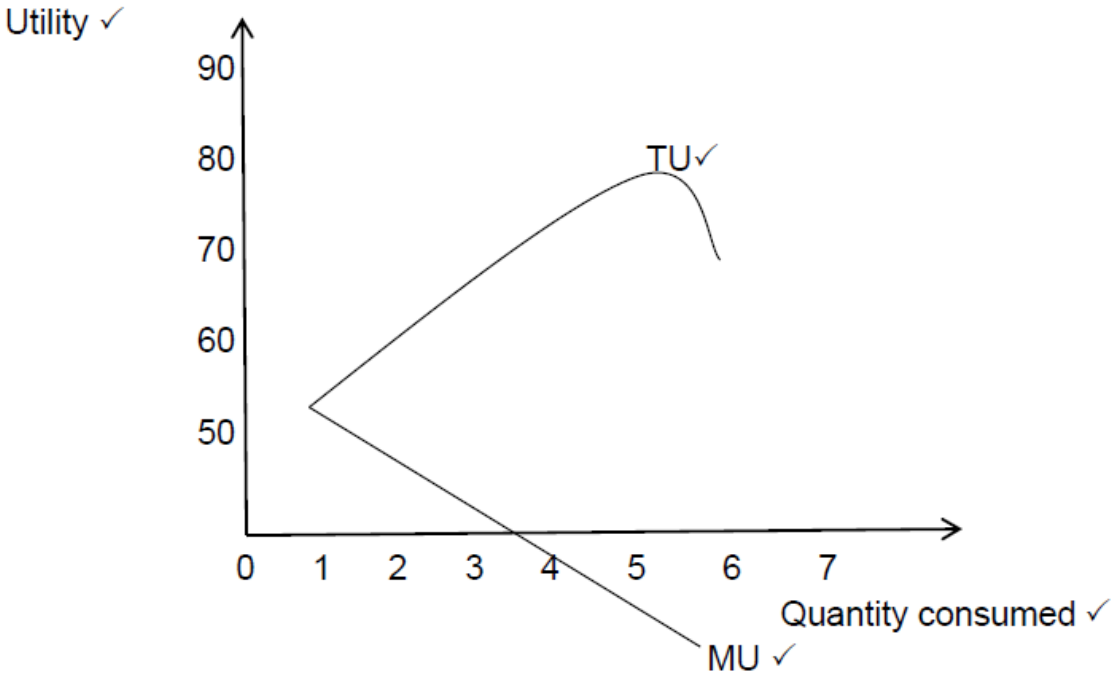
Free trade results in specialisation: a country will concentrate on products which can be produced at the lowest cost, compared to other countries. ✓✓
(Accept any other correct relevant response) (2)

4.3.5 **What do countries stand to gain from a free trade policy?**

- Increased access to higher quality and low-priced goods ✓✓
- Increased economic growth ✓✓
- Improved efficiency and innovation ✓✓
- Promotion of competition and fairness ✓✓

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

4.4 **With the aid of a graph, explain the relationship between an increase in consumption, total utility and marginal utility**



(Max 4)

Graphical explanation

- As the units consumed increases, total utility increases at a lower rate ✓✓
- while marginal utility decreases at a faster rate ✓✓
- The total utility curve slopes upwards as the marginal utility curve slopes downwards. ✓✓
- As consumption continues to unit 5, marginal utility becomes negative while total utility declines.✓✓

(Accept any relevant correct explanation.) (Max 4)

(8)

4.5 **In which way do international agreements protect the environment?**

The World Summit on Sustainable Development 2002

- Held in Sandton, Johannesburg in 2002✓✓
- Discussed challenges like improving people's lives and conserving natural resources in a world with an ever-growing population✓✓and ever-increasing demand for food, water, shelter, sanitation, energy, health services and economic security. ✓✓
- Specific achievements:
  - Biodiversity and conservation became important issues to reduce the rate of species extinction. ✓✓
  - Access to sources of energy and water for the poor have been increased. ✓✓
  - Lead has been removed from petrol. ✓✓

  (Any relevant answer)

The Kyoto Protocol

- The Kyoto Protocol was negotiated in 1997 and signed in 2005. ✓✓
- The treaty was signed by 170 countries. The USA has the world's highest emissions of carbon dioxide and has not signed the Kyoto Protocol. ✓✓
- The Protocol determined legally binding targets for cutting greenhouse gas emissions. ✓✓

  (Accept any other relevant correct answer.)

The Millennium Development Goals

- The MDGs are eight international development goals binding to all 193 United Nations member states. ✓✓
- Goal 1: Eradication of extreme poverty and hunger✓✓
- Goal 2: Achieve universal primary education. ✓✓
- Goal 3: Promote gender equality and empower women. ✓✓
- Goal 4: Reduce child mortality rates. ✓✓
- Goal 5: Improve maternal health. ✓✓
- Goal 6: Combat HIV/AIDS, malaria and other diseases. ✓✓
- Goal 7: Ensure environmental sustainability. ✓✓
- Goal 8: Develop a global partnership for development. ✓✓
- Concerns over environmental sustainability, has the following aims:
  - Integrating the principles of sustainable development into countries' policies and programmes to reverse loss of environmental resources. ✓✓
  - Reducing the rate of biodiversity loss significantly by 2010✓✓
  - Reducing by half the proportion of people without sustainable access to safe drinking water and basic sanitation✓✓
  - Achieving significant improvements in the lives of at least 100 million slum dwellers by 2020✓✓

  (Any relevant answer)

COP 17 conference, Durban 2011

- Cop 17 was the 17th Conference of the Parties of the Kyoto Protocol on climate change. ✓✓
- COP 17 established a Green Climate Fund to help developing countries to establish cleaner sources of energy and to adapt to climate change. ✓✓
- It was hoped that countries would contribute to the fund so that it could start to operate in 2012. ✓✓

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

[40]

TOTAL SECTION B: 80

SECTION C

QUESTION 5: MICROECONOMICS 40 MARKS

- Explain substitute and complementary products fully by use of graphs. (26)
- What is the relationship between the product market and the factor market? (10)

[40]

INTRODUCTION

A demand relationship occurs when two or more goods and services are demanded at the same time, due to the fact that they can be used together.✓✓

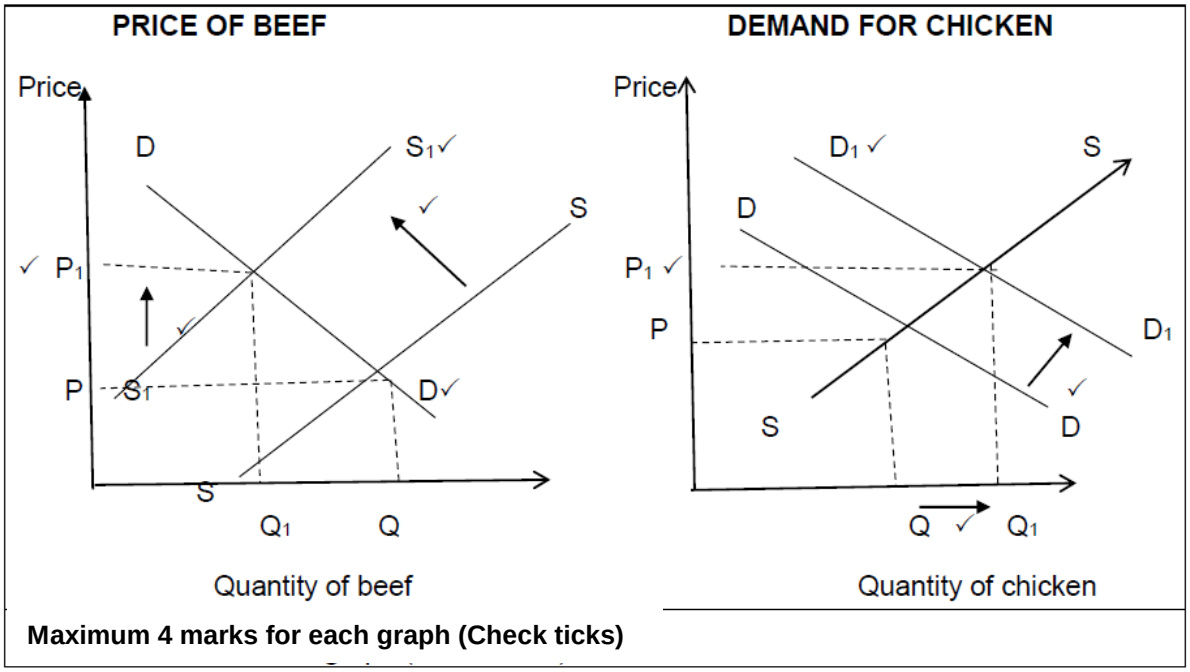
(Accept any relevant introduction.) (Max 2)

MAIN PART

There are two types of demand relationships i.e. substitutes and complements. ✓✓

Substitutes

- A substitute product is a product that is used in place of another product. ✓✓
- Some products have specific relationships that will affect demand. ✓✓
- Example: if you want to buy beef but it is too expensive, you tend to buy a cheaper alternative, e.g. chicken. In this instance, chicken is the substitute product. ✓✓



Maximum 4 marks for each graph (Check ticks)

EXPLANATION OF THE GRAPH

Price of beef

- The price of beef increases from P to P1 due to a decrease in supply (supply curve shifts from SS to S1S1). ✓✓
- This leads to a decrease in quantity demanded of beef from Q to Q1. ✓✓

Demand for chicken

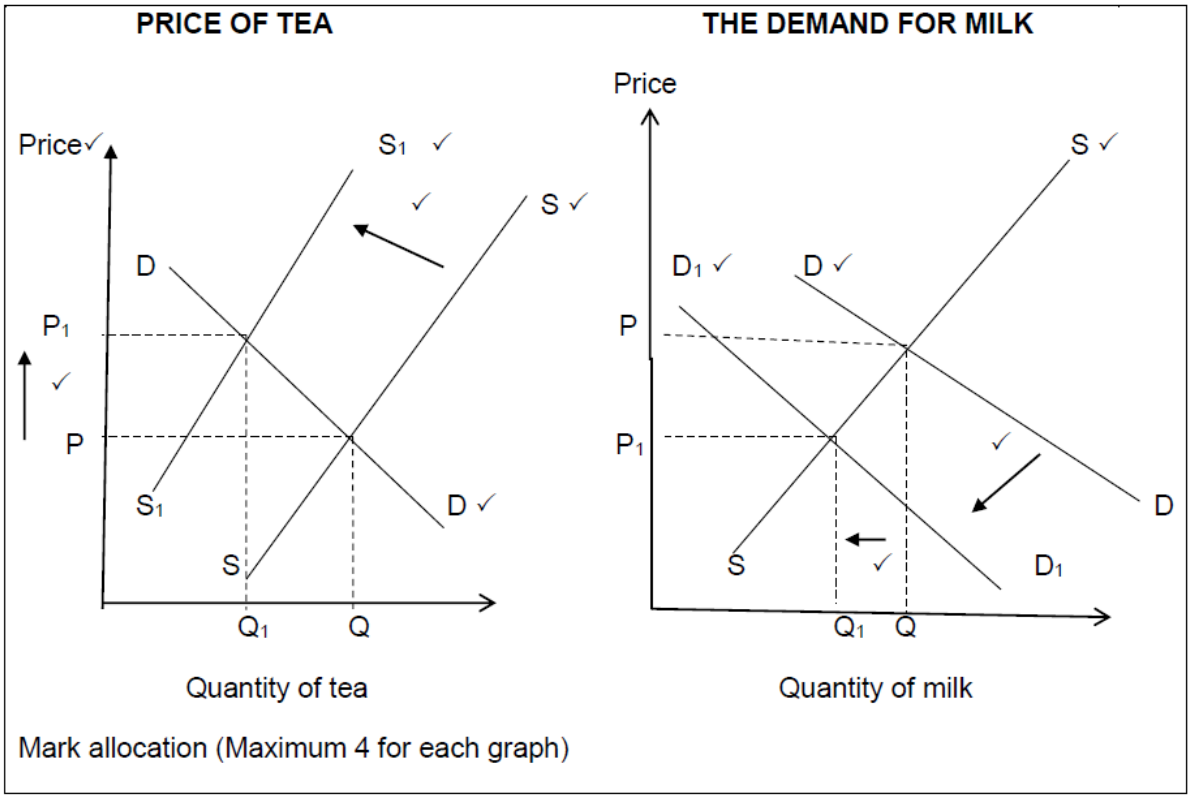
- The demand for the substitute good, which is chicken, increases from DD to D1D1. ✓✓
- Because of the increase in demand price also increases from P to P1. ✓✓

This implies that an increase in price of one product will cause an increase in demand of substitute products. ✓✓

(Max. 13)

Complements

Products are complementary products when they are used together to satisfy a need or a want ✓✓ e.g. tea and milk. ✓



Mark allocation (Maximum 4 for each graph)

EXPLANATION OF THE GRAPH

Price of tea

- The price of tea increases due to a decrease in supply. ✓✓
- Supply curve shifts from SS to S1S1. ✓✓
- The price of tea increases from P to P1. ✓✓
- Quantity demanded for tea decreases from Q to Q1. ✓✓

The demand for milk

- The increase in price of tea will cause a decrease in demand for milk. ✓✓
- People will buy less tea, therefore they will need less milk. ✓✓
- This causes the demand curve (DD) to shift leftwards to D1D1, and quantity demanded decreases from Q to Q1 and price will decrease from P to P1. ✓✓

For complementary goods, when the price of one good increases, the demand for the complementary product will decrease. If the price of one product decreases, the demand for complement products will increase.✓✓ (Max 13)

(Max 26)

ADDITIONAL PART

- The factor market is a market where factors of production are bought and sold. ✓✓
- The product market is a market where goods and services are bought and sold. ✓✓
- The product market depends on the factor market for the availability of factors of production. ✓✓
- When the supply of one factor of production changes, it will affect both the factor market and the product market ✓✓
- A change in supply of skin hide would affect the hide market negatively because there would be a decrease in the supply of hide. ✓✓
- That would also affect shoe manufacturing and there would be fewer shoes and bags available in the product market for shoes and bags ✓✓
- When the demand for shoes in the product market increases, the demand for factors of production in the factor market will also increase. ✓✓ (Max 10)

CONCLUSION

It is important that product and factor markets work closely with one another and understand each other, because they are interdependent; one cannot exist without the other. ✓✓
(Accept any correct relevant conclusion.) (Max 2)
[40]

QUESTION 6: CONTEMPORARY ECONOMIC ISSUES 40 MARKS

- Discuss the causes of poverty in detail. (26)
- Is the South African government successful in their efforts to alleviate poverty? (10)

[40]

INTRODUCTION

Poverty is when people are unable to satisfy their basic needs and their standard of living is low. ✓✓
(Accept any other correct relevant introduction) (Max 2)

MAIN PART

Unemployment: ✓
Without a decent income people cannot fulfil their basic needs. Poor people depend heavily on subsistence farming for a living. ✓✓

Insufficient infrastructure: ✓
Large size of rural areas and their uneven distribution, make it expensive to provide sufficient infrastructure; ✓✓this is a major cause of poverty in South Africa. ✓✓
The following needs to be improved: transport systems and information technology necessary for doing business, clean water and sanitation, energy and urban developments ✓✓

Poor health conditions: ✓
Diseases decrease the amount of work that weak or ill people will do, this reduces their income, driving them deeper into poverty. ✓✓
Diseases such as HIV and Aids can cause death and cut off a main source of income for the family. ✓✓
High medical costs which many poor families cannot afford ✓✓

Lack of education: ✓
This keeps people from obtaining decent jobs that would lift them and their families out of poverty. ✓✓
A lack of education increases the gap between the skills needs of the economy and the supply of those needs.✓✓

High population growth: ✓
Large numbers of people with too few resources, too few jobs and not enough food are basic causes of poverty. ✓✓
Over-population leads to the deterioration of the natural environment, including water sources, soil, and forests. ✓✓

Welfare dependency: ✓
Social grants may act as deterrent to people working or looking for employment.✓✓
Some people prefer to live on grants which meet their basic needs, and so remain in situation of poverty. ✓✓

Dysfunctional government: ✓
Many developing countries have created their own misfortune because they are often unstable and corrupt. ✓✓
They do not always respect and honour the budget, procedures and protocols.✓✓
Weak democracy distorts how resources are allocated; this leads to services not being delivered, people not receiving their basic needs. ✓✓

War and Conflict: ✓
A large portion of today's global poverty is found in war-torn and post-conflict countries. ✓✓
Money is often wasted on weapons. Education gets disrupted, which causes further poverty ✓✓

Lack of productive resources: ✓
In poor countries there are not enough productive resources to ensure sustainable livelihoods ✓✓
Human capital is low due to hunger, diseases and low literacy levels. ✓✓
Natural resources decline, because trees are cut down and soil is exhausted. ✓✓
Capital is needed for future investments, but a lack of savings makes this impossible. ✓✓
Poor rural villages need paved roads, power generators, irrigation channels, trucks, etc. ✓✓
Entrepreneurship is non-existent, because of a lack of education and skills development ✓✓

Global financial crisis: ✓
Poor countries do not have money for investments, which are important for development and growth. ✓✓
Economic growth has not been shared fairly and the economic crisis further widens the gap between rich and poor. ✓✓
Rising food prices partly form new biofuel policies, means hunger for many and worsens global poverty ✓✓

Urbanisation and forced resettlements: ✓
Migration within a country often leads to poverty. ✓✓
Sometimes people living in rural areas choose to move to cities, because they see little potential to generate an income in the rural areas far away from markets ✓✓ sometimes people are forced to move to make way for development schemes.✓✓
In both cases, people often end up living in informal settlements on the fringes of cities. ✓✓

(8 marks for mere listings and examples) (Max 26)

ADDITIONAL PART

Has South Africa been successful in trying to deal with this challenging issue of poverty?

The government has been successful in the following ways:
- The number of social grant beneficiaries has increased drastically✓✓
- The government has tried to build many schools to reduce the level of illiteracy✓✓
- The newly devised national development plan, with its aim of eliminating poverty and reducing inequality by 2030 ✓✓
- Access to water and formal housing has risen from 63,5% to 79,8% ✓✓
- Most people have access to electricity✓✓
- The government has also introduced 'no fee' schools, nutrition and also transport to and from schools ✓✓

Negatives:
- Poor health and unemployment are still an issue ✓✓
- The country needs more employment creation, e.g. SMME's Emphasis should be on good leadership ✓✓
  Any other relevant fact (Max 10)

CONCLUSION

The South African government has tried to reduce poverty although a lot more still needs to be done. ✓✓
(Accept any relevant conclusion) (Max 2)
[40]

TOTAL SECTION C: 40
GRAND TOTAL: 150

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