basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

SENIOR CERTIFICATE EXAMINATIONS/ NATIONAL SENIOR CERTIFICATE EXAMINATIONS

ECONOMICS P2

MAY/JUNE 2026

MARKING GUIDELINES

MARKS: 150

These marking guidelines consist of 22 pages.

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PRINCIPLES FOR MARKING ECONOMICS – SC/NSC MAY/JUNE 2026

The following marking principles have been developed to standardise marking in all provinces.

MARKING

- ALL questions and responses in candidates' scripts MUST be marked, irrespective of whether it is correct or incorrect.
- Where responses are in excess of what the instruction required, the following should apply
  - In section A, where candidates give TWO responses, the first response should be marked.
  - In section B, (2.1.1, 3.1.1 and 4.1.1) mark the first TWO responses and indicate ***EXTRA*** for responses that are in excess of what the question required.
  - In section B data response questions that require specific number of responses, (E.g. 2.2.1 and 2.2.2) mark the first response and indicate ***EXTRA*** for responses that are in excess.
  - In section B and C (choice questions), indicate ***EXTRA*** on questions in excess of the required number.
- Where the maximum marks have been allocated for a particular question, mark all the responses and indicate the maximum marks for the question inside the margin.
  For example; - ***max 2 or max 8 or max 10***
- A clear, neat tick must be used:
  - If ONE mark is allocated, ONE tick must be used: ✓
  - If TWO marks are allocated, TWO ticks must be used: ✓✓
  - The tick must be placed at the FACT that a mark is being allocated for.
  - Ticks must be kept SMALL, as various levels of moderation may take place.
- Incorrect answers must be marked with a clear, neat cross: ×
  - Use one cross on every incorrect response in questions where candidates are required to give more than one response.
  - A zig zag line may be drawn on the right-hand side of paragraphs with incorrect responses to indicate that the responses were read.
  - Try NOT to underline the candidates' responses
- For the following action words, ONE-word answers are acceptable: **list**, **name**, **state**, **identify**
- For the following action words, a FULL sentence must be written: **describe**, **explain**, **evaluate**, **analyse**, **suggest**, **differentiate**, **distinguish**, **define**, **discuss**, **why**, **how**
- The following action words need to be read within their context to determine whether a ONE-word answer or FULL sentence is required: **provide**, **what**, **tabulate, identify** and **give**
- Where candidates are required to draw a graph, mark the graph according to a marking grid provided in the official marking guideline.
- Where candidates are required to do calculations, the final answer would not necessarily be awarded full marks. **3 marks** are awarded for the **calculations** and **1 mark** for the **final answer**.

NOTE THE FOLLOWING

- If the numbering is incorrect or left out, as long as the sequence of answers to questions is followed candidates can be credited
- Where there are spelling errors, award the marks provided the meaning is correct.
- Pay attention to the sense of responses, which may be stated in a different way.
- In multiple-choice questions where a letter is the accepted response, but the learner writes the actual answer- award marks.
- There will be addendum to the marking guidelines for the marking of certain questions.

TOTALLING AND TRANSFERRING OF MARKS

- The sub-total for each sub-question must be recorded on the right-margin
  - Question1 in Section A has **THREE** sub-sections and **THREE** sub-totals should be recorded on the right margin.
  - Questions in Section B have **FIVE** sub-sections and **FIVE** sub-totals should be recorded on the right margin.
  - Sub-totals must be written legibly and leave space for moderated marks on the right margin
- The total mark for each question should be recorded on the top left margin next to the question number
- Transfer totals per question to cover page of answer book

SECTION A (COMPULSORY)

QUESTION 1 30 MARKS – 20 MINUTES

1.1 MULTIPLE-CHOICE QUESTIONS

1.1.1 D / explicit ✓✓
1.1.2 A / marginal cost ✓✓
1.1.3 D / overt collusion ✓✓
1.1.4 B / external ✓✓
1.1.5 C / hyperinflation ✓✓
1.1.6 A / medical ✓✓
1.1.7 C / internet facilities ✓✓
1.1.8 B / voluntary agreements ✓✓

(8 x 2) (16)

1.2 MATCHING ITEMS

1.2.1 H / when a business's average revenue is equal to average variable cost ✓
1.2.2 G / the income received by the firm for selling one unit of a product ✓
1.2.3 I / a situation where average cost rises as production output increases ✓
1.2.4 A / a technique used to evaluate the total social costs and the total social benefits associated with a public project ✓
1.2.5 D / low growth, high unemployment and high inflation rate occurring at the same time ✓
1.2.6 C / believe that inflation is caused by an increase in the total money supply in the economy ✓
1.2.7 E / a command and control approach that focuses on the amount of environmental pollution emitted ✓
1.2.8 B / the activities of people travelling to places to play sport, visit friends and experience new attractions ✓

(8 x 1) (8)

1.3 CONCEPTS

1.3.1 Short-run / Short-term ✓
1.3.2 Deregulation ✓
1.3.3 Private benefits / Internal benefits ✓
1.3.4 Headline inflation / Headline consumer price inflation ✓
1.3.5 Business tourism ✓
1.3.6 Preservation ✓

(6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

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

QUESTION 2: MICROECONOMICS 40 MARKS – 30 MINUTES

2.1 SHORT QUESTIONS

2.1.1 Give any TWO examples of variable costs.

- Raw materials ✓
- Electricity ✓
- Wages / Direct labour ✓
- Water ✓

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

2.1.2 Why is a monopolistic competitive market regarded as a hybrid market structure?

It combines the characteristics of both perfect competition and a monopoly. ✓✓
(Accept any other correct relevant response) (1 x 2) (2)

2.2 DATA RESPONSE

2.2.1 Identify ONE characteristic of a perfect market in the extract above.

- Free entry and exit ✓
- Resources are allocated efficiently ✓ (1)

2.2.2 Give an economic term for a firm that can only sell different quantities of a product at the same market price.

Price taker ✓ (1)

2.2.3 Briefly describe the term *allocative efficiency.*

When markets allocate resources optimally in such a manner that the product mix corresponds with consumers' preferences / The state of the market where businesses produce a combination of goods and services that the society most desire / Allocative efficiency means that the quantities of goods and services supplied by producers are equal to the quantities demanded by consumers. ✓✓
(Accept any other correct relevant response) (2)

2.2.4 **Explain the importance of complete information to consumers in a perfect market.**

- When consumers have full information about market conditions, they can make informed decisions on when buying products. ✓✓
- Consumers are less likely to be exploited if they have full knowledge about the market. ✓✓

(Accept any other correct relevant response) (2)

2.2.5 **How can the entrance of new businesses into a perfectly competitive market affect producers in the long run?**

- The existing businesses will be forced to sell their product at a lower price due to the increase in market supply. ✓✓
- The entrance of new businesses will increase the level of competition resulting in the existing businesses making lower profit. ✓✓
- In the long-run the economic profit will be eliminated and the existing firms will earn normal profit. ✓✓
- The existing firms may lose some of their customers to the new entrants, which leads to reduced sales.✓✓

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

2.3 **DATA RESPONSE**

2.3.1 **Identify the relatively inelastic segment (part) of the kinked demand curve in the graph above.**

EY ✓ (1)

2.3.2 **State the nature of products that are sold in a pure oligopoly.**

Homogeneous / Identical ✓ (1)

2.3.3 **Briefly describe the term *duopoly*.**

An oligopoly market structure that is dominated by or consists of only two suppliers of a particular product or service. ✓✓
(Accept any other correct relevant response) (2)

2.3.4 **How does price fixing negatively affect consumers?**

- Consumers may pay higher prices for goods and services leading to a higher cost of living. ✓✓
- Consumers may fail to satisfy some of their needs which leads to a lower standard of living. ✓✓
- Consumers may be exposed to poor quality products due to less competition between the producers. ✓✓

(Accept any other correct relevant response) (2)

2.3.5 **Use the graph above to calculate the change in total revenue if the oligopolist increases its price from R14 to R15. Show ALL calculations**

Change in total revenue = $TR_1 – TR_0$
= (R15 x 25) – (R14 x 50) ✓
= R375✓ – R700✓
= **- R325** ✓

OR

TR_1 = (R15 x 25)
= R375✓
TR_0 = (R14 x 50)
= R700✓
Change in total revenue = $TR_1 – TR_0$
= R375 – R700 ✓
= **- R325** ✓ (4)

2.4 **Briefly discuss the role of the *Competition Commission* and the *Competition Tribunal* in promoting competition in South Africa.**

Competition Commission

- The Competition Commission investigates restrictive business practices and the abuse of market power by businesses. ✓✓
- It decides if mergers and acquisitions should go ahead or not. ✓✓
- The Competition Commission makes recommendations to the Competition Tribunal on penalties for businesses that it finds guilty of anticompetitive behaviour. ✓✓ (2 x 2)

Competition Tribunal

- The Competition Tribunal adjudicates on matters referred to it by the Competition Commission and issues any order for costs. ✓✓
- It can accept, reject or amend the recommendations of the Competition Commission. ✓✓
- The Competition Tribunal has jurisdiction throughout the Republic. ✓✓
- The Competition Tribunal grants exemptions, authorises or prohibits large mergers. ✓✓

(Accept any other correct relevant response) (2 x 2)
(Allocate a maximum of 4 marks for mere listing of facts) (8)

2.5 **Analyse the positive impact of non-price competition on a monopolistic competitive firm.**

- The use of non-price competition may help the business to avoid price wars which will allow it to earn higher profits. ✓✓
- The business may gain more customers than its competitors through advertising and sales promotions. ✓✓
- The business can improve its profitability through increased sales by extending its shopping hours. ✓✓
- Innovation and creativity may be promoted through product differentiation and the introduction of new products. ✓✓
- The business may retain its customers by offering loyalty rewards. ✓✓
- The firm may increase customer satisfaction by offering after-sales services, such as free delivery. ✓✓
- Accessibility of the business' product may increase by doing business over the internet. ✓✓
- The product may be easily identified by customers through product differentiation and branding. ✓✓
- The business may create brand loyalty by offering unique and better-quality products that meet customers' expectations. ✓✓

(Accept any other correct relevant response)
(Allocate a maximum of 2 marks for mere listing of facts) (4 x 2) (8)

[40]

QUESTION 3: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 30 MINUTES

3.1 SHORT QUESTIONS

3.1.1 **Name any TWO world heritage sites in South Africa.**

- iSimangaliso Wetland Park / Greater St Lucia Wetland Park ✓
- Cape Fynbos region ✓
- uKhahlamba Drakensberg Park / Maloti-Drakensberg Park ✓
- Mapungubwe cultural landscape ✓
- Vredefort Dome ✓
- Fossil Hominid Sites of South Africa ✓
- Robben Island ✓
- Richtersveld Cultural and Botanical Landscape ✓
- Barberton Makhonjwa Mountains ✓
- Khomani cultural landscape ✓
- Nelson Mandela Legacy sites ✓
- The Pleistocene Occupation Sites of South Africa ✓ (2 x 1) (2)

3.1.2 **How can debtors (borrowers) benefit from inflation?**

During periods of rising prices, debtors gain in real terms because they repay loans with money that has low purchasing power. ✓✓
(Accept any other correct relevant response) (1 x 2) (2)

3.2 DATA RESPONSE

3.2.1 **Identify the phrase that refers to the negative impact of tourism on the environment in the cartoon above.**

Carbon footprint ✓ (1)

3.2.2 **Name the type of tourism that only involves people from other countries visiting South Africa.**

Inbound tourism ✓ (1)

3.2.3 **Briefly describe the term *ecotourism*.**

The activities of people travelling and visiting places to enjoy the natural environment. ✓✓
(Accept any other correct relevant responses) (2)

3.2.4 **Explain the reason for levying taxes on tourism activities.**

- To raise revenue for the government to service and maintain the tourist attraction sites. ✓✓
- Taxes are levied to recover external costs generated from tourist activities. ✓✓
  (Accept any other correct relevant responses) (2)

3.2.5 **How would an increase in tourism activities negatively impact households?**

- The influx of tourists puts pressure on the local resources like infrastructure to the detriment of local community ✓✓
- An increase in the number of tourists can result in a spike in prices of goods and services, which disadvantages the local community ✓✓
- Increase in international tourism activities may lead to the spreading of diseases that were not in the country, leading to illnesses in local people. ✓✓

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

3.3 **DATA RESPONSE**

3.3.1 **Identify the price index that excludes value added tax (VAT).**

Producer price index / PPI ✓ (1)

3.3.2 **Name any ONE institution in South Africa that publishes inflation figures.**

- South African Reserve Bank / SARB ✓
- Statistics South Africa / Stats SA ✓ (1)

3.3.3 **Briefly describe the term *demand-pull inflation.***

An increase in the general price level which is caused by the level of aggregate demand being in excess of aggregate supply in the economy / An increase in prices which is caused by money supply growing faster than real output or too much money chasing too few goods. ✓✓
(Accept any other correct relevant response) (2)

3.3.4 **Explain the purpose of weightings in a consumer basket when measuring inflation.**

Weightings reflect the relative importance of an item to consumers or the percentage of consumers' income spent on the item. ✓✓
(Accept any other correct relevant response) (2)

3.3.5 **Use the information in the table above to calculate the month-on-month CPI inflation for March 2025. Show ALL calculations.**

MoM Inflation rate (March) = $(CPI_{March} - CPI_{February}) / CPI_{February} \times 100$
= (101,6 -101,2) ✓ / 101,2 ✓ x 100 ✓
= 0,4/101,2 x 100
= **0.395 / 0.4** ✓

OR

MoM Inflation rate (March) = $(CPI_{March}/CPI_{February}) - 1 \times 100$
= (101.6 /101,2) ✓ -1✓ x 100 ✓
= (1.00395 -1) x 100
= **0.395 / 0.4** ✓ (4)

3.4 **Briefly discuss *taxation* and *infrastructure development* as policy suggestions to promote tourism.**

Taxation

- Lowering taxes on travel-related expenses help to boost destinations price competitiveness. ✓✓
- Allowing foreign tourists to claim VAT on purchases before returning home may encourage them to spend money in South Africa. ✓✓
- Nature and game reserves charge entry taxes to control tourist flows and protect/conserve animal species. ✓✓
- A flat tax rate is used to ensure that taxes are easy to pay and administer.✓✓
- Taxes charged on tourists, such as taxes on air tickets, must be fair to encourage more people to travel. ✓✓ (2 x 2)

Infrastructure development

- Infrastructure is of critical importance for the efficient functioning of the tourism industry. ✓✓
- The magnitude of physical infrastructure should increase as the population grows, tourism increases and the economy expands. ✓✓
- The carrying capacity of roads, railway lines, aeroplanes, ports, airports and railway stations should be continuously expanded. ✓✓
- Eskom, the national electricity provider, should add capacity all the time and water provision needs to be increased annually. ✓✓
- The inconvenience of infrastructural bottlenecks and interruptions scares away tourists and damages South Africa's reputation as an international tourist destination. ✓✓

(Accept any other correct relevant response) (2 x 2)
(Allocate a maximum of 4 marks for mere listing of facts) (8)

3.5 **How does high inflation negatively affect the South African economy?**

- Inflation reduces the purchasing power of money as fewer goods will be bought which reduces the standard of living of households. ✓✓
- High inflation may cause uncertainty and instability in the economy as it may be difficult to predict future costs. ✓✓
- Inflation may reduce the level of investment in the economy resulting in a decrease in the production of goods and services. ✓✓
- The level of poverty may increase as low-income groups spend a large part of their income on basic food. ✓✓
- Inflation increases income inequality in a country and negatively affects people with fixed income the most. ✓✓
- Higher interest rates may result in reduced investment and demand for goods and services which may slow economic growth. ✓✓
- Inflation may lead to less savings which will reduce capital investment by businesses and increase unemployment levels in the country. ✓✓
- Export prices will increase, making local businesses less competitive on global markets. ✓✓
- Reduced exports will decrease export earnings, which may increase the deficit on the balance of payments and weaken the exchange rate. ✓✓

(Accept any other correct relevant response) (4 x 2)
(Allocate a maximum of 2 marks for mere listing of facts) (8)
[40]

QUESTION 4: MICROECONOMICS AND CONTEMPORARY ECONOMIC ISSUES
40 MARKS – 30 MINUTES

4.1 SHORT QUESTIONS

4.1.1 Give any TWO examples of monopoly businesses in South Africa.

- Eskom ✓
- Transnet ✓
- Prasa / Metrorail ✓
- Denel ✓
- SABC ✓
- Airports Company South Africa (ACSA) ✓
- SANRAL ✓

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

4.1.2 Why is the tourism industry regarded as the world's largest generator of jobs?

- The tourism industry is labour-intensive as it has the lowest ratio of investment to employment creation. ✓✓
- The tourism industry offers many opportunities to employ different levels of skills. ✓✓

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

4.2 DATA RESPONSE

4.2.1 Identify the barrier to entry that protects inventors of new products in the cartoon above.

Patent ✓ (1)

4.2.2 Name the type of profit made by a monopolist in the long-run.

- Economic profit / Supernormal profit / Abnormal profit ✓ (1)

4.2.3 Briefly describe the term *natural monopoly*.

A single supplier of a product that exists due to high development cost / A single business that can serve the whole market at a lower price due to economies of scale ✓✓

(Accept any other relevant correct response) (2)

4.2.4 **Explain the reason for the relatively inelastic demand in a monopoly market.**

- Monopolists sell unique products with no close substitutes / Consumers have no other alternative options of goods and services. ✓✓
- Competition is limited due to the unique nature of the product or huge capital is needed to start the business. ✓✓
  (Accept any other relevant correct response) (2)

4.2.5 **Why is it a challenge for monopolies to charge excessively high prices?**

- Monopoly is limited by the market demand and consumers' budgets may limit buying if prices are too high. ✓✓
- A monopolist's product still has to compete for consumers' favour with all other products in the economy. ✓✓
- Price increases are sometimes regulated by the government to protect the consumer ✓✓
  (Accept any other correct relevant response) (2 x 2) (4)

4.3 **DATA RESPONSE**

4.3.1 **Identify the item that contributes the most to the administered price inflation in the extract above.**

Electricity tariffs ✓ (1)

4.3.2 **Name the organisation that regulates the prices of electricity in South Africa.**

National Energy Regulator of South Africa / NERSA ✓ (1)

4.3.3 **Briefly describe the term *all-inclusive inflation.***

The type of inflation which measures price changes on all final goods and services produced within the economy in a particular year, and not only a selected basket of goods and services. ✓✓
(Accept any other correct relevant response) (2)

4.3.4 **Explain the impact of an increase in electricity tariffs on producers of goods and services.**

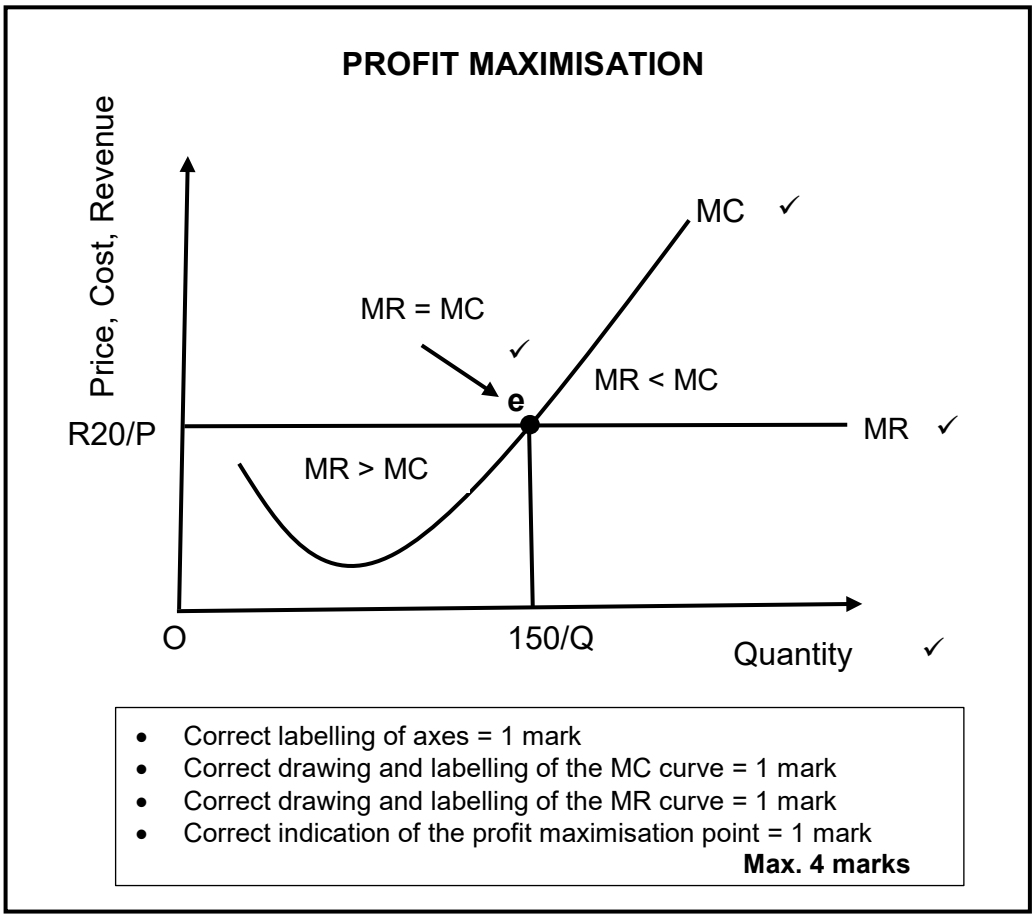
- Producers will incur higher cost of production as they pay more for electricity which leads to lower profits. ✓✓
- Producers may be forced to increase their prices to cover the increased cost of production. ✓✓
- Some producers may not be able to afford paying for electricity, which may force them to reduce production or shut down. ✓✓
  (Accept any other correct relevant response) (2)

4.3.5 **How can new production technology help to combat cost-push inflation?**

- New production technology may be more efficient and cost-effective which reduces the overall cost of production. ✓✓
- New technologies in production may increase productivity which helps to increase the total output and reduce cost-push inflation. ✓✓
- The investments in new technologies may lead to extra costs which may increase the cost of production. ✓✓

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

4.4 **With the aid of a correctly labelled graph, explain profit maximisation for a perfectly competitive firm using the marginal revenue (MR) and marginal cost (MC) curves.**



- Correct labelling of axes = 1 mark
- Correct drawing and labelling of the MC curve = 1 mark
- Correct drawing and labelling of the MR curve = 1 mark
- Correct indication of the profit maximisation point = 1 mark

Max. 4 marks

- The firm maximises profit where marginal revenue is equal to marginal cost (MR = MC). ✓✓
- Profit is maximised when the firm produces 150/Q units at a price of R20/P.✓✓
- When the quantities produced are fewer than 150/Q (MR>MC), the firm must increase the quantities produced in order to maximise profit. ✓✓
- When the quantities produced are more than150/Q (MR<MC), the firm must decrease the quantities produced in order to maximise profit. ✓✓

(Accept any other correct relevant response) (Max. 4) (8)

4.5 **How can tourism influence infrastructure development in South Africa?**

- Modern tourism encourages the development of infrastructural facilities, such as accommodation, health care and transport. ✓✓
- Tourism may need the government to develop and maintain world-class infrastructure in tourist attraction areas to promote tourism activities. ✓✓
- An adequate, physical, economic and basic services infrastructure is essential for tourist destination areas, which means that investment in infrastructure development is required. ✓✓
- Transport infrastructure, such as roads, railway lines, airports, ports and car parks, may need to be developed to allow the movement of tourists from one area to another. ✓✓
- Communication infrastructure, including telephone lines, electronic signal stations, computer connection capacity, radio and television services and newspapers, is required to allow tourists access to information. ✓✓
- Energy infrastructure, such as electricity and liquid fuels, is required to facilitates tourism activities. ✓✓
- Basic services infrastructure, such clean water, refuse removal, sewerage systems and storm-water drainage, ensure that tourists enjoy their stay in different tourist attractions. ✓✓

(Accept any other correct relevant response)
(Allocate a maximum of 2 marks for mere listing of facts) (4 x 2) (8)
[40]

TOTAL SECTION B: 80

SECTION C

Answer any ONE of the two questions in this section in the ANSWER BOOK.

QUESTION 5: MICROECONOMICS 40 MARKS – 40 MINUTES

- **With the aid of relevant graphs, discuss in detail state intervention as a consequence of market failure. (26 marks)**
- **Why do markets fail to provide public goods? (10 marks)**

INTRODUCTION

Market failure refers to when the markets (market forces) fail to allocate resources efficiently / Market failure means that the best available or optimal production outcome has not been achieved. ✓✓
(Accept any other correct relevant response) **(Max. 2)**

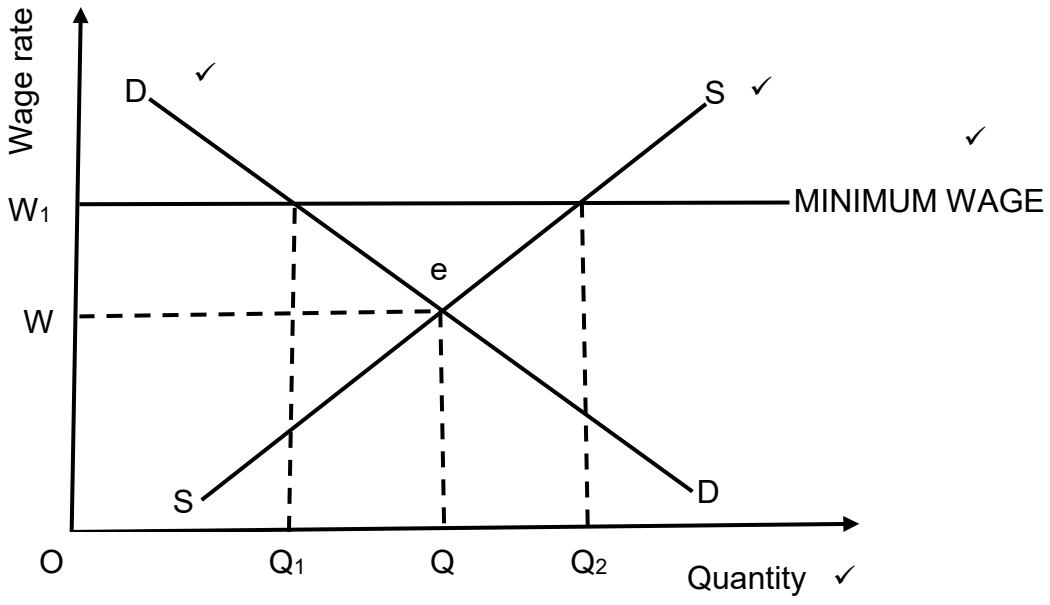
MAIN PART

State intervention as a consequence of market failure

Minimum wages ✓

- A minimum wage is the lowest remuneration that employers are required by law to pay their workers. ✓✓
- The government sets the minimum wage above the equilibrium wage rate. ✓✓

MINIMUM WAGES



- Correct labelling of the vertical and horizontal axes = 1 mark
- Correct drawing and labelling of the demand and supply curves = 1 mark
- Correct indication of the minimum wage = 1 mark
- Correct labelling on the axes = 1 mark

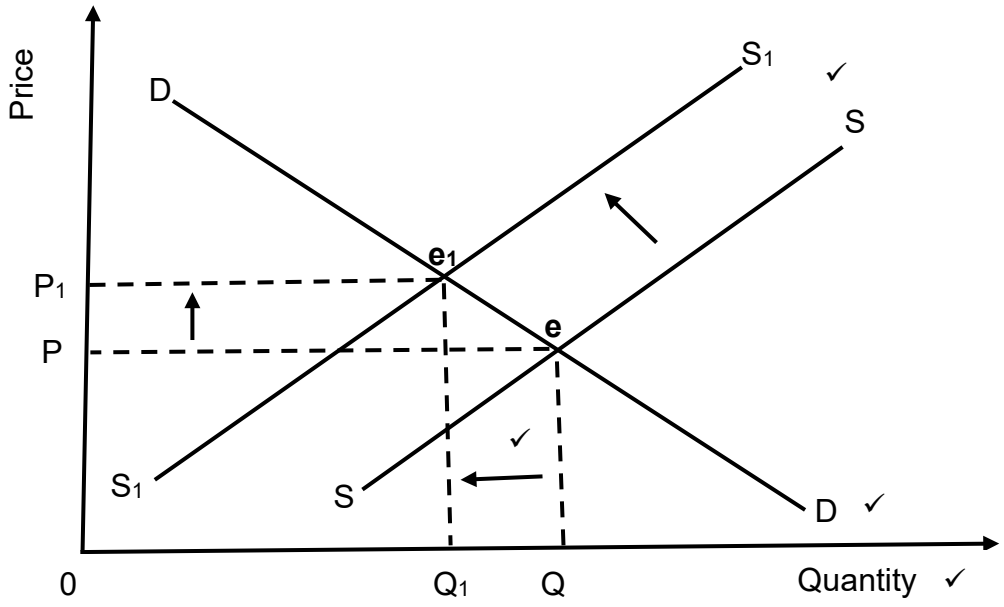
Max. 4 marks

- A minimum wage of W_1 leads to a decrease in demand for labour from Q to Q_1 and an increase in supply of labour from Q to Q_2 ✓✓
- The excess supply of labour will lead to an increase in unemployment as some workers may be retrenched due to the higher cost of production. ✓✓
- The income of workers will increase which improves their standard of living. ✓✓

Levying of taxes / Taxes ✓

- The government will intervene in the market by levying taxes to recover external costs. ✓✓
- The taxes will increase the price resulting in a decrease in consumption and production of a specific good. ✓✓
- Levying taxes could be used as a strategy of reducing production and consumption of demerit goods as well as generating revenue for the state. ✓✓

TAXES ON PRODUCTION



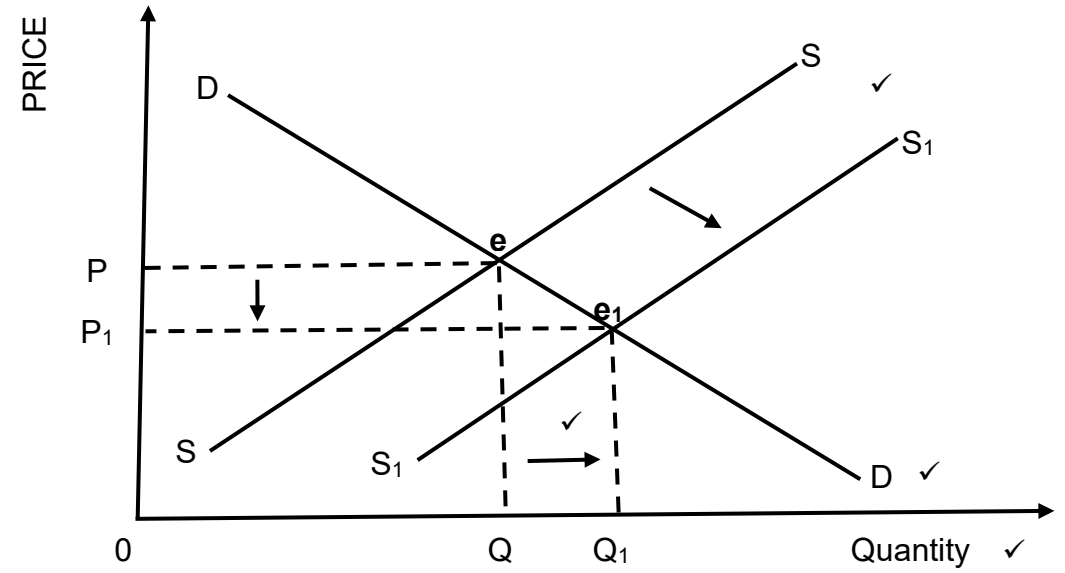
- Correct labelling of the vertical and horizontal axes = 1 mark
- Correct drawing and labelling of the original demand and supply curves = 1 mark
- Correct drawing and labelling of the new supply curve = 1 mark
- Correct indication of the change in price and quantity = 1 mark

Max.4 marks

- The market price is P and the corresponding quantity is Q. ✓✓
- If the government imposes tax on production, the market price will increase to P_1 with corresponding quantity Q_1. ✓✓
- The higher price P_1 decreases the consumption and production of the product. ✓✓

Providing producer subsidies / Subsidies ✓

- The government provides subsidies to producers to encourage them to produce more goods and services. ✓✓
- Subsidies increase the supply of specific goods and services such as milk, wheat and maize. ✓✓
- Subsidies lower the cost of producing goods and thus the market price of these goods is lowered, increasing consumption. ✓✓



- Correct labelling of the vertical and horizontal axes = 1 mark
- Correct drawing and labelling of the original demand and supply curves = 1 mark
- Correct drawing and labelling of the new supply curve = 1 mark
- Correct indication of the change in price and quantity = 1 mark

Max.4 marks

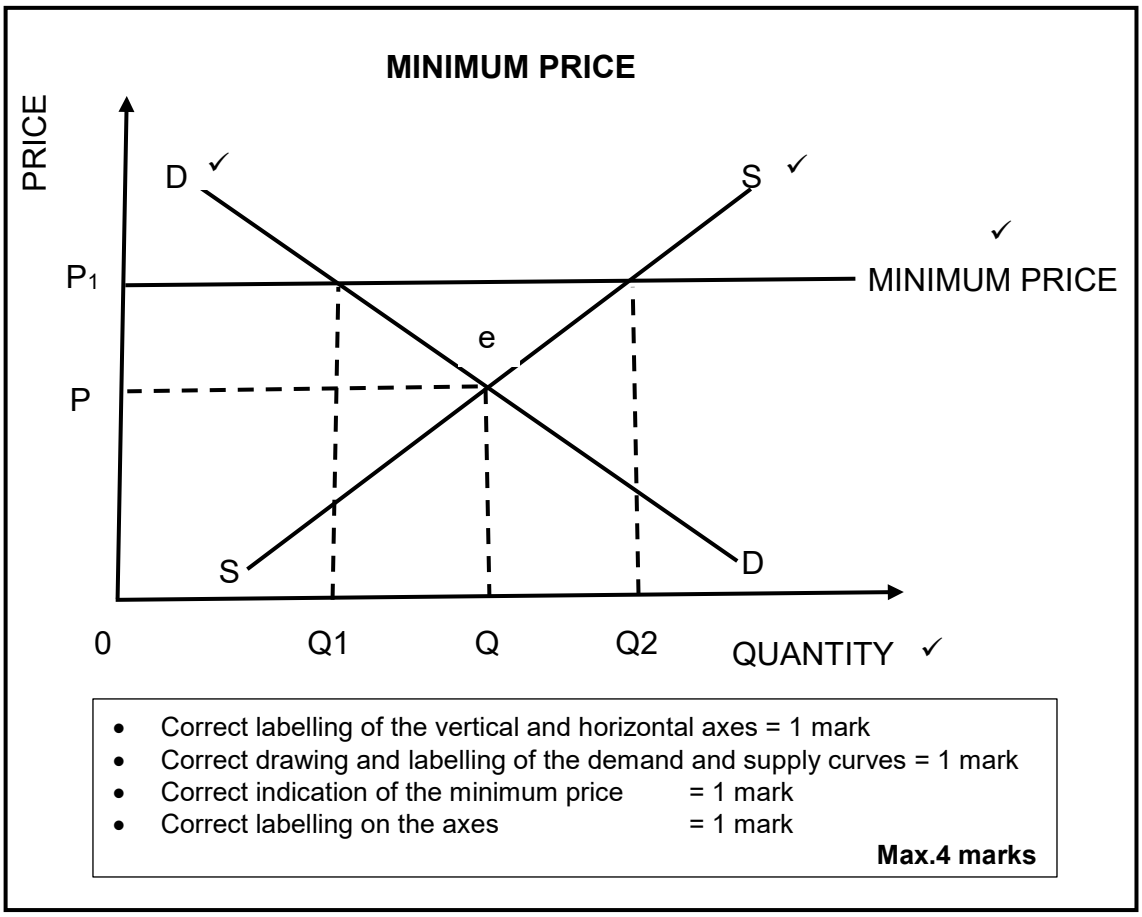
- The market price is P and the corresponding quantity is Q. ✓✓
- If the government subsidises production, the market price will decrease to P1 with corresponding quantity Q_1. ✓✓
- The lower price P_1 allows consumers to purchase more quantities of the product. ✓✓

Direct control ✓

- The state can pass laws or use existing legislative frameworks to control businesses and industries as well as individuals who generate negative externalities. ✓✓
- In South Africa, the emissions of potentially dangerous chemicals and gases are controlled by various legislations. ✓✓
- Advertising by the tobacco industry is prohibited, and alcohol may not be sold on Sundays or to persons under the age of 18 years. ✓✓

Minimum prices ✓

- The government intervenes in markets to ensure sufficient supplies of staple food.✓✓
- Minimum prices or price floors allow producers to make a comfortable profit and produce desired quantities of essential goods. ✓✓



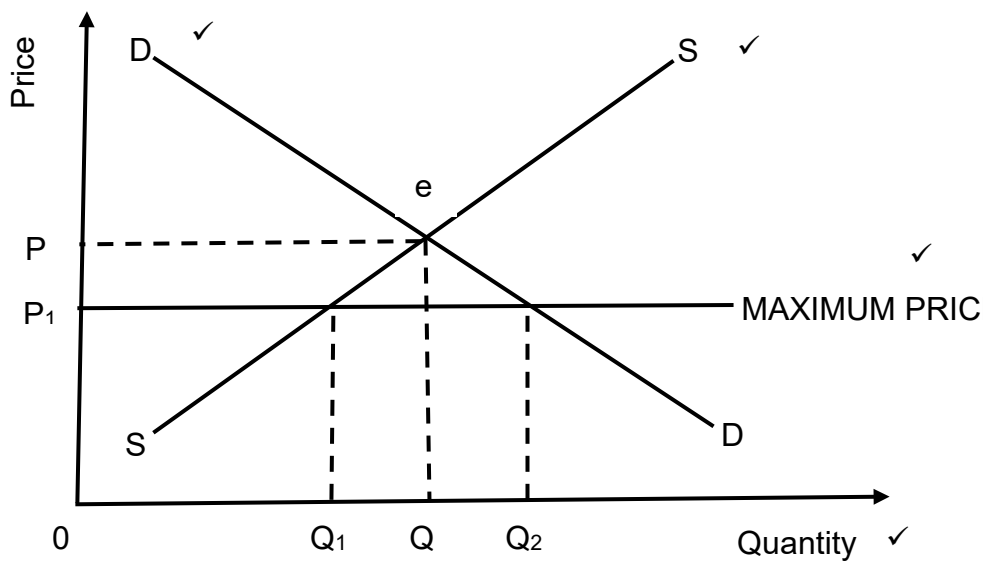
- Correct labelling of the vertical and horizontal axes = 1 mark
- Correct drawing and labelling of the demand and supply curves = 1 mark
- Correct indication of the minimum price = 1 mark
- Correct labelling on the axes = 1 mark

Max.4 marks

- The government sets a minimum price P_1 above the equilibrium market price P to make it worthwhile for producers to stay in the market. ✓✓
- The quantity demanded decreases from Q to Q_1 and the quantity supplied increases from Q to Q_2. ✓✓
- A surplus of Q_1 to Q_2 is created in the market, as supply is more than demand. ✓✓
- Surplus products may force producers to sell at lower prices or dump in other countries, which may reduce their profits. ✓✓

Maximum prices ✓

- The government will set a maximum price if the price is deemed too high for essential goods (basic goods). ✓✓
- The maximum price that is set by the government below the market price is known as a price ceiling. ✓✓
- The government will intervene in the market by passing a law that suppliers may not charge more than a maximum price. ✓✓
- The immediate effect of maximum prices in the market is that the quantity supplied drops, thus causing shortages. ✓✓



- Correct labelling of the vertical and horizontal axes = 1 mark
- Correct drawing and labelling of the demand and supply curves = 1 mark
- Correct indication of the maximum price = 1 mark
- Correct labelling on the axes = 1 mark

Max. 4 marks

- The government sets a maximum price P_1 below the equilibrium market price P to allow consumers to afford basic products. ✓✓
- The quantity demanded increases from Q to Q_2 and the quantity supplied decreases from Q to Q_1. ✓✓
- A shortage of Q_1 to Q_2 is created in the market, as demand is more than supply.✓✓
- Product shortages can lead to the creation of black markets, where the goods may be sold at higher prices. ✓✓

Imperfect markets ✓

The government can deal with imperfect competition by:

- Implementing the competition policy to prevent the abuse of market power by dominant firms ✓✓
- Allowing imports to increase the level of competition ✓✓
- Granting more business licences for new businesses to compete with existing monopolies ✓✓
- Imposing price controls to decrease prices of goods and services ✓✓

Redistribution of wealth ✓

- The South African government uses a progressive income tax system to redistribute income and wealth. ✓✓
- Traditional methods, such as levying various taxes, provision of free services, benefits in kind and cash benefits, are used to reduce the income gap. ✓✓
- The government can also implement redress methods, such as BBBEE and affirmative action, to redistribute wealth among the population. ✓✓

Government involvement in production ✓
The government may be involved in the production of goods and services by:

- Subsidising merit goods to increase production ✓✓
- Imposing taxes on demerit goods to reduce production ✓✓
- Levying income taxes, indirect taxes and wealth taxes to provide community goods free of charge ✓✓
- Providing collective goods such as refuse removal, waste disposal and sewerage drainage for a user fee ✓✓

(Accept any other correct relevant response) **(Max. 26)**
(Allocate a maximum of 8 marks for mere listing facts/examples)
(Allocate a maximum of 12 marks for the graphs without explanation and 14 marks for the explanations without graphs)

ADDITIONAL PART

Why do markets fail to provide public goods?

- Public goods are not provided by the price mechanism which creates no basis for establishing a market price. ✓✓
- Community goods, such as streetlighting, are non-excludable which makes it difficult for businesses to charge a price, hence markets cannot supply them. ✓✓
- Consumers are not prepared to pay for public goods because they cannot exclude free riders from consuming them. ✓✓
- Markets are discouraged from supplying public goods for non-payment because they may not generate profit from the provision of such goods. ✓✓
- The provision of public goods, such as public roads, may require huge capital investments which many private sector businesses may not be able to afford. ✓✓
- Some public goods are indivisible which makes it difficult for market to supply them in smaller quantities that are convenient for consumption. ✓✓
- Merit goods are under-valued by market which makes the supply of such goods and services to be less than the quantity demanded. ✓✓
- Markets cannot supply the desired quantities of merit goods, such as education, because their external benefits are not included in the market prices. ✓✓
- Some public goods are non-rival in consumption, which makes it difficult to measure how much a person consumes and establish market prices. ✓✓

(Accept any other correct relevant response) **(Max. 10)**
(Allocate a maximum of 2 marks for mere listing of facts)

CONCLUSION

The government should regularly monitor and evaluate the effectiveness of the measures that are implemented to reduce market failures to ensure more desirable outcomes. ✓✓
(Accept any other correct relevant higher order conclusion) **(Max. 2)** **[40]**

QUESTION 6: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 40 MINUTES

- **Discuss, in detail, the environmental problems together with the international measures taken to ensure sustainable development. (26 marks)**
- **Evaluate the impact of environmental subsidies on businesses. (10 marks)**

INTRODUCTION
Environmental sustainability is the ability of the environment to survive its use for economic activities / Sustainable development is meeting the needs of the present generation without compromising the needs of future generations / Environment is the physical surroundings and physical conditions that affect people's lives which includes land, sea and the atmosphere. ✓✓
(Accept any other correct relevant introduction) **(Max. 2)**

BODY
MAIN PART:

Biodiversity loss / Biodiversity ✓
- The diversity of species in the world decreases rapidly due to extinction and this is an irreversible process. ✓✓
- Modern techniques such as gene transplant can help to limit the loss of species. ✓✓
- The United Nations' Convention on International Trade in Endangered Species (CITES) prohibits trade in endangered plant and animal species. ✓✓
- Monitoring and regulation of trade in endangered species is carried out using permits and quotas in South Africa. ✓✓

Chemical waste ✓
- Chemical waste is toxic, and its effect on an organism can be death or infertility.✓✓
- Chemical waste needs to be carefully managed to ensure that it does not leak into the groundwater. ✓✓
- The Stockholm Protocol bans twelve of the deadliest manufactured chemicals.✓✓
- The Rotterdam Convention protects countries that lack adequate infrastructure to monitor the import and export of dangerous chemicals. ✓✓

Hazardous waste✓
- Hazardous waste is more than chemical waste and it includes toxic metal waste such as lead. ✓✓
- Hazardous waste has a slow decomposition rate as it stays poisonous for a long time. ✓✓
- Hazardous waste can endanger all life forms and the entire ecosystem. ✓✓
- The Basel Convention on the control of Trans boundary Movement of Hazardous waste allows trade between countries that have signed the convention. ✓✓

Climate change / Climate change policy ✓
- A build-up of certain gases, such as carbon dioxide in the atmosphere, causes heat to be captured into the atmosphere, which leads to global warming. ✓✓
- Effects of climate change include change in temperature and weather patterns which may cause destruction to plant and animal inhabitants. ✓✓
- The United Nations' Framework Convention on Climate Change (UNFCCC) sets objectives to reduce greenhouse gases. ✓✓
- The Kyoto Protocol was signed as an agreement in which greenhouse gases emission levels for developed countries were agreed upon. ✓✓

Loss of indigenous knowledge / Indigenous knowledge ✓

- The loss of indigenous knowledge about the natural environment may result in people losing their way of making a living. ✓✓
- People use organic methods and natural processes in dealing with the environment and this indigenous knowledge may be lost for future generations. ✓✓
- Local capacity building is important as it can help people to learn more of the environment, beyond their traditional life style and experiences. ✓✓
- UNESCO's management of social transformation programme (MOST) is a global effort to record local/indigenous knowledge before it is lost forever. ✓✓

(Accept any other correct relevant response) **(Max. 26)**

(Allocate a maximum of 8 marks for mere listing of facts/examples)

(Allocate a maximum of 18 marks for the explanation of environmental problems without international measures)

ADDITIONAL PART

Evaluate the impact of environmental subsidies on businesses

Positive:

- Subsidies encourage businesses to recycle waste material such as bottles, cans and cardboards, thereby reducing the level of pollution. ✓✓
- Encourage the production of environmentally-friendly substitutes by businesses such as reusable shopping bags and rechargeable batteries. ✓✓
- Help businesses to develop new production techniques or equipment which are used to save energy and to reduce carbon dioxide. ✓✓
- Environmental subsidies encourage businesses to invest in environmentally sustainable products which can be more affordable.✓✓
- Motivate businesses to adopt environmentally-friendly sources of energy such as solar and wind. ✓✓

Negative:

- Some firms may become too much dependent on government support instead of becoming self-sustainable. ✓✓
- Subsidies can create market distortion as industries may not function without government support. ✓✓
- Subsidies are vulnerable to corruption or abuse if not properly managed, resulting in deserving businesses failing to access the subsidies. ✓✓
- The implementation of subsidies may increase the cost of doing business due to higher administration costs. ✓✓

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

(Allocate a maximum of 2 marks for mere listing of facts)

CONCLUSION

The environment is under pressure because human claims on the environment are more than what nature can provide for on a long-term basis. ✓✓

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

TOTAL SECTION C: 40
GRAND TOTAL: 150

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