



**GAUTENG PROVINCE**  
EDUCATION  
REPUBLIC OF SOUTH AFRICA

**GAUTENG DEPARTMENT OF EDUCATION**

**PRE-PREPARATORY EXAMINATION**

**AUGUST 2023**

**GRADE 12**

**ECONOMICS**

*Stanmorephysics*

**TIME : 2hours**

**Marks: 150**

**12 pages**

## INSTRUCTIONS AND INFORMATION

1. Answer FOUR questions as follows in the ANSWER BOOK:

SECTION A: COMPULSORY

SECTION B: Answer TWO of the three questions.

SECTION C: Answer ONE of the two questions.

2. Answer only the required number of questions. Answers in excess of the required number will NOT be marked.

3. Number the answers correctly according to the numbering system used in this question paper.

4. Write the question number above each answer.

5. Read the questions carefully.

6. Start EACH question on a NEW page.

7. Leave 2–3 lines between subsections of questions.

8. Answer the questions in full sentences and ensure that the format, content and context of your responses complies with the cognitive requirements of the questions.

9. Use only black or blue ink.

10. You may use a non-programmable pocket calculator.



## SECTION A (COMPULSORY)

### QUESTION 1 30 MARKS – 20 MINUTES

1.1 Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A–D) next to the question number (1.1.1 to 1.1.8) in the ANSWER BOOK, for example, 1.1.9 C.

1.1.1 The method of calculating GDP whereby compensation of employees is taken into consideration is called the ...

- A expenditure method GDP(E).
- B production method (GDP(P).
- C income method GDP(I).
- D value-added method.

1.1.2 The multiplier effect means that any change in injection will ...

- A lead to a small change in national income.
- B not affect the national income at all.
- C lead to a larger change in national income.
- D keep the national income at the same level.

1.1.3 A market for short loans, very-short loans and investments, is known as the ... market.

- A money
- B capital
- C product
- D financial

1.1.4 Aggregate supply in the economy can be stimulated by ...

- A increasing the costs.
- B improving inefficiency of inputs.
- C maintaining the same costs.
- D improving the efficiency of markets.

1.1.5 The exchange rate system whereby market forces have absolute control is called the ... exchange rate system.

- A fixed
- B free floating
- C managed floating
- D absolute



1.1.6 The term used to reallocate agricultural land to previous disadvantaged individuals and groups is called ...

- A land restitution.
- B land redistribution.
- C natural benefits.
- D subsidies on property.

1.1.7 An example of a nutrition indicator is ...

- A garbage removal.
- B obesity.
- C under 5 mortality.
- D access to clean water.

1.1.8 When the quality of education and healthcare is improved in a region, the best international practice for regional development addressed is ...

- A sustainability.
- B provision of resources.
- C partnerships.
- D investing in social capital.

**(8x2) (16)**



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

COLUMN A	COLUMN B
1.2.1 Amplitude	A. Levied according to the amount earned.
1.2.2 Demand-side policies	B. Drives countries to specialize in the production of goods where they enjoy the lowest opportunity cost.
1.2.3 Comparative advantage	C. Difference in the value of total output between a peak and a trough
1.2.4 Portfolio investments	D. Financial incentives in the form of a cash grant of up to 50% of the costs of training new staff.
1.2.5 Progressive tax system	E. Measures undertaken by the government to stimulate growth in the economy.
1.2.6 Corridor	F. Purchase of assets such as shares or bonds, where the investor is interested only in the expected financial return on the investment.
1.2.7 Skills Support Programme	G. Financial incentive for foreign investors who invest in new manufacturing businesses in South Africa.
1.2.8 Productivity	H. A track of land that forms a passageway allowing access from one area to another and is developed as part of regional development.
	I. Measured in terms of the rate of output per unit of input.

(8 x 1) (8)

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

- 1.3.1 Economic indicators that move at the same time as aggregate economic activities.
- 1.3.2 An indication of the general direction of the economy
- 1.3.3 The loss of an alternative in order to pursue a certain action.
- 1.3.4 An institution established to facilitate international trade and ensure a strong system of trade and payments that is open to all countries.
- 1.3.5 A nationwide government intervention to create employment using labour-intensive methods, and to give people the skills they can use to find jobs.
- 1.3.6 Percentage of the working-age population who rely on those that are working.

(6 x 1) (6)

## SECTION B

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

### QUESTION 2: MACROECONOMICS 40 MARKS – 30 MINUTES

2.1 Answer the following questions.

2.1.1 Name any TWO prices used in the conversion of national aggregates. (2 x 1) (2)

2.1.2 What determines complete cycles of fluctuations in the economy? (1 x 2) (2)

2.2 Study the extract below and answer the questions that follow.

#### **MOVEMENT IN THE CURRENT ACCOUNT OF THE BALANCE OF PAYMENTS**

The surplus on the current account of the balance of payments narrowed markedly from R311 billion in the second quarter to R226 billion in the third quarter of 2021. The value of South Africa's exports of goods decreased slightly, while the value of merchandise imports increased. South Africa's terms of trade (including gold) deteriorated somewhat in the third quarter of 2021 as the rand price of imports of goods and services increased more than the price of exports.

[Adapted from *Quarterly Bulletin*, SARB, December 2021]

2.2.1 Which economic concept, according to the extract, rely more on export and import prices? (1)

2.2.2 Give a current account item for recording donations. (1)

2.2.3 Briefly describe the term *balance of payment*. (2)

2.2.4 Why did South African merchandise exports experience a decline in 2020 in relation to the COVID-19 pandemic? (2)

2.2.5 Calculate the percentage change of the surplus in the current account of the balance of payments in the second and third quarters of 2021. Show ALL calculations. (4)



2.3 Study the extract below and answer the questions that follow.

### BUSINESS CYCLES

The analysis of the source of shocks has been a recurrent theme in business cycle literature. Not only is it relevant for understanding the forces driving economic fluctuations but, in addition, the identification of sources of shocks is needed to inform the optimal policy response.

Producers and consumers will not respond to the same extent to the initiating forces, and therefore the duration of business cycles differs. Business cycles can range from 3 years (Kitchin) to more than 50 years (Kondratief).

*[Adapted from www.google.com]*

- 2.3.1 Identify ONE factor from the extract which might cause economic fluctuations. (1)
- 2.3.2 Name the type of business cycle caused by changes in investment in equipment and machinery. (1)
- 2.3.3 Briefly describe the term *business cycle*. (2)
- 2.3.4 Explain the reason why government intervention is not needed under exogenous explanations. (2)
- 2.3.5 How can fiscal policy be used to 'stimulate' a depressed economy? (2 x 2) (4)
- 2.4 Differentiate between *factor market* and *goods market*. (2 x 4) (8)
- 2.5 Evaluate South Africa's efforts in reducing costs in order to promote supply side policies. (8)
- [40]**



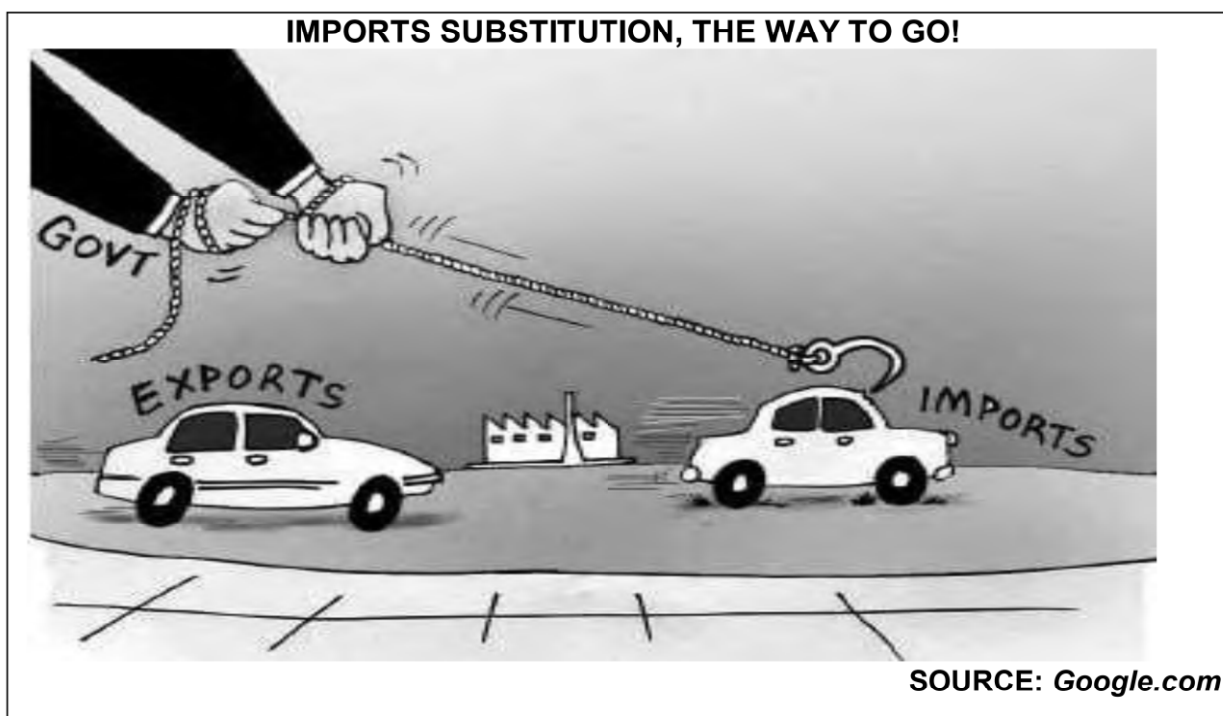
**QUESTION 3: ECONOMIC PURSUITS 40 MARKS – 30 MINUTES**

3.1 Answer the following questions.

3.1.1 Name any TWO examples of cash benefits received by households from the government. (2)

3.1.2 How can labour-intensive production benefit the South African economy? (2)

3.2 Study the cartoon below and answer questions that follow.



3.2.1 Identify the policy used by the government to discourage expenditure on foreign products. (1)

3.2.2 Name the international organization that promotes free trade. (1)

3.2.3 Briefly describe the term *export promotion*. (2)

3.2.4 Why is it important for South Africa to trade with other countries? (2)

3.2.5 How does an increase in imports affect the country? (2 x 2) (4)





3.3 Study the extract below and answer questions that follow.

**JIPSA: THE SOLUTION FOR SKILLS SHORTAGE**

The Joint Initiative on Priority Skills Acquisition (JIPSA) was launched on 27 March 2006.

Its aim is to identify urgent skills needs and effective solutions such as special training programmes, re-engaging retirees and drawing immigrants with necessary skills as well as to focus on developing skills in infrastructure project management. JIPSA is a joint initiative between government, labour and businesses.

**[Adapted from Google.com]**

- 3.3.1 Identify the growth and development strategy discussed above. (1)
- 3.3.2 Name the government department that is responsible for skills development in South Africa. (1)
- 3.3.3 Briefly describe the term *economic growth*. (2)
- 3.3.4 Explain the negative impact of a shortage of skilled labour force in the country? (2)
- 3.3.5 How does the Black Economic Empowerment Programmes improve the lives of the previously disadvantaged groups? (2 x 2) (4)
- 3.4 Discuss the National Development Plan as the South African approach for growth and development. (8)
- 3.5 How can protectionism positively influence the economy? (8)
- [40]**



**QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS**

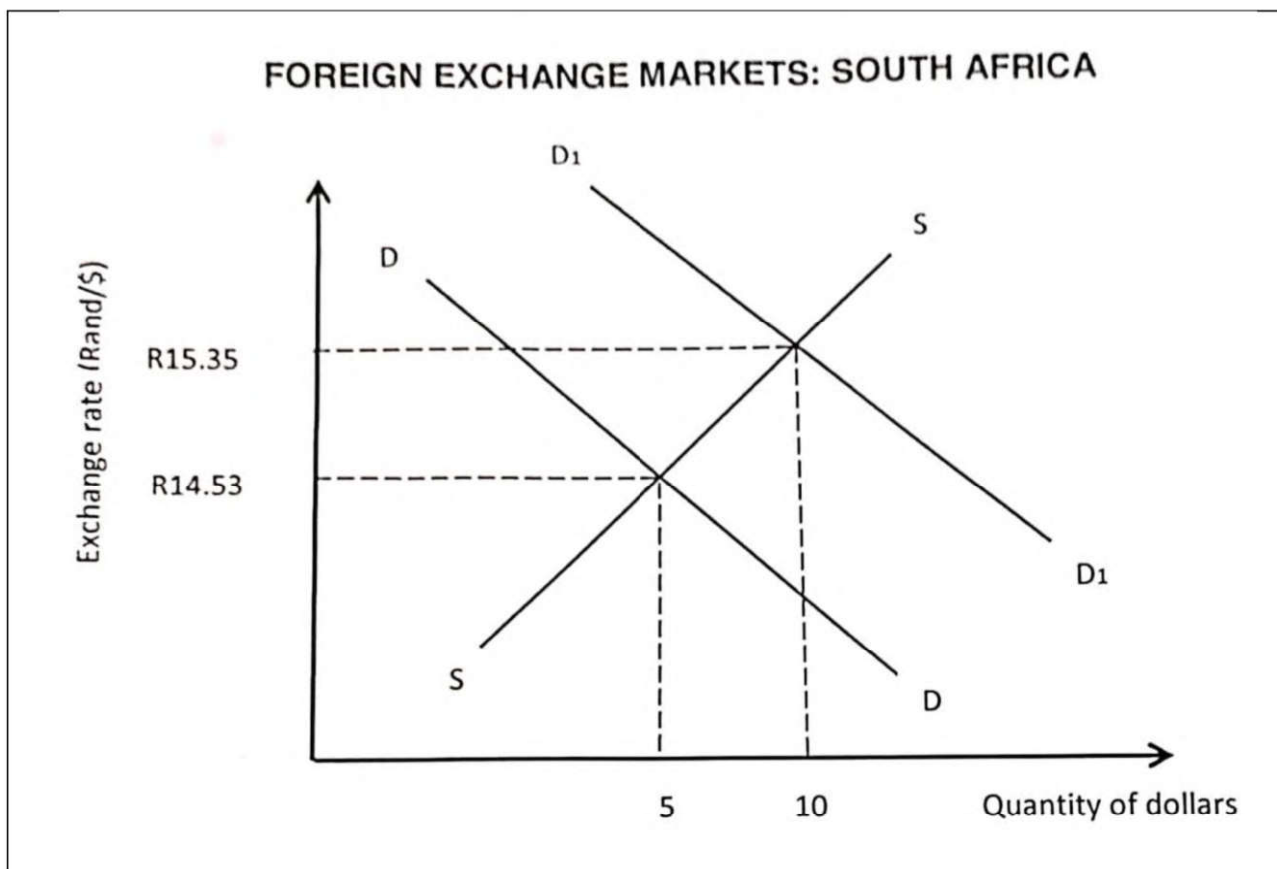
**40 MARKS – 30 MINUTES**

4.1 Answer the following questions.

4.1.1 Name TWO methods of export promotion. (2 x 1) (2)

4.1.2 How does an increase in aggregate demand benefit the economy? (1 x 2) (2)

4.2 Study the graph below and answer questions that follow.



4.2.1 Identify the original exchange rate on the graph above. (1)

4.2.2 Name the exchange rate system used in South Africa. (1)

4.2.3 Briefly describe the term *devaluation*. (2)

4.2.4 Explain any factor that can cause an increase in demand for US dollars in South Africa. (2)

4.2.5 How can the central bank stabilize the value of currency? (2 x 2) (4)

4.3 Study the extract below and answer the questions that follow.

**CONSUMER INFLATION CONTINUES TO BITE**

Consumer Price index is the most comprehensive indicator measuring consumer inflation in the country. It shows changes in the general purchasing power of the rand.

This week, the South African Reserve Bank (SARB) could be seen tightening monetary policy as inflation continues to head towards the top end of its 3-6% target range. Global producer price and food price inflation continues to surprise higher on fears of supply chain disruption, with the Russian war in Ukraine pushing oil prices to a 14-year high.

[Source: *iol.co.za*, March 2022]

- 4.3.1 Identify a product that is regarded as a commodity from the above extract. (1)
- 4.3.2 Name ONE institution that is responsible for publishing economic indicators in South Africa. (1)
- 4.3.3 Briefly describe the term *economically active population*. (2)
- 4.3.4 Explain the importance of money supply as an economic indicator? (2)
- 4.3.5 How does low productivity affect the economy? (2 x 2) (4)
- 4.4 Distinguish between *nominal* and *real* figures when calculating the GDP. (4 x 2) (8)
- 4.5 How can Small Business Development Programme stimulate the economy? (8)

**[40]**

**TOTAL SECTION B: 80 MARKS**



**SECTION C**

Answer ONE of the two question from this section in the ANSWER BOOK.

Your answer will be assessed as follows:

STRUCTURE OF ESSAY	MARK ALLOCATION
<b>Introduction</b> The introduction is a lower-order response. <ul style="list-style-type: none"> <li>• A good starting point would be to define the main concept related to the question topic.</li> <li>• Do not include any part of the question in your introduction.</li> <li>• Do not repeat any part of the introduction in the body.</li> <li>• Avoid mentioning in the introduction what you are going to discuss in the body.</li> </ul>	Max. 2
<b>Body</b> <b>Main part:</b> Discuss in detail/In-depth discussion/Examine/Critically discuss/ Analyse/Compare/Evaluate/Distinguish/Differentiate/Explain/Draw a graph and explain/Use the graph given and explain/Complete the given graph/Assess/Debate <b>A maximum of 8 marks may be allocated for headings/examples</b> <b>Additional part:</b> Critically discuss/Evaluate/Critically evaluate/Debate/Deduce/Compare/Distinguish/Interpret/How? /Suggest <b>A maximum of 2 marks may be allocated for mere listing facts.</b>	Max. 26  Max. 10
<b>Conclusion</b> Any higher-order conclusion should include: <ul style="list-style-type: none"> <li>• A brief summary of what has been discussed without repeating facts</li> <li>• Any opinion or value judgement on the facts discussed</li> <li>• Additional support information to strengthen the discussion/analysis</li> <li>• A contradictory viewpoint with motivation, if required</li> </ul>	Max. 2
<b>TOTAL</b>	<b>40</b>

**QUESTION 5    MACROECONOMICS                      40 MARKS                      40 MINUTES**

- Discuss in detail the reasons for public sector failure by linking them with the problems for public sector provisioning. (26 marks)
  - Why does fiscal policy fail to ensure economic growth in South Africa? (10 marks)
- [40]**

**QUESTION 6: ECONOMIC PURSUITS 40 MARKS – 40 MINUTES**

- Discuss in detail export promotion as a trade strategy. (26 marks)
  - Evaluate import substitution as trade policy in South Africa. (10 marks)
- [40]**

**TOTAL SECTION C: 40 MARKS  
GRAND TOTAL: 150 MARKS**



**GAUTENG PROVINCE**

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**GAUTENG DEPARTMENT OF EDUCATION**

**PRE-PREPARATORY EXAMINATION**

**22 AUGUST 2023**

**MARKING GUIDELINES**

**GRADE 12**

**ECONOMICS**



**Marks 150**

**PRE PRELIMINARY-EXAMINATION**

**SECTION A (COMPULSORY)**

**QUESTION 1 30 MARKS – 20 MINUTES**

**1.1 MULTIPLE CHOICE**

- 1.1.1 C (income method GDP(I). ✓✓
- 1.1.2 C (lead to a larger change in the national income) ✓✓
- 1.1.3 A (money) ✓✓
- 1.1.4 D (improving the efficiency of markets) ✓✓
- 1.1.5 B (free floating) ✓✓
- 1.1.6 A (land restitution) ✓✓
- 1.1.7 B (obesity) ✓✓
- 1.1.8 D (investing in social capital) ✓✓

(8 x 2) (16)

**1.2 MATCHING COLUMNS**

- 1.2.1 C (difference in the value of total output between a peak and a trough) ✓
- 1.2.2 E (measures undertaken by the government to stimulate growth in the economy) ✓
- 1.2.3 B (drives countries to specialize in the production of goods where they enjoy the lowest opportunity cost) ✓
- 1.2.4 F (purchase of assets, such as shares or bonds, were the investor is interested only in the expected financial return on the investment) ✓
- 1.2.5 A (levied according to the amount earned) ✓
- 1.2.6 H (a track of land that forms passageway allowing access from one area to another and is developed as part of regional development) ✓
- 1.2.7 D (financial incentives in the form of a cash grant of up to 50% of the costs training new staff) ✓
- 1.2.8 I (measured in terms of the rate of output per unit of input) ✓

(8 x 1) (8)

**1.3 CONCEPT/TERM:**

- 1.3.1 Coincident indicators ✓
- 1.3.2 Trend ✓
- 1.3.3 Opportunity cost ✓
- 1.3.4 International Monetary Fund ✓
- 1.3.5 Expanded Public Works Programme ✓
- 1.3.6 Dependency rate ✓

(6 x 1) (6)

**TOTAL SECTION A: 30**

## SECTION B

### QUESTION 2: MACROECONOMICS 40 MARKS – 30 MINUTES

2.1.1 Name any TWO prices used in the conversion of national aggregates.

- Basic prices ✓
- Market prices ✓
- Factor costs ✓

(2 x 1) (2)

2.1.2 What determines complete cycles of fluctuations in the economy?

Complete cycles of fluctuations are determined by distances from peak to peak or trough to trough. ✓✓

(1 x 2) (2)

### 2.2 DATA RESPONSE

2.2.1 Which economic concept, according to the extract, rely more on export and import prices?

Terms of Trade ✓

(1)

2.2.2 Give a current account item for recording donations.

Current Transfers ✓

(1)

2.2.3 Briefly describe the term *balance of payment*.

Systematic record of the country's transactions with the rest of the world over a given period of time. ✓✓

(2)

(Accept any other correct relevant response)

2.2.4 Why did South African merchandise exports experience a decline in 2020 in relation to the COVID-19 pandemic?

- Operations in the mining and processing of gold had to observe the COVID-19 pandemic protocols, and this slowed down productivity dramatically. ✓✓
- Sensitivity and attitudes of many leading countries towards South Africa and its way of dealing with the pandemic, also impacted negatively on merchandise exports. ✓✓
- Closing down of cross-borders as temporary precautionary measures for the pandemic, also had a negative effect on gold exports by South Africa. ✓✓


(Accept any other correct relevant response.)

(2)



**2.2.5 Calculate the percentage change of the surplus in the current account of the balance of payments in the second and third quarters of 2021. Show ALL calculations.**

Percentage change of the surplus


$$\begin{aligned} &= \frac{2^{\text{nd}} \text{ quarter surplus} - 3^{\text{rd}} \text{ quarter surplus}}{2^{\text{nd}} \text{ quarter surplus}} \times 100\% \\ &= \frac{R311 \text{ billion} - R226 \text{ billion}}{R311 \text{ billion}} \times 100\% \checkmark \\ &= \frac{R85 \text{ billion}}{R311 \text{ billion}} \times 100\% \checkmark \\ &= 0,273 \times 100\% \\ &= 27,3\% \checkmark \checkmark \end{aligned} \quad (4)$$

## 2.3 DATA RESPONSE

**2.3.1 Identify ONE factor from the extract which might cause economic fluctuations.**

Shocks ✓

**2.3.2 Name the type of business cycle caused by changes in investment in equipment and machinery.** (1)

Jugler ✓

**2.3.3 Briefly describe the term *business cycle*.**

Successive periods of increasing and decreasing economic activities. ✓✓  
(Accept any other correct relevant response.) (2)

**2.3.4 Explain the reason why government intervention is not needed under exogenous explanations.** (2)

Markets are inherently stable under exogenous explanations, and any government can destabilise markets. ✓✓  
(Accept any other correct relevant response.) (2)

**2.3.5 How can fiscal policy be used to 'stimulate' a depressed economy?**

- The finance ministry can lower taxation so that aggregate demand can be increased due to more disposable income. ✓✓
- They can also increase government spending, especially for the historically marginalised groups. ✓✓
- Increased government spending has a way of increasing aggregate demand and total spending by circular flow participants. ✓✓  
(Accept any other correct relevant response.) (4)

**2.4 Differentiate between *factor market* and *goods market*.**

**Factor market**

This is the market where factors of production are traded. ✓✓  
Factor market is also known as input or resource market. ✓✓



E.g. labour trading ✓

### Goods market

This is the market where goods and services are traded. ✓✓

Goods market is also known as output or product market. ✓✓

E.g. trading consumer and capital goods. ✓

(Accept any other correct relevant response.)

(A maximum of 4 marks may be allocated for mere listing of facts/examples.

(2 x 4) (8)

## 2.5 Evaluate South Africa's efforts in reducing costs to promote supply side policies.

### Successes

- In terms of infrastructural costs, South Africa has adopted a cheaper option recently in the construction of roads by municipalities using paving instead of expensive tarred roads. ✓✓
  - Cash incentives by the DTI have been assisting South African exporters in developing markets abroad, and thus lowering or reducing the cost of production for them. ✓✓
- (Accept any other correct relevant response.)

### Failures

- The country, through NERSA, has failed to lower the costs of electricity to the benefit of all South Africans. ✓✓
  - These high costs of electricity have also affected the production of goods and services due to higher costs incurred by the businesses. ✓✓
  - Tender systems awarded by municipalities for supply of water to areas with water shortages using water trucks, have benefited a few at unreasonable costs that could have been used to stimulate the economy. ✓✓
  - costs have been unnecessarily high due to incompetence and maladministration by the personnel, and as a result affecting supply of the much-needed goods and services. ✓✓
- (Accept any other correct relevant response)

(A maximum of 2 marks may be allocated for the mere listing of facts/examples)

(4 x 2) (8)  
[40]



**QUESTION 3: ECONOMIC PURSUITS 40 MARKS – 30 MINUTES**

3.1 Answer the following questions.

**3.1.1 Name any TWO examples of cash benefits received by households from the government.** (2)

- Social relief grant ✓✓
- Disability grant ✓✓
- Child support grant ✓✓
- Old-age pensions ✓✓
- Unemployment Insurance Fund ✓✓

(Accept any other relevant and correct response)

**3.1.2 How can labour-intensive production benefit the South African economy?**

- Labour intensive production benefits South African economy through job creation which result in the improvement of the standard of living. ✓✓
- Labour force will gain more skills and on the job training. ✓✓

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

**3.2 DATA RESPONSE**

**3.2.1 Identify the policy used by the government to discourage expenditure on foreign products.**

Import Substitution ✓ (1)

**3.2.2 Name the international organization that promotes free trade.**

World trade organization ✓ / WTO ✓ (1)

**3.2.3 Briefly describe the term *export promotion*.**

Export promotion refers to incentives to encourage the production of goods that can be exported. ✓✓

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

**3.2.4 Why is it important for South Africa to trade with other countries?**

- Trade ensures that the country is able to achieve export – led economic growth. ✓✓
- It leads to the increase in the competitiveness of the South Africa's manufacturing sector. ✓✓
- It ensures a creation of sustainable job opportunities as the economy becomes more diverse. ✓✓

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

**3.2.5 How does an increase in imports affect the country?**

- The influx of imported goods in the country results to a negative trade balance hence balance of payment problems. ✓✓
- Imported goods have a potential of increasing the prices of locally manufactured goods, therefore causing inequality in the economy. ✓✓
- Too many imports in the economy can hinder the development of local industries thereby causing a high rate of unemployment. ✓✓

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

**3.3 DATA RESPONSE**

**3.3.1 Identify the growth and development strategy discussed above.**

Joint Initiative on Priority Skills Acquisition ✓/ JIPSA✓ (1)

**3.3.2 Name the government department that is responsible for skills development in South Africa.**

Department of Higher education and training ✓/ DHET✓ (1)

**3.3.3 Briefly describe the term *economic growth*.**

Economic growth refers to an increase in the capacity of the economy to produce more goods and services. ✓✓

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

**3.3.4 Explain the negative impact of a shortage of skilled labour force in the country?**

- The high rate of unskilled labour force slows down the production process therefore retarding economic growth rate for the country. ✓✓
- Unskilled workers can produce goods of inferior quality therefore hampering the competitiveness of the country in the international market. ✓✓
- Unskilled labour force can be inflexible thus a variety of goods cannot be produced. ✓✓

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

**3.3.5 How does the Black Economic Empowerment Programmes improve the lives of the previously disadvantaged groups?**

- This program creates a platform which allows the previously disadvantaged groups to gain access to industries that were previously dominated by the minority groups. ✓✓
- The Black Economic Empowerment Programmes advance the lives of South Africans by creating equal opportunities for the previously

disadvantaged communities thus allowing them to participate in the mainstream economy. ✓✓

- It provides a compelling framework to create employment, skills training and career development of a workforce that will eventually mirror the demographic and gender composition of the country. ✓✓
- The Black Economic Empowerment Act assist previously disadvantaged groups to explore the business world thus raising their standard of living. ✓✓

(Accept any other relevant and correct response)

(2 x 2) (4)

### 3.4 Discuss the National Development Plan as the South African approach for growth and development.

- The NDP is aimed at eliminating poverty and reduce inequality by 2030. ✓✓
- The plan is to draw the energies of all the people to growing an inclusive economy, building capabilities, enhancing capacity of the state, and promoting leaderships and partnerships throughout societies. ✓✓
- The long-term plans of all government departments are aligned with the NDP, and areas are identified where policy change is required to ensure consistency and coherence. ✓✓
- The plan will shape budget allocation over the years until 2030.
- The NDP identifies the improvement of public services as critical to achieve transformation. ✓✓
- Provinces will focus on identifying and overcoming the challenges to achieving improved outcomes, including the need to strengthen the ability of local government to fulfil its developmental role. ✓✓

(Accept any other relevant and correct response)

(8)

### 3.5 How can protectionism positively influence the economy?

- When local producers are protected from the competition by multinational industries, they charge reasonable prices thus making their goods more affordable. ✓✓
- When eliminating imports, economic self-sufficiency can be attained therefore achieving a positive trade balance. ✓✓
- Protection laws shield strategic industries therefore ensuring the sufficient supply of strategic goods in the country. ✓✓
- Prevention of dumping by big international businesses promotes the efficiency of local industries thus accelerating economic growth for the country. ✓✓
- Import tariffs charged become the earnings to the government and can increase the tax base of the country. ✓✓
- Protection laws results to balance of payment corrections and stabilize exchange rates for the country. ✓✓
- Protectionism stabilises exchange rates and balance of payments thus improving the country's competitiveness. ✓✓

(Accept any other relevant and correct response)

(8)

**QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS**

**40 MARKS – 30 MINUTES**

4.1 Answer the following questions.

4.1.1 Name **TWO** methods of export promotion.

- Incentives ✓
- Subsidies ✓

(2 x 1) (2)

4.1.2 How does an increase in aggregate demand benefit the economy?

- An increase in aggregate demand is intertwined with an increase in aggregate spending hence an increase in GDP. ✓✓
- This increase implies that the country's economic growth can be accelerated. ✓✓

(Accept any other relevant and correct response)

(1 x 2) (2)

**4.2 DATA RESPONSE**

4.2.1 Identify the original exchange rate on the graph above.

R14.53 ✓

(1)

4.2.2 Name the exchange rate system used in South Africa.

Free-floating exchange rates. ✓

(1)

4.2.3 Briefly describe the term *devaluation*.

Devaluation is a deliberate decrease in the value of the currency by the central bank. ✓✓

(Accept any other relevant and correct response)

(2)

4.2.4 Explain any factor that can cause an increase in demand for US dollars in South Africa.

- South Africans may demand US-Dollars when they wish to buy goods and services from the USA. ✓✓
- People travelling to the US from South Africa may require exchanging South African Rands for US-Dollars. ✓✓

(Accept any other relevant and correct response)

(2)



#### 4.2.5 How can the central bank stabilize the value of currency?

- The Central bank can buy or sell foreign exchange when the currency is undervalued. ✓✓
  - When the currency is undervalued interest rates can be decreased to cause an outflow of foreign currency and drain excess liquidity from the economy. ✓✓
- (Accept any other relevant and correct response) (2 x 2) (4)

#### 4.3 DATA RESPONSE

##### 4.3.1 Identify a product that is regarded as a commodity from the above extract.

Oil ✓ (1)

##### 4.3.2 Name ONE institution that is responsible for publishing economic indicators in South Africa.

Statistics South Africa ✓ (2)

##### 4.3.3 Briefly describe the term *economically active population*.

All persons of either sex between the ages of 15 to 65 who supply labour for productive activities. ✓✓  
(Accept any other relevant and correct response) (2)

##### 4.3.4 Explain the importance of money supply as an economic indicator?

- An increase in money supply may result to inflation thus indicating a need for government intervention to bring it within the target range. ✓✓
  - Money supply is the component of monetary indicator as it is used as an important element in determining economic activity. ✓✓
  - Decrease in money supply indicates that the economy is about to enter the period of lower growth or even recession. ✓✓
- (Accept any other relevant and correct response) (2)

##### 4.3.5 How does low productivity affect the economy?

- Low productivity results in exports being more expensive and becomes difficult to find trading partners. ✓✓
  - It causes the depreciation in currency thus making it more expensive to buy from other countries. ✓✓
  - A country with a low productive capacity tends to rely on imported goods thus causing balance of payments problems. ✓✓
  - It causes inflation as wages increase whilst workers do not produce more. ✓✓
- (Accept any other relevant and correct response) (2 x 2) (4)

**4.4 Distinguish between *nominal* and *real* figures when calculating the GDP.** (4X2) (8)

NOMINAL FIGURES	REAL FIGURES
They are also known as national product at current prices. ✓✓	Real figures are also known as national product at constant prices. ✓✓
Nominal figures are calculated by multiplying all final goods by their prices. ✓✓	Real figures are expressed in prices which applied in a certain base year.
Inflation rate has not yet been taken into consideration. ✓✓ (Max.4)	They are expressed by the CPI since inflation rate is taken into account. ✓✓ (max.4)

(Accept any other relevant and correct response)

**4.5 How can Small Business Development Programme stimulate the economy?**

- Small Business Development Programme can stimulate the economy by allowing community members to generate profits which enable them to raise the standard of living. ✓✓
- Self- sufficiency can be promoted thus easing the pressure from the government to provide basic needs. ✓✓
- This initiative creates immediate employment and job opportunities in the society thus increasing the per capita income for the country. ✓✓
- A platform is provided where anyone with an initiative/ creative mind can invest therefore increasing economic participation in the country.
- SBDP contributes to the country's GDP and fast track economic growth for the country. ✓✓

(Accept any other relevant and correct response)

(8)  
[40]



## SECTION C

Answer ONE of the two question from this section in the ANSWER BOOK.

### QUESTION 5 MACROECONOMICS 40 MARKS 40 MINUTES

- Discuss in detail the reasons for public sector failure by linking them with the problems for public sector provisioning (26 marks)
- Why does fiscal policy fail to ensure economic growth in South Africa? (10 marks)

#### INTRODUCTION

Public sector failure occurs when government intervention in the economy leads to an inefficient allocation of resources and leads to an overall decline in economic welfare. ✓✓

(Accept any other low relevant definition)

(Max. 2)

#### MAIN BODY

##### Management failure. ✓

- Since the assessing of needs is difficult therefore the state might oversupply some goods and undersupply some goods. ✓✓
- In this way the management was not able to satisfy the needs of the consumers and there will be wastages leading to the public sector failure. ✓✓
- People working in parastatals might lack management skills and might end up implementing wrong policies that may cause the public sector to fail. ✓✓
- If the management cannot explain the decisions that they took and explain how they spend the money they have been allocated then they are not accountable and this may be a result of corruption, corruption results in inefficiencies that lead to fail in public sector. ✓✓
- The state employs a civil servant in the capacity of an accountant, but the employee does not have the required qualifications ✓✓
- This is therefore linked to efficiency as a problem of public sector provisioning ✓✓

##### Incompetence/Apathy ✓

- Incompetence occurs when someone does not have the necessary skill set or ability to perform a task. ✓✓
- This could be due to individual being demotivated, having a lack of training or skills, lacking experience or apathy ✓✓
- Parastatal employees lack the interest or concern because they know they will get paid even when they are underperforming. ✓✓



- e.g., a ward councillor receives the approval for the building of new communal toilets at the local park but the building of the toilets is delayed because the required paperwork was never submitted to the building contractor ✓

### Bureaucracy ✓

- Complex rules and procedures might lead to inefficiencies in the public sector and the public sector might fail to provide the goods and services in time for the consumers. ✓✓
- For example, if there is an electricity fault at some house the state company Eskom will send their workers to fix the fault and the workers will only fix that fault because they were told to fix that only even if there is a fault in the neighbouring house, they won't fix it but they will need that fault to be reported so they can come fix it. ✓✓
- This simply means that the parastatals cannot satisfy the needs of consumers in time because of the rules and procedures that must be followed that may take time to finish following them. ✓✓
- This link to typical problems experienced through public sector provisioning of efficiency and assessing needs. ✓✓

### Lack of motivation ✓

- Nationalizing companies may demotivate workers to work hard as their hard work would not be recognized leading to the workers being inefficient. ✓✓
- Civil servants do not get evaluated, acknowledged, or rewarded for excellent service by their clients, whereas their private sector counterparts do. ✓✓
- Furthermore, private sector employees are often incentivized through bonuses, awards etc. for excellent service whereas public sector employees are not ✓✓
- Customer service is also not regarded as a priority ✓✓
- This link to typical problems experienced through public sector provisioning of efficiency and assessing needs ✓✓

### Politicians ✓

- Lack of accountability by politicians may be a result of corruption and this may lead to them not fulfilling the promises they made to individuals when they were running their campaigns. ✓✓
- As the politicians are not accountable for their actions then resources may not be allocated fairly because of corruption. ✓✓
- e.g., the minister of health approves a contract for a vaccination programme from a company where he is a major stakeholder without disclosing this pertinent information ✓✓

- this may be linked accountability and efficiency as problems of public provisioning ✓✓

### Structural weaknesses. ✓

- Incompetency of workers may lead to the workers not being able to provide efficient services to the public. ✓✓
- Nationalization of companies that provide a different good that the state provides may make it difficult for the state to be able to provide that good. ✓✓
- e.g. Eskom is the only service provider of electricity in South Africa and when power outages occur, it impacts on the efficiency of the entire country. ✓✓
- This may be linked to accountability, efficiency, and parastatals as problems of public provisioning. ✓✓

### Special interest groups ✓

- Special interest groups can be viewed as using their political power to raise demand for public services, as well as using their bargaining power to fight for higher wages. ✓✓
- Special interest groups' political power leads to more government spending which strain the government expenditure for the fiscal year. ✓✓
- huge strike caused by special interest groups such as South African taxi association decreases production of the economy since people will not be having alternative transportation to work. ✓✓
- This linked to efficiency as a problem public sector provisioning. ✓✓

**(Allocate a maximum of 8 marks for mere listing of facts/examples) (Max. 26)**

## ADDITIONAL PART

**Why does fiscal policy fail to ensure economic growth in South Africa?**

**(Max 10)**

- When government experience a budget deficit, it tends to draw on resources that the private sector could have used to accumulate private physical capital. ✓✓
- Governments are inherently bureaucratic and less efficient and as a result they tend to hinder rather than facilitate growth if they get involved in the productive sectors of the economy. ✓✓
- Government fiscal policy is thought to stifle economic growth by distorting the effect of tax and inefficient government spending. ✓✓
- The tax base of South Africa cannot stimulate the nation as most productive group (youth) is faced with high unemployment. ✓✓

- The population growth rate in South Africa is increasing at a higher rate than economic growth rate, hence the fiscal policy is not effective in increasing economic growth. ✓✓
- External factors such as the effects of the lockdown during COVID 19 as well as the Eskom electricity loadshedding disturbs the effective implementation of the fiscal policy to improve economic growth. ✓✓
- RSA is effective in collection of different taxes, however there is mismanagement of tax revenue by government officials due to corruption and fraud. ✓✓

**(Accept any other relevant and correct higher order explanations)**

**(A maximum of 2 marks will be allocated for a mere listing facts)**

## CONCLUSION

Increased transparency can help deliver change in public sector performance by breaking down government silos and ensuring inter-agency information-sharing, and publishing or disseminating performance information. Transparency can also be a powerful driver for changing incentives. ✓✓

**(Accept any other higher order conclusion)**

**[40]**

## QUESTION 6: ECONOMIC PURSUITS 40 MARKS – 40 MINUTES

- Discuss in detail export promotion as a trade strategy. (26 marks)
- Evaluate import substitution as trade policy in South Africa. (10 marks)

**[40]**

## INTRODUCTION

Export promotion involves providing incentives to encourage local businesses to produce goods for export. ✓✓

- When government pay incentives to encourage the production of goods that can be exported. ✓✓

(Accept any other correct relevant introduction.)

**(Max. 2)**

## BODY

### Main Part

#### Reasons for export promotion

- The country achieves significant export-led economic growth. ✓✓
- Export promotion enlarges the production capacity of the country. ✓✓
- Export markets are much bigger than local markets. ✓✓
- Larger production units create more job opportunities. ✓✓
- It leads to lower retail prices. ✓✓



## Methods of export promotion

### Incentives: ✓

- The government supplies information on export markets in order to stimulate exports. ✓✓
- Other examples are research on new markets, concessions on transport charges, export credit. ✓✓

### Subsidies: ✓

- Incentives which encourage exporters to increase the amount of the production. ✓✓
- It includes direct and indirect subsidies:
  - Direct subsidies: Cash payments to exporters ✓✓
  - Indirect subsidies: Refunds on import tariffs and general tax rebates ✓✓

□

### Trade neutrality: ✓

- Subsidies, equal in size to import duties, are paid. ✓✓
- Neutrality can be achieved through trade liberalisation. ✓✓

## Disadvantages of export promotion

### 1. The real cost of production is hidden: ✓

- It reduces the total costs by subsidies and incentives ✓✓
- The real cost of production is concealed by the subsidies ✓✓
- The product may thus never be able to compete in the open Market. ✓✓

□

### 2. Lack of competition: ✓

- Incentives and subsidies reduce prices and force competitors who may be able to create sustainable and profitable businesses out of the market. ✓✓
- Total potential trade is therefore reduced with subsidies rather than without subsidies. ✓✓

### 3. Increased tariffs and quotas: ✓

- Overseas countries may retaliate with tariffs and even quotas when □ similar goods are sold domestically below their real cost of production. ✓✓
- Powerful overseas businesses can afford to offer similar products at □ much lower prices. ✓✓
- Compared to their production, the subsidised business's domestic market may be so small that it will destroy the business that received the subsidy. ✓✓

### 4. Protection of labour-intensive industries: ✓

- Developed countries often maintain high levels of effective protection for their industries that produce labour-intensive goods in which developing countries already have or can achieve comparative advantage. ✓✓
- Export promotion results in the protection of labour-intensive industries by developed countries. ✓✓

(Max. 26)

**Evaluate import substitution as trade policy in South Africa.  
Additional Part**

**Positive responses:**

- A decrease in imports has a positive effect on the balance of payments as more exports than imports will take place. ✓✓
- Import substitution improves industrialisation which increases employment opportunities. ✓✓
- Tariffs introduced in South Africa led to increased demand for locally manufactured goods and services. ✓✓

**Negative responses:**

- Import substitution is restrictive as the choice of goods and services available to consumers may be limited. ✓✓
- It is not easy to implement the policy of import substitution due to unrecorded informal/illegal transactions. ✓✓
- Inefficient local production may occur because local producers are shielded from international competition. ✓✓
- Import substitution does not necessarily lead to an overall reduction in imports, South Africa had to import capital and intermediate goods to manufacture consumer goods. ✓✓

(Allocate a maximum of 2 marks for the mere listing of facts/examples.) **(Max. 10)**

**CONCLUSION**

The South African government has done everything to protect its local industries from foreign and harmful competition and to protect the existing jobs as well. ✓✓

(Accept any other correct high order conclusion.) **(Max. 2)**

**[40]**

