



# education

Department of  
Education  
FREE STATE PROVINCE

**PREPARATORY EXAMINATION**

**GRADE 12**

**ECONOMICS P1**

**SEPTEMBER 2023**

*Stanmorephysics*  
**MARKS: 150**

**TIME: 2 HOURS**

This question paper consists of 14 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 comply with the cognitive requirements of the questions.
9. Use only black or blue ink.
10. You may use a non-programmable pocket calculator.
11. Write neatly and legibly.



## SECTION A (COMPULSORY)

### QUESTION 1

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 numbers (1.1.1 to 1.1.8) in the ANSWER BOOK, for example, 1.1.9 C.

1.1.1 A Nigerian consultant working for Vodacom in Bloemfontein, forms part of ...

- A South Africa's GNP and Nigeria's GDP.
- B Nigeria's GNP and South Africa's GDP.
- C only South Africa's national income figures.
- D only Nigeria's national income figures as he is a Nigerian citizen.

1.1.2 One of the reasons for public sector failure is ...

- A a mixed economy.
- B opportunities for investment.
- C merit goods.
- D structural weakness.

1.1.3 Components of the monetary policy used by the state to influence the economy in a desired direction, are moral suasions and ...

- A taxation.
- B state debt.
- C cash reserve requirements.
- D government spending.

1.1.4 An increase in the value of a currency under a fixed exchange rate system is called ...

- A depreciation.
- B devaluation.
- C appreciation.
- D revaluation.

1.1.5 An example of an economic indicator is ...

- A producer price index.
- B electricity supply.
- C sanitation.
- D health.



1.1.6 Regional development policies aim to reduce the effect of ... on industries.

- A decentralisation
- B centralisation
- C mobilisation
- D investment

1.1.7 When import duties are imposed as a percentage of the value of imported goods, it is known as ... duties.

- A ad valorem
- B specific
- C progressive
- D protectionism

1.1.8 Increasing the repo rate can be considered as a ... approach to growth and development.

- A supply-side
- B stimulatory
- C demand-side
- D fiscal

(8 x 2) (16)




1.2 Choose a description from COLUMN B that matches an item in COLUMN A. Write only the letter (A–I) next to the question numbers (1.2.1 to 1.2.8) in the ANSWER BOOK. e.g. 1.2.9 J.

COLUMN A	COLUMN B
1.2.1 Consumption of fixed capital	A promotes affirmative action and prevents discrimination in the workplace
1.2.2 Length	B net difference between merchandise exports plus net gold exports and merchandise imports
1.2.3 Trade balance	C depreciation in the value of fixed assets that occurs during the production process
1.2.4 Bureaucracy	D information about the size and structure of the population
1.2.5 Employment Equity Act	E measured from peak to peak or trough to trough
1.2.6 Specific duty	F rules and regulations that hamper progress in the economy
1.2.7 Demographics	G financial incentive for foreign investors who invest in new manufacturing businesses in South Africa
1.2.8 National Research and Development Strategy	H focuses on using science and technology to promote and expand industrialisation
	I when import tariff is levied as the amount per unit, mass or any measure

(8 x 1) (8)



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

1.3.1  The proportion of additional income that households choose to spend on consumer goods and services

1.3.2 The expansion period of a business cycle

1.3.3 When state expenditure is more than state income

1.3.4 A nationwide government intervention to create employment using labour-intensive methods

1.3.5 Implemented to improve the expansion of particular industries

1.3.6 The relationship between the output of economic activities and the input of the factors of production

(6 x 1) (6)

**TOTAL SECTION A: 30**



## 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 TWO examples of injections in the economy. (2 x 1) (2)

2.1.2 What is the relationship between real flows and money flows in the economy? (1 x 2) (2)

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

PERIOD (IN YEARS & QUARTERS)	GROSS DOMESTIC PRODUCT GROWTH RATE (IN %)
Q4 2020	2.7
Q1 2021	0,8
Q2 2021	1.4
Q3 2021	-1.8
Q4 2021	1.4
Q1 2022	1.9

[Adapted from www.google]

2.2.1 By what percentage did the gross domestic product growth rate improve between quarter 4 of 2021 and quarter 1 of 2022? (1)

2.2.2 Indicate the gross domestic product growth rate trend from quarter 3 of 2021 to quarter 1 of 2022. (1)

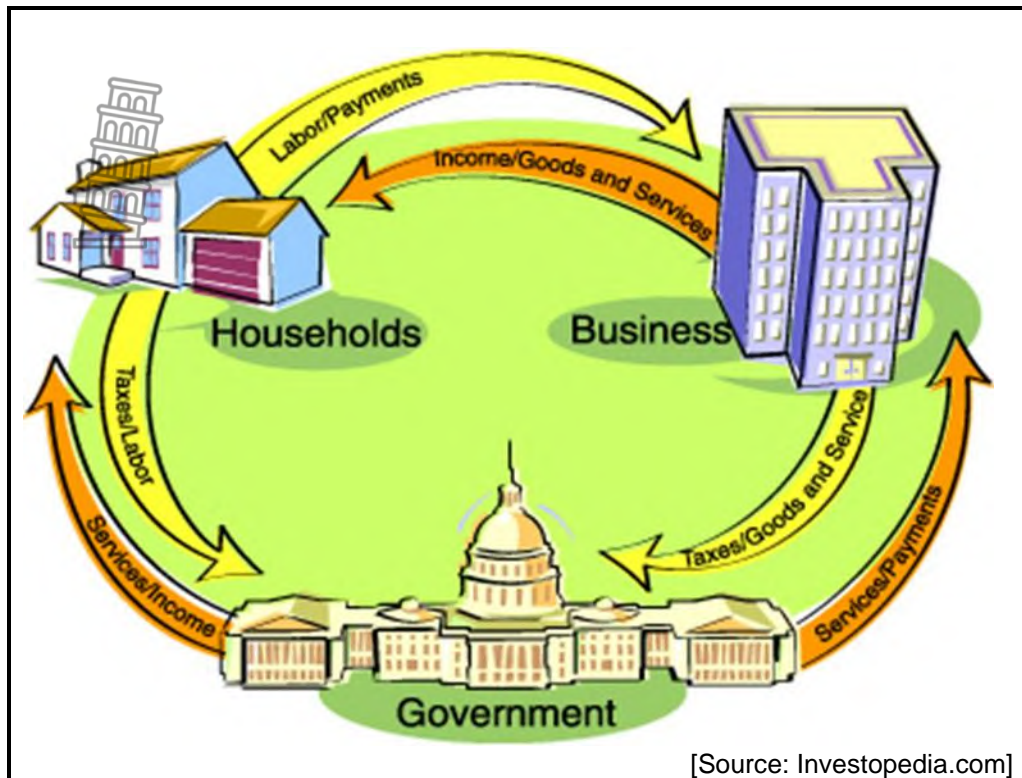
2.2.3 Briefly describe the term *real business cycles*. (2)

2.2.4 Explain the reason why the growth rate remained positive in South Africa for the last quarter of 2020 and the first two quarters of 2021 against COVID-19 expectations. (2)

2.2.5 What measures can the government employ to ensure that economic growth is achieved? (4)



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



- 2.3.1 What kind of the economy is depicted in the diagram above? (1)
- 2.3.2 How many flows are indicated by the services/payments in the diagram above? (1)
- 2.3.3 Briefly describe the term *circular flow*. (2)
- 2.3.4 Briefly explain the significance of the foreign sector in the economy. (2)
- 2.3.5 How can an increase in household spending influence the economy? (2 x 2) (4)
- 2.4 Briefly explain economic equity and price stability as macroeconomic objectives of the government. (2 x 4) (8)
- 2.5 How can aggregate supply be stimulated by improving the efficiency of markets? (4 x 2) (8)

**[40]**





**QUESTION 3: ECONOMIC PURSUITS**

**40 MARKS – 30 MINUTES**

3.1 Answer the following questions.

3.1.1 Name TWO indexes used to measure inflation. (2 x 1) (2)

3.1.2 How is the economically active population constituted as an employment indicator? (1 x 2) (2)

3.2 Study the cartoon below and answer the questions that follow.



3.2.1 Identify the economic concept illustrated in the cartoon above. (1)

3.2.2 Which threat is depicted in the cartoon above? (1)

3.2.3 Briefly describe the term *economic development*. (2)

3.2.4 How does life expectancy in countries in the North compare to that of countries in the South? (2)

3.2.5 Why would countries in the North have distinct trade advantages over countries in the South? (2 x 2) (4)

3.3 Study the picture below and answer the questions that follow.



- 3.3.1 Which type of social indicator is depicted in the picture above? (1)
- 3.3.2 Identify the child malnutrition illustrated in the picture above. (1)
- 3.3.3 Briefly describe the term *infant mortality*. (2)
- 3.3.4 Briefly explain why obesity in children is associated with other diseases. (2)
- 3.3.5 What impact can poor services have on the well-being of people? (4)
- 3.4 Differentiate between *cash benefits* and *benefits in kind*. (2 x 4) (8)
- 3.5 How can social indicators assist the government in making more informed decisions? (8)

**[40]**



**QUESTION 4: MACROECONOMICS & ECONOMIC PURSUIT**

**40 MARKS – 40 MINUTES**

4.1 Answer the following questions.

4.1.1 Name TWO variables illustrated in the Phillips Curve graph. (2 x 1) (2)

4.1.2 What is the government's main purpose with subsidies on property? (1 x 2) (2)

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

**DYSFUNCTIONAL MAPUTO CORRIDOR**

The government needs to address the severe congestion at the Lebombo/Ressano Garcia border post, which has cost trucking companies R1.3bn in lost revenue so far this year.

[Source: Adapted from timeslive.co.za]

4.2.1 Give a word or phrase from the information above that serves as a reason for the dysfunctional Maputo Corridor. (1)

4.2.2 Which African country is associated with the corridor indicated above? (1)

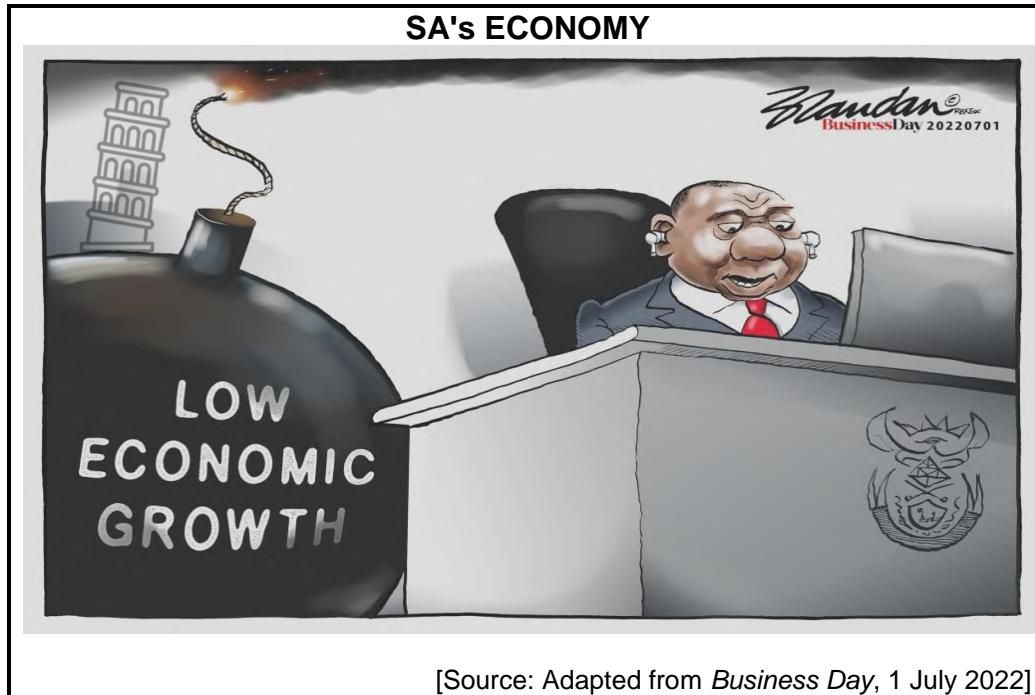
4.2.3 Briefly describe the term *corridor*. (2)

4.2.4 Explain *free market orientation* as international benchmark criteria. (2)

4.2.5 What are the objectives of the government with regard to corridors? (4)



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



- 4.3.1 Which government policy most effectively overcomes the low economic growth depicted in the cartoon? (1)
- 4.3.2 When is the Medium-term Budget Policy Statement presented in parliament each year? (1)
- 4.3.3 Briefly describe the term *public sector failure*. (2)
- 4.3.4 Explain the impact that low productivity can have on the South African balance of payment. (2)
- 4.3.5 How can the South African government improve its growth rate? (4)
- 4.4 Discuss the Spatial Development Initiatives (SDIs) in South Africa and link them to the private-public partnership. (2 x 4) (8)
- 4.5 Analyse the importance of expressing national figures in real rather than nominal terms. (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.

Your answer will be assessed as follows:

 <b>STRUCTURE OF ESSAY</b>	<b>MARK ALLOCATION</b>
<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 saying in the introduction what you are going to discuss in the body.</li> </ul>	<p style="text-align: center;"><b>2 marks</b></p>
<b>Body</b> <b>Main part:</b> Discuss in detail/In-depth discussion. /Examine/Critically discuss/ Analyse/Compare/Evaluate/Distinguish/Differentiate/ Explain <b>Additional part:</b> Give own opinion/Critically discuss/Evaluate / Critically evaluate/ Draw a graph and explain/Use the graph given and explain Complete the given graph/Calculate/Deduce/Compare/Explain/ Distinguish/Interpret/Briefly debate/How/Suggest	<p style="text-align: center;"><b>26 marks</b></p> <p style="text-align: center;"><b>10 marks</b></p>
<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 already mentioned</li> <li>• Any opinion or value judgment on the facts discussed</li> <li>• Additional support information to strengthen the discussion/ analysis</li> <li>• A contradictory viewpoint with motivation, if required</li> <li>• Recommendations</li> </ul>	<p style="text-align: center;"><b>2 marks</b></p>
<b>TOTAL</b>	<p style="text-align: center;"><b>40</b></p>



**QUESTION 5: MACROECONOMICS**

**40 MARKS – 40 MINUTES**

- Discuss in detail the reasons for international trade. (26 marks)
- What impact can international trade have on countries of the world? (10 marks)

**[40]**

**QUESTION 6: ECONOMIC PURSUITS**

**40 MARKS – 40 MINUTES**

- Discuss in detail, the arguments in favour of protectionism. (26 marks)
- Evaluate South Africa's import substitution as a trade policy. (10 marks)

**[40]**

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





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**MARKING GUIDELINE**

**MARKS: 150**

This marking guideline consists of 20 pages.



## SECTION A (COMPULSORY)

### QUESTION 1

#### 1.1 MULTIPLE CHOICE

1.1.1 B (Nigeria's GNP and South Africa's GDP.) ✓✓

1.1.2 D (structural weakness) ✓✓

1.1.3 C (cash reserve requirements) ✓✓

1.1.4 D (revaluation) ✓✓

1.1.5 A (producer price index) ✓✓

1.1.6 B (centralisation) ✓✓

1.1.7 A (ad valorem) ✓✓

1.1.8 C (demand-side.) ✓✓

(8 x 2) (16)

#### 1.2 MATCHING COLUMNS

1.2.1 C (depreciation in the value of fixed assets that occurs during the production process) ✓

1.2.2 E (measured from peak to peak or trough to trough) ✓

1.2.3 B (net difference between merchandise exports plus net gold exports and merchandise imports) ✓

1.2.4 F (rules and regulations that hamper progress in the economy) ✓

1.2.5 A (promotes affirmative action and prevents discrimination) ✓

1.2.6 I (when import tariff is levied as the amount per unit, mass or any measure.) ✓

1.2.7 D (information about the size and structure of the population) ✓

1.2.8 H (focuses on using science and technology to promote and expand industrialisation) ✓

(8 x 1) (8)



1.3 **CONCEPT/TERM**

1.3.1 Marginal propensity to consume ✓

1.3.2 Upswing/Upturn ✓

1.3.3 Deficit ✓

1.3.4 Expanded Public Works Programme ✓

1.3.5 Industrial development strategies ✓

1.3.6 Productivity ✓

(6 x 1) (6)

**TOTAL SECTION A: 30**



## SECTION B

Answer any TWO of the three questions.

### QUESTION 2: MACROECONOMICS

40 MARKS – 30 MINUTES

2.1 Answer the following questions.

2.1.1 Name TWO examples of injections in the economy.

- Government spending ✓
  - Investment spending ✓
  - Revenue from exports ✓
- (2 x 1) (2)

2.1.2 What is the relationship between real flows and money flows in the economy?

Money flows provide remunerations and funding to the real flow variables. ✓✓

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

2.2 Data response

2.2.1 By what percentage did the gross domestic product growth rate improve between quarter 4 of 2021 and quarter 1 of 2022?

0,5 % ✓ (1)

2.2.2 Indicate the gross domestic product growth rate trend from quarter 3 of 2021 to quarter 1 of 2022.

Upward trend ✓

(Accept any other correct relevant response) (1)

2.2.3 Briefly describe the term *real business cycles*.

Business cycles occur when the effects of irregular events, seasons and long-term growth trends are removed from time series data. ✓✓

(Accept any other correct relevant response) (2)

2.2.4 Explain the reason why the growth rate remained positive in South Africa for the last quarter of 2020 and the first two quarters of 2021 against COVID-19 expectations.

- The thought of possible food shortages by many South Africans because of COVID-19, stimulated aggregate demand for basic foodstuffs. ✓✓

- Agriculture contributed enormously considering that it was the time of harvest, especially quarters 1 and 2 of 2022. ✓✓
- More aggregate demand for medical products, protective clothes and increased government spending due to COVID-19, stimulated growth in the economy. ✓✓



(Accept any other correct relevant response)

(2)

2.2.5 **What measures can the government employ to ensure that economic growth is achieved?**

- Government was able to form partnerships with the private sector to induce more growth in the economy whereby they provided skills needed the most by the economy through skills development agencies so that people's high productivity levels can be enhanced. ✓✓
- COVID-19-related contracts were awarded to the co-operatives established within the area with the purpose of benefiting local residents and thus engaging them more actively in productive activities for the local economy. ✓✓
- Such contracts included among others business entities where PPE's were massively produced as a result of high demand by the country. ✓✓
- R350 grant was introduced for the unemployed as a measure to induce aggregate demand for goods and services and spending in general. ✓✓

(Accept any other correct relevant response)

(4)

2.3 **Data response**

2.3.1 **What kind of economy is depicted in the diagram above?**

Closed economy ✓

(1)

2.3.2 **How many flows are indicated by the services/payments in the diagram above?**

2 Flows ✓

(1)

2.3.3 **Briefly describe the term *circular flow*.**

It is the diagram indicating the flow of income, production and expenditure in the economy. ✓✓

(Accept any other correct relevant response)

(2)



2.3.4 **Briefly explain the significance of the foreign sector in the economy.**

The foreign sector is there to facilitate the exports and imports of goods and services between different countries. ✓✓

(Accept any other correct relevant response)

(2)

2.3.5 **How can an increase in household spending influence the economy?**

- If households increase their spending it will lead to more money flowing to businesses, who will use it to reinvest in their businesses and finally result in growth in the economy. ✓✓

- More jobs will be created as businesses expand their operations and the economy will be boosted. ✓✓

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

(4)

2.4 **Briefly explain economic equity and price stability as macroeconomic objectives of the government.**

**Economic equity**

- There is equity in the economy when there is neither the rich nor the poor. ✓✓
- Redistribution of income and wealth is essential for this equity. ✓✓
- Progressive taxation, taxation on wealth, taxation on profits, taxation on spending and capital gains tax, are the redistribution methods used in South Africa. ✓✓
- Progressive taxation means that higher income earners will pay higher or more tax. ✓✓
- Social services such as free basic education and primary health care are some of the redistribution methods. ✓✓ (Max. 4)

**Price stability**

- Prices are stable when inflation is kept within certain limits. ✓✓
  - Interest rates as the main instrument of monetary policy are used to keep prices within these limits. ✓✓
  - Stable budget deficits also have a stabilising effect on the inflation rate. ✓✓
  - An inflation target of 3%-6%, has been successful in keeping inflation within certain limits. ✓✓
  - Stable prices result in job creation and economic growth. ✓✓
- (Accept any other correct relevant response) (Max. 4)  
(Allocate a maximum of 4 marks for mere listing of facts or examples) (2 x 4)

(8)

2.5 **How can aggregate supply be stimulated by improving the efficiency of markets?**

Aggregate supply can be stimulated by:

- Removing the laws, regulations and by-laws that interfere in markets, and make markets free. ✓✓
- Addressing the inflexibilities of labour and other resource markets.
- Encouraging the establishment of new businesses and adding them to the existing ones. ✓✓
- Removing power imbalances as a result of monopolies and opportunities for collusions by oligopolies. ✓✓
- Extending the legislative protection enjoyed by public enterprises to private enterprises. ✓✓
- Dealing with corruption and nepotism vigorously whenever they occur. ✓✓

(Accept any other correct relevant response)

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

(4 x 2)

(8)

**[40]**

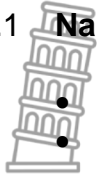


**QUESTION 3: ECONOMIC PURSUITS**

**40 MARKS – 30 MINUTES**

3.1 Answer the following questions.

3.1.1 Name TWO indexes used to measure inflation.



- Consumer Price Index (CPI) ✓
- Producer Price Index (PPI) ✓

( 2 x 1) (2)

3.1.2 How is the economically active population constituted as an employment indicator?

It is constituted of individuals who are employed in the formal and informal sectors, self-employed individuals and unemployed individuals who are actively seeking employment opportunities. ✓✓

(Any 1 x 2) (2)

3.2 Data response

3.2.1 Identify the economic concept illustrated in the cartoon above.

North-South Divide/Developed versus Developing Countries ✓ (1)

3.2.2 Which threat is depicted in the cartoon above?

Covid-19 pandemic spread. ✓  
(Accept any other correct relevant response) (1)

3.2.3 Briefly describe the term *economic development*.

It is an improvement in the standard of living of the country's citizens. ✓✓  
(Accept any other correct relevant response) (2)


3.2.4 How does life expectancy in countries in the North compare to that of countries in the South?

Life expectancy of countries in the North is longer than that of countries in the South due to access to advanced and readily available healthcare facilities. ✓✓  
(Accept any other correct relevant response)

(2)



**3.2.5 Why would countries in the North have distinct trade advantages over countries in the South?**

- 
- Countries in the North earn the bulk of their GDP from productive activities centred around the tertiary sector. ✓✓
  - These countries also have wealthy governments that can afford to subsidise the production of agricultural products. ✓✓
  - Developed economies have large-scale industrial activities and a wide variety of services than developing economies. ✓✓
- (Accept any other correct relevant response) (2 x 2) (4)

**3.3 Data response**

**3.3.1 Which type of social indicator is depicted in the picture above?**

Nutrition/Health and Nutrition ✓ (1)

**3.3.2 Identify the child malnutrition illustrated in the picture above.**

Weight for age/underweight. ✓ (1)

**3.3.3 Briefly describe the term *infant mortality*.**

Refers to the measure of the number of infants who die before the age of 1 year per 1000 live births in a given year. ✓✓  
(Accept any other correct relevant response) (2)

**3.3.4 Briefly explain why obesity in children is associated with other diseases.**

Being overweight or obese in early childhood increases the risk for adult obesity and is associated with health conditions like heart disease, diabetes, high blood pressure and osteoarthritis. ✓✓  
(Accept any other correct relevant response) (2)

**3.3.5 What impact can poor services have on the well-being of people?**

- Poor service delivery negatively affects the enhancement of the citizens' standard of living as well as their economic and social development. ✓✓
  - Poor access to electricity for electrical appliances usage reduces the chances of being technologically advanced. ✓✓
  - Poor access to clean running water increases the likelihood of human beings suffering from diseases such as cholera, malaria and other related ones. ✓✓
- (Accept any other correct relevant response) (4)

3.4 Differentiate between **cash benefits** and **benefits in kind**.

**Cash benefits**

- They are payments made by the government to the economically marginalised members of society. ✓✓
- E.g. disability grants, old-age grants and child support grants. ✓✓
- These are also known as social security payments. ✓✓

(Any 2 x 2) (4)

**Benefits in kind**

- They are public goods and services that are provided by the government for all citizens to use. ✓✓
- E.g. healthcare, education and defence. ✓✓
- They are public goods that always ensure that the standard of living of the economically marginalised is improved where user fees are charged. ✓✓

(Accept any other correct relevant response)

(Allocate a maximum of 4 marks for the mere listing of facts or examples)

(Any 2 x 2) (4)  
(8)

3.5 How can social indicators assist government in making more informed decisions?

- Social indicators can act like a magic bullet causing decision-making to become instantly objective. ✓✓
- Government officials need to have an objective understanding that basic sanitation, given the time, has to move from pit toilets with ventilation to flush toilets. ✓✓
- An indicator needs to be identified and reported at the right time to influence many management decisions. ✓✓
- The decision to improve water supply connectivity from the streets and boreholes to taps inside the yards, was an informed decision after its identification given population growth rates. ✓✓
- Chosen indicators need to be traceable and evidence-based to guarantee transparency in decision-making and the effectiveness of evidence-based policy. ✓✓
- It should not be surprising that socio-political factors as indicators drive most decisions and that science is instead used to shield decision-makers against the inherent challenges and difficult social debates. ✓✓

(Accept any other correct relevant response)

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

(4 x 2) (8)

[40]





**QUESTION 4: MACROECONOMICS & ECONOMIC PURSUIT**

**40 MARKS – 40 MINUTES**

4.1 **Answer the following questions.**

4.1.1 **Name TWO variables illustrated in the Phillips Curve graph.**



- Inflation rate ✓
- Unemployment rate ✓

(2 x 1) (2)

4.1.2 **What is the government's main purpose with subsidies on property?**

The purpose is to financially assist those individuals who would otherwise not have been able to afford to purchase residential property. ✓✓

(1 x 2) (2)

4.2 **Data response**

4.2.1 **Give a word or phrase from the information above that serves as a reason for the dysfunctional Maputo Corridor.**

Severe congestion ✓

(1)

4.2.2 **Which African country is associated with the corridor indicated above?**

Mozambique ✓

(1)

4.2.3 **Briefly describe the term *corridor*.**

It is a track of land that forms a passageway allowing access from one area to another and is developed as part of regional development. ✓✓

(Accept any other correct relevant response)

(2)


4.2.4 **Explain free market orientation as international benchmark criteria.**

This means that government intervention must be minimized in the market so that the forces of demand and supply and profit motive ensure the effective allocation of resources. ✓✓

(2)



4.2.5 **What are the objectives of the government with regard to corridors?**

- 
- Corridors promote higher levels of economic efficiency and productivity. ✓✓
  - They also promote public-private partnerships. ✓✓
  - Efficient urbanisation through the improved usage of land and transport is also promoted by corridors. ✓✓
- (Accept any other correct relevant response) (4)

4.3 **Data response**

4.3.1 **Which government policy most effectively overcomes low economic growth?**

Expansionary fiscal policy ✓ (1)

4.3.2 **When is the Medium-term Budget Policy Statement presented in parliament each year?**

October every year ✓ (1)

4.3.3 **Briefly describe the term *public sector failure*.**


Refers to a failure by the government to allocate the resources optimally. ✓✓  
(Accept any other correct relevant response) (2)

4.3.4 **Explain the impact that low productivity can have on the South African balance of payment.**

- Inability of South African businesses to produce the volume of goods and services that are demanded locally and abroad, may result in more imports than exports by the country. ✓✓
  - The current account of the balance of payment may record a deficit than a surplus. ✓✓
  - Foreign companies operating domestically may decide to withdraw their investments in the country (disinvestment). ✓✓
- (Accept any other correct relevant response) (2)



4.3.5 **How can the South African government improve its growth rate?**

- 
- They can fast-track the purpose that initiatives like GEAR, AsgiSA, JIPSA and others were intended to achieve. ✓✓
  - Promote human development and training through the establishment of FET Colleges and SETAs for each industry. ✓✓
  - Fast-track the purpose that affirmative action and equity were intending to achieve. ✓✓
  - They can democratise the workplace by introducing certain laws that will minimise tensions between employers and employees. ✓✓
- (Accept any other correct relevant response)


(4)

4.4 **Discuss the *Spatial Development Initiatives (SDIs)* in South Africa and link them to the private-public partnership.**

- Spatial development initiatives (SDIs) are programs aimed at promoting investment projects in underdeveloped areas where unemployment and poverty are high. ✓✓
  - This is an inter-departmental governmental strategy that is driven by the Department of Trade and Industry (DTI) and the Department of Transport (DOT). ✓✓
  - The programme was introduced in 1995 with the primary aim of generating investment projects in key economic sectors in specific underdeveloped areas that have the greatest potential for economic growth. ✓✓
  - Creation of employment opportunities and improvement in the standard of living are at the helm of the programme. ✓✓
  - SDI programmes are indeed Public-Private Partnerships (PPP). ✓✓
  - In these partnerships, the state and private sector share resources, costs and risks. ✓✓
  - The state provides capital for the infrastructure needed for the project, while the private sector provides capital for all other input costs on labour, materials, machinery etc. ✓✓
- (Accept any other correct relevant response)  
(Allocate a maximum of 4 marks for the mere listing of facts or examples)

(2 x 4) (8)

4.5 **Analyse the importance of expressing national figures in real rather than nominal terms.**

- 
- Real gross domestic product (GDP) is a more accurate reflection of the output of an economy than nominal GDP. ✓✓
  - It gives economists a clearer idea of how the total national output of a country is growing or contracting from year to year. ✓✓
  - Real GDP is often favoured over nominal GDP as it accounts for the effects of inflation. ✓✓

- It adjusts the numbers by fixing the currency value, thus eliminating any distortion caused by inflation or deflation. ✓✓
- If the effects of inflation or deflation are not taken into account, they can convey a false picture of whether and how much an economy is growing or contracting over any given period of time. ✓✓
- Thus, if nominal GDP grew at 4% in a given year, but the inflation rate was 5%, it actually shrunk by 1% in real (constant) terms. ✓✓  
(Accept any other correct relevant response)  
(Allocate a maximum of 2 marks for the mere listing of facts or examples)

(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: MACROECONOMICS

40 MARKS – 40 MINUTES

Discuss in detail the reasons for international trade.

#### INTRODUCTION

Countries of the world are interdependent and trade outside the border of a country must be an important element. ✓✓ (Max. 2)

#### BODY

#### MAIN PART

#### SUPPLY REASONS:

##### 1. Specialisation ✓

- A country will have an absolute advantage if it can produce a good or service or most goods and services at the lowest cost. ✓✓
- An absolute advantage can be a result of natural endowments or of having a long history of producing a certain product. ✓✓
- A country with an absolute advantage makes economic gains by specialising in what it does best. ✓✓

##### 2. Uneven distribution of natural resources ✓

- Natural resources are unevenly distributed throughout the world. ✓✓
- South Africa is richly endowed with minerals, which are exported to other countries, while South Africa has to import oil which the country lacks. ✓✓

##### 3. Climatic conditions ✓

- Certain crops can grow under certain climates. ✓✓
- Sugar cane grows well in a sub-tropical climate and deciduous fruit under Mediterranean conditions. ✓✓
- Countries that cannot produce such products have to import them. ✓✓

##### 4. Qualities of labour, technical skills and expertise ✓

- Certain knowledge, skills and aptitude are required for the production of specific products. ✓✓
- Countries that do not have the technical abilities and knowledge of production processes for the manufacturing of machinery and high-technology goods will have to import the machinery and goods. ✓✓

**5. Availability of technology ✓**

- Not all countries enjoy the same availability of technology. ✓✓
- An improvement in technology makes it possible to produce new and improved products at lower costs. ✓✓
- Some countries are technologically more advanced than others and are able to produce these products. ✓✓

**DEMAND REASONS:**

**1. Changes in the size of the population ✓**

- A bigger population means that there are more consumers' needs and wants that must be fulfilled. ✓✓
- More goods and services will therefore have to be produced locally, but the local supply might not be met by its corresponding demand. ✓✓
- This demand can therefore be satisfied by imports from other countries. ✓✓

**2. Changes in the level of income ✓**

- When aggregate income levels increase, so too will the aggregate demand for goods and services within the country. ✓✓
- Increase in income increases the disposable income for spending on additional goods and services. ✓✓
- If local supply is insufficient to meet the local the demand, then the platform for international trade will emerge whereby imports will be necessitated. ✓✓

**3. Changes in the wealth of the population ✓**

- An increase in the wealth of the population will result in consumers demanding, for example, luxurious goods. ✓✓
- If luxury goods demand cannot be satisfied locally, such goods will have to be imported from abroad. ✓✓
- Most luxury goods are obtainable from developed countries since they specialise with such goods. ✓✓

**4. Tastes and preferences ✓**

- Japanese are well-known for their small cars, while the Americans are well-known for their big cars. ✓✓
- Americans are likely to exports to those with taste for big cars, while Japanese will get imports from those who prefer small cars. ✓✓
- Tastes and preferences will push South Africans who are not the producers of iphones to import them from United States of America. ✓✓

**5. Differences in consumption patterns ✓**

- Consumption patterns are to a large extent determined by the level of economic development within the country. ✓✓
- In countries where the level of disposable income is high, the demand for luxury goods especially from other countries will be high. ✓✓

- In countries where the level of disposable income is low, the demand for basic goods especially from other countries will be high. ✓✓  
(Allocate a maximum of 8 marks for mere listing/headings/and examples.) **(Max. 26)**

### ADDITIONAL PART

#### What impact can international trade have on countries of the world?

##### Positive impact

- International trade is an important stimulant for the economic growth of a country. ✓✓
- Demand for certain products by citizens of countries will increase as trade increases, leading to increased production, job opportunities, increased income and increased expenditure. ✓✓
- This will lead to a higher economic growth rate for countries of the world. ✓✓
- Being able to import also gives citizens access to a variety of goods ✓✓
- Infrastructure, such as harbour and transport networks, will be developed in order to move the high volumes of goods. ✓✓
- Unrestricted international trade increases competition. ✓✓
- Competition on the other hand increases efficiency because it demands the elimination of unnecessary costs and all wastage. ✓✓
- Increases in efficiency result in lower prices. ✓✓

##### Negative impact

- When one nation knows that it is the source of all or a significant portion of materials or services for another nation, the supplying nation can impose embargoes or other difficult trade restrictions if differences arise or simply for financial gain. ✓✓
- Some countries are so desperate for revenue or so profit-driven that they will allow their natural resources to be over-exploited, which can create serious problems in the future. ✓✓
- The welfare of the people in nations that produce goods and services is sometimes ignored for the sake of profits. ✓✓
- Dumping can also have adverse effects on local businesses. ✓✓
- Countries with traditional economies could lose their local farming base as developed economies subsidize their agribusiness. ✓✓
- International trade may adversely affect the consumption pattern of a country due to the import of cheaply manufactured and at times harmful commodities. ✓✓

(10 marks)

(Accept any other correct relevant response)

(Allocate a maximum of 2 marks for mere listing/headings/and examples.)

##### CONCLUSION

As countries tend to specialise more, they become more dependent on one another and are increasingly affected by the economic successes and failures of each other. ✓✓ **(Max. 2)**

[40]

## QUESTION 6: ECONOMIC PURSUITS

40 MARKS – 40 MINUTES

Discuss in detail, the arguments in favour of protectionism.

### INTRODUCTION:

Protectionism is the use of trade policy to restrict the importation of goods and services with a view to protecting the domestic economy. ✓✓  
(Accept any other relevant introduction) **(Max. 2)**

### BODY

### MAIN PART

Arguments in favour of protectionism.

#### 1. Industrial development ✓

- Over time, countries need to develop diversified industries to prevent over-specialization. ✓✓
- A country relying too heavily on the export of one or a few products, is very vulnerable during times of economic hardships. ✓✓
- E.g. Botswana relies heavily on the exportation of diamonds. ✓✓
- Such a country runs a risk of being seriously affected by the world fluctuations in prices and demand and supply-side problems leading to a significant drop in domestic economic activities. ✓✓
- Import restrictions may be imposed on a range of products to ensure that a number of domestic industries develop. ✓✓

#### 2. Infant industry ✓

- Infant industries are usually newly established industries. ✓✓
- Enterprises in such industries may find it difficult to survive due to their average costs being higher than that of the well-established competitors. ✓✓
- However, if given protection in their early years of production, they may be able to grow and take advantage of economies of scale. ✓✓
- At this stage, protection should be removed. ✓✓

#### 3. Stable wage levels and high standard of living ✓

- Countries with relatively low wage levels are able to export their goods to other countries at low prices because of their low cost of production. ✓✓
- This threatens the existence of the industries in the countries to which goods are exported because these businesses cannot compete with the low prices of imports. ✓✓
- Workers' salaries and jobs are also threatened and consequently their standard of living. ✓✓
- It is often argued that trade policies must be used to protect local workers and businesses from such threats. ✓✓



4. **Increased employment** ✓

- Trade protection is a measure to control unemployment. ✓✓
- South Africa has a very high unemployment rate. ✓✓
- Jobs of the currently working people must be protected while creating new job opportunities. ✓✓
- Such jobs can be protected and created if businesses continue to produce and sell goods and services as well as face foreign competition. ✓✓
- By restricting foreign goods entering the country, local businesses will not only produce more and employ more people, but new businesses will be able to enter the market. ✓✓
- More jobs than before will be created. ✓✓

5. **Self-sufficiency and strategic industries** ✓

- Some industries may be seen as essential for a country to be self-sufficient or independent, ✓✓ e.g. agriculture. ✓
- Other industries can be seen as strategic or key industries that are vital for economic growth and development, ✓✓ e.g. oil and coal industries. ✓
- Governments often protect these industries because of their strategic importance. ✓✓
- Self-sufficiency or national independence is easily achieved by this strategic importance. ✓✓

6. **Prevention of dumping** ✓

- Dumping occurs when foreign producers make large quantities of goods and services and sell these in a local market at lower prices than the original country. ✓✓
- Protectionism prevents these foreign industries from dumping their surpluses and out-of-season products into the local market. ✓✓
- Dumping has the potential to threaten the survival of local industries as some of them can easily be driven out of the market, and protectionism is needed for this reason. ✓✓

7. **Stable exchange rates and BOP** ✓

- Countries using the free-floating exchange rate system, have to monitor international trade conditions to help maintain a balance of payment equilibrium. ✓✓
- Protectionism helps to prevent the value of imports from increasing at a faster rate than the value of exports, resulting in current account deficits and fluctuations in the exchange rate. ✓✓
- Protectionism can be used to reduce imports, which will improve the balance of payments and the exchange rates. ✓✓
- This improvement in the balance of payments is achieved by using quotas and tariffs to increase the prices of imports which will decrease the of imports. ✓✓

**8. Protection of natural resources ✓**

- Conditions of free trade can easily result in the natural resources of the country being depleted. ✓✓
- By implementing a policy of protectionism, conservation and better utilization of natural resources can be ensured. ✓✓
- Such protectionism policies will ensure the survival of related extracting industries as well as secondary industries that depend on those natural resources. ✓✓
- The South African government has taken firm steps to protect Rooibos tea as a natural resource. ✓✓

(Allocate a maximum of 8 marks for mere listing/headings/and examples.)

**(Max. 26)**

**ADDITIONAL PART**

**Evaluate South Africa's import substitution as a trade policy.**

**Positive responses**

- Increase in industrial growth and development as new industries will be established. ✓✓
- Increase in profits leading to further investments. ✓✓
- Tariffs introduced in South Africa lead to increased demand for locally manufactured goods and services. ✓✓
- Import substitution improves industrialisation which increases employment opportunities. ✓✓
- A decrease in imports has a positive effect on the balance of payments as more exports than imports will take place. ✓✓

**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. ✓✓
- It does not necessarily lead to an overall reduction in imports, South Africa had to import capital and intermediate goods to manufacture consumer goods. ✓✓
- Inefficient local production may occur because local producers are shielded from international competition ✓✓

(Accept any other correct relevant response)

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

**(Max. 10)**

**CONCLUSION**

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

(Accept any other correct conclusion)

**(Max. 2) [40]**

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