



LIMPOPO
PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

DEPARTMENT OF
EDUCATION

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

**ECONOMICS PAPER 1
SEPTEMBER 2023**

MARKS: 150

DURATION: 2 HOURS

Stanmorephysics



EECONP1

This question paper consists of 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. Number the answers correctly according to the numbering system used in this question paper.
3. Write the number of the question above each answer.
4. Read the questions carefully and start EACH question on a NEW page.
5. Leave 2 – 3 lines between subsections of questions.
6. 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.
7. Answer only the required number of questions. Answers in excess of the required number will NOT be marked.
8. Use only black or blue ink.
9. Non-programmable pocket calculators may be used.
10. Write neatly and legibly.



SECTION A (COMPULSORY)**QUESTION 1****30 MARKS – 20 MINUTES**

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

1.1.1 A small initial change in spending that produces a proportionately larger increase in income is the ... effect.

- A price
- B government
- C multiplier
- D credit

1.1.2 A fiscal policy that attempts to stimulate economic activity is a / an ... policy.

- A restrictive
- B expanding
- C supplying
- D demanding

1.1.3 The removal of unnecessary restrictions by law is ...

- A withdrawal.
- B regulation.
- C market economy.
- D deregulation.

1.1.4 A payment made by the government to someone for whom there was no service rendered is called ... payments.

- A salary
- B taxation
- C transfer
- D duties

1.1.5 The infant industries argument justifies ...

- A subsidies.
- B dumping.
- C protection.
- D de-industrialization.



1.1.6 SMME's create employment for ... unemployed people.



- A seasonally
- B structurally
- C frictionally
- D technologically

1.1.7 Regional development policies aim to reduce the effect of ...

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

1.1.8 A situation where trade occurs without government interference is called ... trade.

- A international
- B barter
- C unlimited
- D free

(8 x 2) (16)



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

COLUMN A	COLUMN B
1.2.1 Moral suasion	A exchange rate system determined by market forces
1.2.2 Parastatals	B promotes affirmative action and prevents discrimination
1.2.3 Free floating	C state-owned enterprises that provide public goods and services
1.2.4 Customs-free incentives	D focuses on land for residential and production
1.2.5 Land restitution	E SARB convinces commercial banks to extend credit responsibility
1.2.6 Structural unemployment	F returning of land to those citizens who lost it due to discriminatory laws of the past
1.2.7 Exchange rate	G job losses due to the economy going in a recession
1.2.8 Life expectancy	H imports of raw materials or intermediate goods are not taxed
	I net gold exports are listed here because of the historical significance in South Africa
	J the number of years a person will live after birth
	(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 – 1.3.6.) in the ANSWER BOOK. Abbreviations, acronyms and examples will not be accepted.

- 1.3.1 Changes of these indicators only take place after the economy changes direction.
- 1.3.2 Individuals who benefit from public goods and services without paying for them.
- 1.3.3 Large scale production activities whereby the entrepreneur's cost per unit decreases.
- 1.3.4 The institution that formulates monetary policy in South Africa.
- 1.3.5 The rate which banks charge on loans to their most creditworthy clients.
- 1.3.6 The increase in the population numbers of cities and towns.

(6 x 1) (6)

TOTAL SECTION A: [30]

SECTION B: (ANSWER TWO OF THE THREE QUESTIONS)

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:

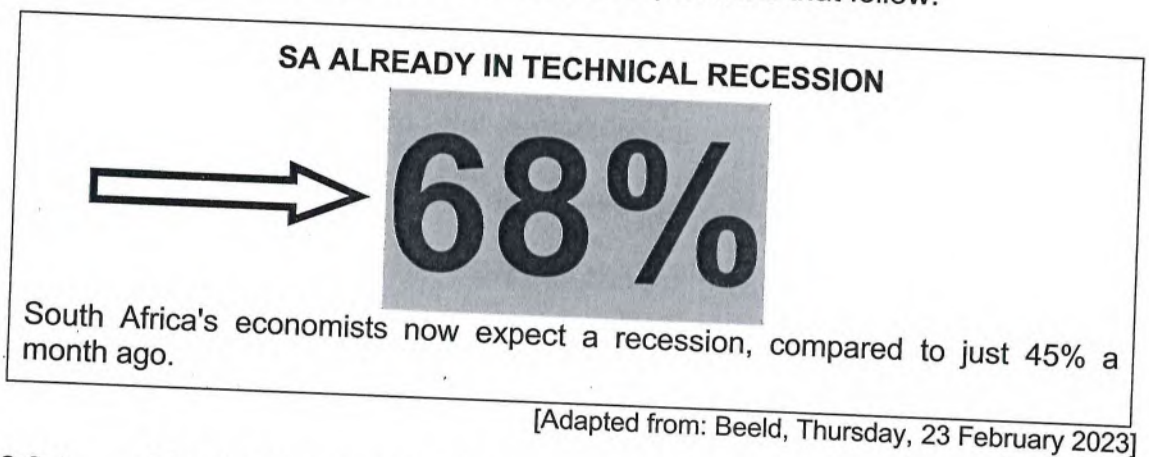


2.1.1

Name any TWO examples of exogenous factors in a business cycle. (2 x 1)

2.1.2 Explain the effect of the depreciation of the Rand on imports. (1 x 2)

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




- 2.2.1 Identify the concept which relate to two consecutive quarters of economic decline. (1)
- 2.2.2 Name any feature underpinning forecasting with regard to business cycles. (1)
- 2.2.3 Briefly describe the term *amplitude*. (2)
- 2.2.4 How can economist use extrapolation of a business cycle in economic forecasting? (2)
- 2.2.5 Why would the government want to avoid a recession at all costs? (2 x 2) (4)



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

With more questions than answers, the 2023 State of the nation address was just another missed opportunity



The power crisis and the dysfunctional Eskom obviously require drastic measures. Who will manage the state of disaster? Election 2024 is just around the corner.

[Adapted from: Beeld, Monday, 13 February 2023]

- 2.3.1 Identify the public service provided by the government. (1)
- 2.3.2 Which activity is regularly applied by Eskom to prevent national blackouts in South Africa? (1)
- 2.3.3 Briefly describe the term *price stability*. (2)
- 2.3.4 Why are State-Owned Enterprises seen as a problem in provisioning of public goods and services? (2)
- 2.3.5 How can the South African municipalities improve efficiency in pursuit of service delivery? (2 x 2) (4)
- 2.4 Briefly discuss the *product* and *factor market* as markets in the four-sector model. (2 x 4) (8)
- 2.5 Describe how producers will respond to the different phases in the business cycle. (2 x 4) (8)
- [40]



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

3.1 Answer the following questions:

3.1.1 Name any TWO social indicators. (2 x 1)

3.1.2 How can economic growth lead economic development in a country? (1 x 2)

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

SOUTH AFRICA – ECONOMIC INDICATORS		
PRICE	LAST	REFERENCE
Inflation rate	5.9%	Jan. / 2023
Interest rates	7.25%	Jan. / 2023
Money supply M3	53.27	Jan. / 2023
Foreign Exchange Reserves	61864	Jan. / 2023
Balance of Trade	5430 <u>ZAR Million</u>	Feb. / 2023


[Source: Trading Economics.com]

- 3.2.1 Identify the economic indicator that influences the levels of borrowing in the economy.
- 3.2.2 What is the inflation target that South Africa is aiming for?
- 3.2.3 Briefly describe the term *employment*.
- 3.2.4 Explain employment as an economic indicator.
- 3.2.5 How can the government prevent malnutrition in South Africa? (2 x 2)



- 3.3 Study the information below and answer the questions that follow.

EXPANDED PUBLIC WORKS PROGRAMME



The EPWP is a key government initiative, which contributes to Government Policy Priorities in terms of decent work and suitable livelihood, education, health, rural development, food securities and land reforms and the fight against crime and corruption. EPWP subscribes to the outcome which states, "Decent employment through inclusive economic growth".

[Adapted from: EPWP]

- 3.3.1 Identify the nationwide intervention used to alleviate unemployment in South Africa as depicted in the above information. (1)
- 3.3.2 Which type of job are usually provided by this public works initiative project? (1)
- 3.3.3 Briefly describe the term *social capital*. (2)
- 3.3.4 Explain how free trade affected employment in South Africa. (2)
- 3.3.5 How can the government use critical infrastructure facilities as incentives to increase production? (2 x 2) (4)
- 3.4 Briefly discuss *terms of trade* and the *exchange rate* as economic indicators for foreign trade. (2 x 4) (8)
- 3.5 How can BBBE be used by the South African Government to address income inequality? (4 x 2) (8)

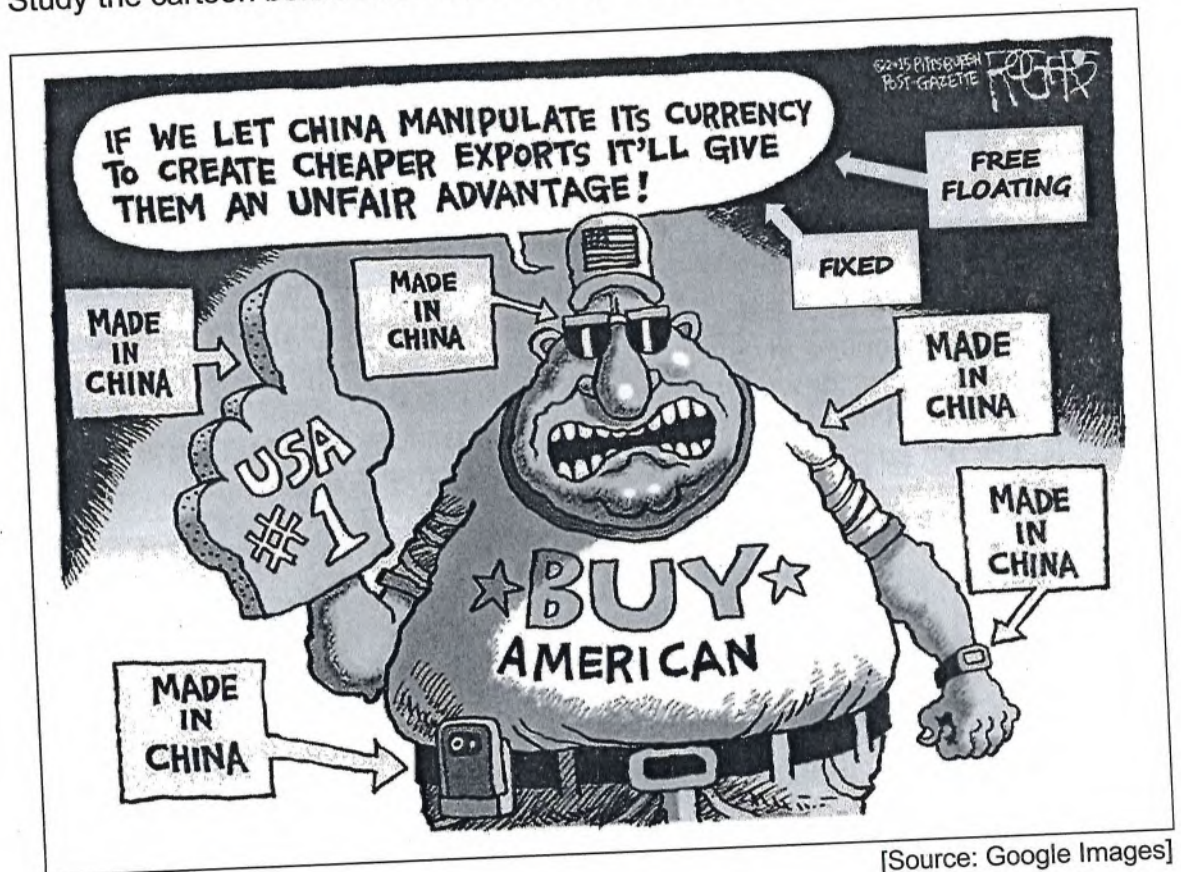
[40]

QUESTION 4: MACROECONOMICS & ECONOMIC PURSUITS
40 MARKS – 30 MINUTES

4.1 Answer the following questions:

- 4.1.1 Name any TWO features of the fiscal policy. (2 x 1) (2)
- 4.1.2 Why is industrial development a priority for the South African government? (1 x 2) (2)

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



[Source: Google Images]

- 4.2.1 Identify the exchange rate system used in China as depicted by the above cartoon.
- 4.2.2 Mention the financial market where currencies are exchanged.
- 4.2.3 Briefly describe the term *balance of payments*.
- 4.2.4 Explain how mass production can affect international trade.
- 4.2.5 Why would investors prefer a country with a free floating system? (2 x 2)

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

OUR FUTURE: MAKE IT WORK – NDP 2030

The National Development Plan aims to eliminate poverty and reduce inequality by 2030. South Africa can realise these goals by growing an inclusive economy through enhancing the capacity of the state as well as promoting leadership and partnership throughout society.

[Source: www.nda.org.za]

- 4.3.1 Identify **ONE** goal of the National Development Plan in the above extract. (1)
- 4.3.2 How can the South African government achieve an inclusive economy? (1)
- 4.3.3 Briefly describe the term *globalisation*. (2)
- 4.3.4 Explain the objective of regional development in South Africa. (2)
- 4.3.5 How can the South African government eradicate poverty? (2 x 2) (4)
- 4.4 With the aid of a correctly labelled graph explain the Laffer curve. (8)
- 4.5 How has the load shedding crisis impacted the cost of doing business in South Africa? (4 x 2) (8)

TOTAL SECTION B: [40]



SECTION C

Answer **ONE** of the two questions from this section in the **ANSWER BOOK**

Your answer will be assessed as follows:

STRUCTURE OF ESSAY:	MARK ALLOCATION:
Introduction: <ul style="list-style-type: none"> • A good starting point will be to define a concept or key. • Include other sentences to support the topic. • Do not include in your introduction any part of the question. • Do not repeat any part of the introduction in the body. • Avoid saying in the introduction what you are going to discuss in body. 	Max. 2
Body: <ul style="list-style-type: none"> • Main part: Discuss in detail / In-depth discussion / Examine / Critically discuss / Analyse / Compare / Evaluate / Distinguish / Differentiate / Explain / Assess / Debate. • Additional part: 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? / Your own opinion. 	Max. 26 Max. 10
Conclusion: Any relevant higher order conclusion that should include: <ul style="list-style-type: none"> • A brief summary of what has been discussed / analyzed without repeating facts already mentioned in the body. • An opinion or valued judgement on the facts discussed. • Additional support information to strengthen the discussion / analysis. • A contradictory viewpoint with motivation, if so required. • Recommendations 	Max. 2
TOTAL	40 MARKS

QUESTION 5: MACROECONOMICS**40 MARKS – 40 MINUTES**

- Discuss in detail the reasons for international trade. (26 marks)
- How can the South African government reduce imports in order to correct the Balance of Payment deficit? (10 marks)

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

- Discuss in detail export promotion. (26 marks)
- How can the consumption of local products boost the South African economy? (10 marks)

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



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**ECONOMICS P1
SEPTEMBER 2023
MARKING GUIDELINE**

MARKS: 150



This marking guideline consists of 17 pages.

SECTION A (COMPULSORY)**QUESTION 1****1.1 MULTIPLE-CHOICE QUESTIONS**

- 
- 1.1.1 C – multiplier ✓✓
1.1.2 B – expanding ✓✓
1.1.3 D – deregulation. ✓✓
1.1.4 C – transfer ✓✓
1.1.5 A – subsidies. ✓✓
1.1.6 B – structurally ✓✓
1.1.7 A – centralisation ✓✓
1.1.8 D – free ✓✓

(8 x 2) (16)

1.2 MATCHING ITEMS

- 1.2.1 E – SARB convinces commercial banks to extend credit responsibility ✓
1.2.2 C – state-owned enterprises that provide public goods and services ✓
1.2.3 A – exchange rate system determined by market forces ✓
1.2.4 H – imports of raw materials or intermediate goods are not taxed ✓
1.2.5 F – returning of land to those citizens who lost it due to discriminatory laws of the past ✓
1.2.6 G – job losses due to the economy going in a recession ✓
1.2.7 I – net gold exports are listed here because of the historical significance in South Africa ✓
1.2.8 J – the number of years a person will live after birth ✓

(8 x 1) (8)

1.3 GIVE ONE TERM

- 1.3.1 Lagging indicator ✓
1.3.2 Free rider ✓
1.3.3 Economies of scale ✓
1.3.4 South African Reserve Bank ✓
1.3.5 Prime rate ✓
1.3.6 Urbanisation ✓

(6 x 1) (6)



TOTAL SECTION A: [30]

SECTION B: (ANSWER TWO OF THE THREE QUESTIONS)

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

QUESTION 2: MACROECONOMICS

2.1 Answer the following questions:

2.1.1 Name any TWO examples of exogenous factors for business cycles.

- Natural disasters / Weather ✓
- Shocks ✓
- Structural change ✓
- Inappropriate government policy
- Money supply ✓

(2 x 1) (2)

(Accept any other correct relevant answer)

2.1.2 Explain the effect of the depreciation of the Rand on imports.

Less goods will be imported because the price of these goods will rise. ✓✓

(1 x 2) (2)

(Accept any other correct relevant answer)

2.2 DATA RESPONSE

2.2.1 Identify the concept which relate to two consecutive quarters of economic decline.

A recession ✓

(1)

2.2.2 Name any feature underpinning forecasting with regard to business cycles.

- Length ✓
- Amplitude ✓
- Trend line ✓
- Extrapolation ✓
- Moving averages ✓

(1)

2.2.3 Briefly describe the term *amplitude*.

The oscillation from the trend line upwards and/or downwards. ✓✓

(2)

(Accept any other correct relevant answer)

2.2.4 How can economist use extrapolation of a business cycle in economic forecasting?

The technique of extrapolation helps economist to identify a trend which help them to predict whether the economy will grow in the months that follow. Example: to predict future share prices. ✓✓

(2)

(Accept any other correct relevant answer)

2.2.5 Why would the government want to avoid a recession at all costs?

- During a recession, Business confidence declines. ✓✓
- Businesses are saving and producing less. ✓✓
- Fewer people are employed. ✓✓
- Households will receive less income and spend less. ✓✓
- Real GDP decreases. ✓✓
- Tax revenue of the government falls while the endowment of public goods and services increases. ✓✓



(Accept any other correct relevant answer)

(2 x 2) (4)

2.3 DATA RESPONSE

2.3.1 Identify the public service provided by the government.

Electricity / power / energy ✓

(1)

2.3.2 Which activity is regularly applied by Eskom to prevent national blackouts in South Africa?

Loadshedding. ✓

(1)

2.3.3 Briefly describe the term *price stability*.

Refers to the general prices of goods and services remaining relatively constant over time. ✓✓

(2)

(Accept any other correct relevant answer)

2.3.4 Why are State-Owned Enterprises seen as a problem in provisioning of public goods and services?

- The costs of maintaining and managing SOEs are very high. ✓✓
- These costs result in higher taxes and larger public debt. ✓✓
- Private enterprises are more cost-effective than public enterprises. ✓✓
- SOEs are bureaucratic, inefficient and unresponsive to consumer needs. ✓✓
- SOEs do not operate per the profit motive-they sometimes incur large losses, which must be funded by tax-payers money. ✓✓

(2)

(Accept any other correct relevant answer)

2.3.5 How can the South African municipalities improve efficiency in pursuit of service delivery?

- Hiring qualified staff with enough experience as top managers. ✓✓
- Employees must be continuously equipped with appropriate skills to cope with the demand for their work. ✓✓
- Corruption must be eliminated and workers who find themselves guilty of it must be criminally prosecuted. ✓✓
- Employees should be held accountable for poor job performance as a way to ensure that they take official tasks seriously. ✓✓
- Reward should be given to workers who perform above expectations to motivate them. ✓✓
- Improving the collection of taxes and other fees to encourage customers to pay. ✓✓

(2 x 2) (4)

(Accept any other correct relevant answer)

2.4 Briefly discuss the *product* and *factor market* as markets in the four-sector model.

Product market

- These are markets for consumer goods and services. ✓✓
- In economics a distinction is made between goods and services. ✓✓
- Goods are defined as any tangible items such as food, clothing and cars that satisfy some human wants or needs. ✓✓
- Buying and selling of goods that are produced in markets e.g.
 - Capital goods market for trading of buildings and machinery.
 - Consumer goods market for trading of durable consumer goods, semi-durable consumer goods and non-durable consumer goods. ✓✓
- Services are defined as non-tangible actions and include wholesale and retail, transport and financial markets. ✓✓ (Max 4)

Factor market

- Households sell factors of production on the markets: rent for natural resources, wages for labour, interest for capital and profit for entrepreneurship. ✓✓
 - The factor market includes the labour, property and financial markets. ✓✓
- (Accept any other correct relevant answer) (Max 4) (8)

2.5 Describe how producers will respond to the different phases in the business cycle.

Recovery phase

- Repo rate is low – businesses produce more. Employment rises. ✓✓ (Max 2)

Prosperity Phase

- Business enterprises employ all skilled workers, almost full employment of skilled workers. ✓✓
- Production increases due to increased demand from consumers. Businesses take out loans and expansion take place. ✓✓ (Max 2)

Recession

- Businesses suffer as a result of increased interest rates. Down payments on delivery vehicles and other equipment purchased on credit during the prosperity phase. ✓✓
- Consumption by the consumers decreases which causes income of businesses to decrease and production to decrease. ✓✓
- Businesses lay off workers in this phase and reduce production. ✓✓ (Max 2)

Depression phase

- Rising repo rate makes it very difficult for businesses to stay afloat. ✓✓
- Production decreases - many businesses close their doors during this phase. ✓✓
- Banks seize property as well as delivery vehicles purchased in prosperity phase. ✓✓
- Businesses lay off many of their employees and if they don't close their doors in this phase, they only keep key workers. ✓✓ (Max 2) (8)

QUESTION 3: ECONOMIC PURSUITS**3.1 Answer the following questions:****3.1.1 Name any TWO social indicators.**

- Health ✓
- Education ✓
- Services ✓
- Nutrition ✓
- Demographics ✓



(Accept any other correct relevant answer)

(2 x 1) (2)

3.1.2 How can economic growth lead economic development in a country?

- When more goods and services are produced, the demand for labour will increase, which will lead to increasing the material wealth of citizens. ✓✓
- When previously unemployed individuals are employed, their spending capacity increases and this stimulates the multiplier effect. ✓✓
- When more people are employed, the government earns more from direct tax and this ensures that basic needs of all citizens are met e.g. clean running water, sanitation and electricity. ✓✓
- Economic growth leads to economic development - because economic growth means that job creation will increase, more people will receive money that will increase their standard of living and result in economic development. ✓✓

(Accept any other correct relevant answer)

(1 x 2) (2)

3.2 DATA RESPOSE**3.2.1 Identify the economic indicator that influences the levels of borrowing in the economy.**

Interest rates ✓

(1)

3.2.2 What is the inflation target that South Africa is aiming for?

3 – 6 % ✓

(1)

3.2.3 Briefly describe the term *employment*.

When everyone who wants to work, can work and look for work, find work. ✓✓

(Accept any other correct relevant answer)

(2)

3.2.4 Explain employment as an economic indicator.

- Employment indicates how many people earn an income in the country. ✓✓
- If the employment figures increase it means that more people in a country will have the ability to buy. ✓✓
- Economic growth is calculated by looking at the value of all final goods and services produced within the borders of a country, this production is dependent on the income of the consumer. ✓✓

(2)

3.2.5 How can the government prevent malnutrition in South Africa?

- To reduce unemployment so that parents can take care of their children. ✓✓
- Provide greater subsidies to the agricultural sector so that food security can increase and basic food prices can decrease. ✓✓
- Provide better education and training so that workers can find a job more easily. ✓✓
- Restricting parents from having children they cannot care for. ✓✓

(2 x 2) (4)

3.3 DATA RESPONSE**3.3.1 Identify the nationwide intervention used to alleviate unemployment in South Africa as depicted in the above information.**

The expanded public works programme / EPWP. ✓

(1)

3.3.2 Which type of job are usually provided by this public works initiative project?

- Pruning of trees on sidewalks. ✓
 - Laying bricks for pavements. ✓
 - Clearing of native vegetation / trees such as Lantana. ✓
- (Accept any other correct relevant answer)

(1)

3.3.3 Briefly describe the term *social capital*.

Human capital – is when money is spent / invested in people during education and training. This is later seen as an investment – because it benefits the wider community. ✓✓

(2)

(Accept any other correct relevant answer)**3.3.4 Explain how free trade affected employment in South Africa.**Negative

- Products are imported cheaper for the consumer which will lead to less consuming on local products. ✓✓
- Lowers production domestically, resulting in job losses. ✓✓
- Job losses will result in lower economic growth which will have a negative effect on foreign investors. ✓✓

(The answer can be given from a positive or negative point of view.)

(Accept any other correct relevant answer)

(2)

3.3.5 How can the government use critical infrastructure facilities as incentives to increase production?

- Critical infrastructure facilities are facilities without which the producer cannot produce, such as electricity, fuel, as well as other communication costs such as internet and other infrastructure. ✓✓
- These costs are very high for the producers who drive up the costs of production and increase the prices of products. ✓✓
- This key / critical infrastructure is provided by the government to producers / business enterprises. ✓✓
- The government can use incentives such as a rebate (refund on tax) which can reduce producers' prices / cost of production. ✓✓
- Costs of businesses include, among other things, transport costs - when businesses get rebates on diesel and fuel, they can produce more at lower prices. ✓✓

- Energy costs of the producer are very high, like the electricity bill. If the government can subsidize the electricity so that businesses pay lower prices, producers can produce more at lower prices. ✓✓
- Communication costs are also high - in South Africa we use cable communication which is expensive and increases the production costs of the producer. ✓✓

(2 x 2)

(4)

(Accept any other correct relevant answer)

3.4 Briefly discuss *terms of trade* and the *exchange rate* as economic indicators for foreign trade.

Exchange rate

- Can be defined as price at which one currency is exchanged for another.
- Two methods when calculating exchange rate – the indirect and direct method, where most countries use the direct method. ✓✓
- Changes in exchange rate affect prices of imports and prices earned with exports. ✓✓
- Important for both importer and exporter to keep track of exchange rates with trading partners. ✓✓

(Max 4)

Terms of trade

- The relationship between export and import prices. ✓✓
- Although expressed only in terms of price, changes in prices will show effects on volume. ✓✓
- Opposite happens if export prices rise and terms of trade improve. ✓✓
- Changes in terms of trade serve as indicators of changes that should spill over into balance of payments. ✓✓
- E.g., if it weakens, shortages may follow, and if this happens the currency will depreciate. ✓✓

(Max 4)

(8)

(Accept any other correct relevant answer)

3.5 How can BBEE be used by the South African Government to address income inequality?

- The BEE programme and the Employment Equity Act of 1998 started the process of transformation of the South African economy. ✓✓
- A range of affirmative action measures were implemented to ensure redress, in the workplace and in the business environment. B-BBEE – Broad-based Black Economic Empowerment. ✓✓
- B-BBEE was created to widen the scope of BEE in the distribution of prosperity to previously disadvantaged groups. ✓✓
- The Broad-based Black Economic Empowerment Act (no. 53 of 2003) provides the legal basis for the transformation of South African economy. ✓✓
- The speed and extent of empowerment and transformation were agreed upon in terms of so-called charters between government and various industries. ✓✓
- The main purpose of BBEE is to redress the inequalities of apartheid by increasing the numbers of previously marginalized individuals who own, manage and control businesses in South Africa's economy, do that wealth inequalities can be substantially decreased. ✓✓
- Black Economic Empowerment (BEE) was introduced in 2003 and renamed to Broad-Based Black Economic Empowerment (BBBEE) in 2014 and is still going on. ✓✓

(4 x 2)

(8)

[40]

QUESTION 4: MACROECONOMICS & ECONOMIC PURSUITS**4.1 Answer the following questions:****4.1.1 Name any TWO features of the fiscal policy.**

- Goal bound ✓
- Demand based ✓
- Cyclical ✓

(2 x 1) (2)

4.1.2 Why is industrial development a priority for the South African government?

- To stimulate economic growth and development in South Africa to create more employment opportunities. ✓✓
- To redistribute income and promote a more equitable distribution thereof. ✓✓

(1 x 2) (2)

(Accept any other correct relevant answer)**4.2 DATA RESPONSE****4.2.1 Identify the exchange rate system used in China as depicted by the above cartoon.**

Fixed ✓

(1)

4.2.2 Mention the financial market where currencies are exchanged.

Foreign exchange market ✓

(1)

4.2.3 Briefly describe the concept *balance of payments*.

The balance of payments is the systematic record of all international trade transactions between one country and the rest of the world for a particular period of time, usually a year. ✓✓

(2)

(Accept any other correct relevant answer)**4.2.4 Explain how mass production can affect international trade.**

- Mass production makes manufactured goods more affordable and profitable. ✓✓
- Small countries can only compete with large countries if they can export successfully. ✓✓
- Exports require mass production. ✓✓

(2)

(Accept any other correct relevant answer)**4.2.5 Why would investors prefer a country with a free floating system?**

- Investors like calculated risk - and will take risks - free-floating exchange rates offer risk. ✓✓
- Countries with a fixed exchange rate control their exchange rate to make their exports cheaper - and in most cases will lower the exchange rate. ✓✓
- Investors are looking for profit - and do not want to invest where they measure that the chance of getting a reduction in the exchange rate is high. ✓✓

(2 x 2) (4)


4.3 DATA RESPONSE

4.3.1 Identify ONE goal of the National Development Plan in the above extract.

To eliminate poverty ✓ / reduce inequality by 2023. ✓

(1)

4.3.2 How can the South African government achieve an inclusive economy?

- 
- Enhancing the capacity of the state ✓
 - Promoting leadership ✓
 - Partnership throughout society ✓

(1)

4.3.3 Briefly describe the term *globalisation*.

- Interaction between countries with trade as the center. ✓✓
- Refers the worldwide interaction of economies with trade as an important element and is made possible by information and computer technology (ICT). ✓✓

(2)

(Accept any other correct relevant answer)

4.3.4 Explain the objective of regional development in South Africa.

- The aim of regional development is to improve the regions where poverty is high and unemployment is high. ✓✓
- To create jobs there so that improved economic existence can occur in these areas and regions. ✓✓
- To prevent new imbalances from emerging. ✓✓
- To stimulate development in poorer areas. ✓✓
- To reduce unequal development of economic activities within the country. ✓✓

(2)

(Accept any other correct relevant answer)

4.3.5 How can the South African government eradicate poverty?

- South Africa has unequal distribution of income the government can increase tax on the rich and give to the poor. ✓✓
- Regions within the borders of our country is not equally developed the government can establish programs to increase growth in those areas. ✓✓
- Decentralization of businesses is important so that the work is taken to the people especially in remote places. ✓✓
- Skills must be taught to workers...better schooling, more learning of skills. ✓✓

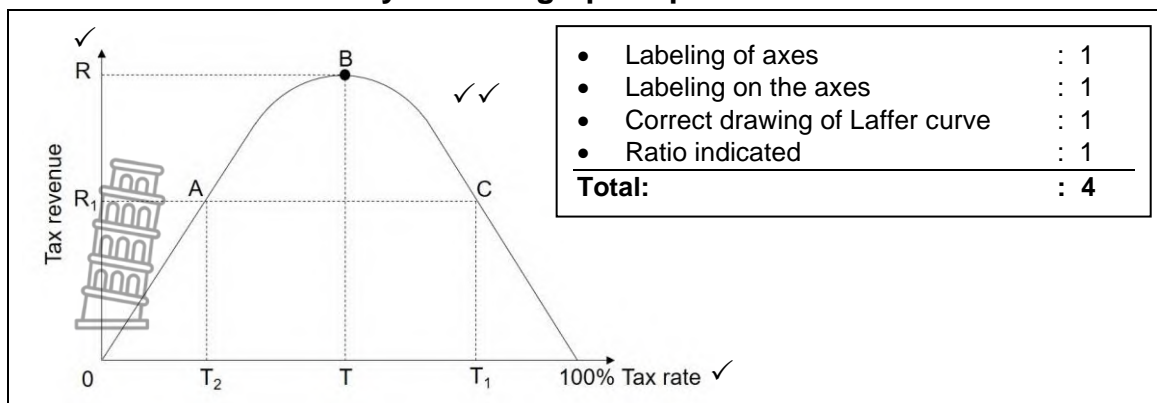
(2 x 2)

(4)

(Accept any other correct relevant answer)



4.4 With the aid of a correctly labelled graph explain the Laffer curve.



- At point 0, average tax rate is 0 and tax revenue is 0. ✓✓
 - If tax rate increases, tax revenue will increase to a certain point. ✓✓
 - Curve will trend upwards until it peaks at T. ✓✓
 - Maximum tax revenue is at point R (peak) and best tax rate is at point T. ✓✓
 - State earns maximum revenue at point B. ✓✓
 - If tax rate increases from T to T₁, tax revenue will decrease from R to R₁. ✓✓
 - Fewer people work because of higher taxes. ✓✓
 - If taxes fall to T₂, government will receive less revenue, but people will have more money to save and spend. ✓✓
- (Max 4) (8)

4.5 How has the load shedding crisis impacted the cost of doing business in South Africa?

- When power outages occur, businesses (more particularly SMMEs) are not able to produce goods and services as many cannot afford to install generators. ✓✓
 - This has reduced their productive capacity but their input costs such as labour, have remained the same. ✓✓
 - This will increase the cost of doing business as power is a key component and crucial to most activities. ✓✓
 - This will act as a deterrent to future businesses who would like to invest in South Africa as the cost of business will be higher due to power outages. ✓✓
 - Less production due to power outages reduces the profit margin of businesses which promotes unemployment. ✓✓
 - Businesses that cannot afford alternative electricity reduce their sales hours which causes profits to drop drastically. ✓✓
- (4 x 2) (8)
- (Accept any other correct relevant answer)

TOTAL SECTION B: [80]

SECTION C

Answer **ONE** of the two questions from this section in the **ANSWER BOOK**

Your answer will be assessed as follows:

STRUCTURE OF ESSAY:	MARK ALLOCATION:
Introduction: <ul style="list-style-type: none"> • A good starting point will be to define a concept or key. • Include other sentences to support the topic. • Do not include in your introduction any part of the question. • Do not repeat any part of the introduction in the body. • Avoid saying in the introduction what you are going to discuss in body. 	Max. 2
Body: <ul style="list-style-type: none"> • Main part: Discuss in detail / In-depth discussion / Examine / Critically discuss / Analyse / Compare / Evaluate / Distinguish / Differentiate / Explain / Assess / Debate. • Additional part: Give own opinion / Critically discuss / Evaluate / Critically evaluate / Draw a graph and explain / Use the graph given and explain / Complete the graph given / Calculate / Deduce / Compare / Explain / Distinguish / Interpret / Briefly debate / How? / Your own opinion. 	Max. 26 Max. 10
Conclusion: Any relevant higher order conclusion that should include: <ul style="list-style-type: none"> • A brief summary of what has been discussed / analyzed without repeating facts already mentioned in the body. • An opinion or valued judgement on the facts discussed. • Additional support information to strengthen the discussion / analysis. • A contradictory viewpoint with motivation, if so required. • Recommendations 	Max. 2
TOTAL	40 MARKS

QUESTION 5: MACROECONOMICS**40 MARKS – 40 MINUTES**

- **Discuss in detail the reasons for international trade.** (26 marks)
- **How can the South African government reduce imports in order to correct the Balance of Payment deficit?** (10 marks) **[40]**

INTRODUCTION:

The fourth participant in the circular flow model is the foreign sector. In this sector, exports figure as an injection and imports as a leakage. Exports and imports are the core elements of international trade. ✓✓

(Accept any other correct relevant introduction)

(Max. 2)

BODY: MAIN PART

Demands reasons for international trade ✓

- Level of income ✓ - When income levels are high, aggregate demand tends to increase, which often creates a demand for imported goods, ✓✓ for example someone in South Africa may be influenced by his high income to go for shopping in Dubai. ✓✓
- Consumer preference and tastes ✓ - Demand for foreign goods may exist due to differences in consumer preferences and tastes, ✓✓ for example someone in South Africa may prefer to buy a Lamborghini from Italy instead of a locally produced car. ✓✓
- International migration ✓ - Immigrants usually demand goods from their country of origin and due to the existing demand, businesses import goods from those countries, ✓✓ for example entrepreneurs in South Africa import 'Nestle', 'Cerevita', 'Lobels Biscuits', 'Willards Things', 'Mazoe' and many more Zimbabwean products because they know Zimbabwean citizens living in South Africa will prefer these products since they grew up consuming them. ✓✓
- Level of development ✓ - A country's level of development plays an important role on its consumption patterns, ✓✓ for example a poor country tends to spend the majority of their income on basics, usually agricultural products produced locally, whereas, in rich countries, the majority of their income may be spent on international luxurious goods. ✓✓
- Religious and Socio-cultural ✓ - Religious and socio-cultural aspect of a country plays an important role on consumption patterns, ✓✓ for example the sharing of particular religious cultures by people in different countries may enhance trust and, therefore, effectively create networks that facilitate complex international economic transactions. ✓✓

Supply reasons for international trade ✓

- Natural resources are unevenly distributed ✓
 - Natural resources are unevenly distributed across the world. ✓✓
 - Each country has its own mix of natural resources that makes it possible to produce certain goods and services more efficiently and at a relatively lower price. ✓✓
 - This makes it possible for some countries to produce certain goods. ✓✓
 - For example, South Africa can export sea food to land locked countries like Zimbabwe because these countries have no direct access to the sea. ✓✓
 - Saudi Arabia is one of the biggest exporters of oil in the world because oil is a natural resource which is unevenly distributed. ✓✓
- Climatic conditions differ ✓
 - Differences in climatic conditions between countries make it possible for some countries to produce certain goods at a lower price than other countries. ✓✓
 - In a water-scarce country like South Africa it is sometimes necessary to import food. ✓✓
 - Many crops can only be grown in certain specific climatic conditions. ✓✓
 - Production of products such as timber, coffee, fruit, meat, maize depends on climatic conditions. ✓✓
 - For example, Brazil is the biggest exporter of coffee in the world because Brazil's climatic conditions are conducive for the production of coffee. ✓✓

- Labour resources are unevenly distributed ✓
 - The quality, quantity and cost of labour differ from country to country. In certain countries labour is cheap and in some it is expensive. ✓✓
 - Some individuals have greater ability and aptitude for certain tasks. ✓✓
 - Some countries have developed and perfected a particular skill and aptitude for the production of a certain commodity, therefore their skills will be imported. ✓✓
 - Some countries have highly skilled labour with high level of productivity and some have semi-skilled labour. ✓✓
 - Countries with skilled labour are able to produce certain goods than those with semi-skilled labour. ✓✓
 - For example, China is the world's biggest exporter. ✓✓
 - It exports electrical machinery, data processing equipment, apparel, textiles, iron, steel, optical and medical equipment. ✓✓
 - These goods require highly skilled labour and high level of productivity. ✓✓

- Technology differs from country to country ✓
 - Some countries have access to technological resources that enable them to produce certain goods and services at a low unit cost. ✓✓
 - Developing countries import capital from development countries. ✓✓
 - The availability of equipment and machinery, and other technological factors all influence the supply of goods and services and thereby contribute to cost differences between countries. ✓✓
 - For example, Japan, USA, South Korea, Germany, England, Russia, Singapore and UAE are some of the world's leading countries in technology. ✓✓

- Specialisation ✓
 - Specialisation results from the division of labour. Given that each worker, or each producer, is given a specialist role, they are likely to become efficient contributors to the overall process of production, and at the finished product. ✓✓
 - Hence, specialisation can generate further benefits in term of efficiency and productivity. ✓✓
 - Specialisation can be applied to individuals, firms, machinery and technology, and to whole countries. International specialisation is increased when countries use their scarce resources to produce just a small range of products in high volume. ✓✓
 - Mass production allows a surplus of a good to be produced, which can then be exported. ✓✓
 - This means that goods and resources must be imported from other countries that have also specialised, and produced surpluses of their own. ✓✓
 - When countries specialise, they are likely to become more efficient over time. ✓✓
 - This is partly because a country's producers will become larger and exploit economies of scale. ✓✓
 - For example, South Africa specialises on the production of gold and then export to other countries and then import goods that we don't specialise in. ✓✓

- Capital ✓
 - Capital is expensive and therefore cannot be easily obtained in certain countries. ✓✓
 - Certain machinery may not be mobile or easy to move. ✓✓
 - Capital is not always easily obtained in every country. ✓✓
 - Developed countries have an advantage over developing countries. ✓✓
 - Due to lack of capital, some countries cannot produce certain goods they require. ✓✓

- The principle of absolute advantage applies ✓
 - In many instances the above factors cause a country to have an absolute advantage in the production of a good or service. ✓✓
 - This means the country can produce that good or service better than anyone else. ✓✓
 - A basis for trade exists since it makes sense for this country to specialise in the production of this good and then trade it for goods that other countries have an absolute advantage in. ✓✓
 - Even if a country has absolute advantage in the production of everything, it doesn't necessarily have to produce everything and be self-sufficient because of the principle of comparative advantages. ✓✓
- The principle of comparative advantage applies ✓
 - The law states that under certain conditions, two countries can gain from trade if one of them is more efficient than the other in producing everything. ✓✓

(Accept any other correct relevant answer)

(A maximum of 8 marks may be allocated for listing of facts/examples)

(Max. 26)

ADDITIONAL PART:

How can the South African government reduce imports in order to correct the Balance of Payment deficit?

- Increasing interest rate in order to discourage expenditure on imported goods and services. ✓✓
- Increasing direct taxes such as personal income tax to reduce household's disposable income in order to discourage their expenditure on imports. ✓✓
- Imposing import tariffs and duties to make imported goods as well as services more expensive. ✓✓
- Reducing the availability of foreign exchange to discourage domestic expenditure on imports. ✓✓
- Implementing strict customs procedures to delay the process of purchasing imports. ✓✓
- Encouraging import substitution such that consumers will purchase them on local markets. ✓✓
- Increasing aggregate supply of goods and services to avoid shortages on local markets. ✓✓
- Devaluing the rand to make imports relatively more expensive. ✓✓

(Accept any other correct relevant answer)

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

(Max. 10)

CONCLUSION:

Markets are critically important institutions in our economic system, because they regulate supply and demand and safeguard price stability and general business confidence. ✓✓

(Accept any other correct higher order conclusion / view)

(Max. 2)

[40]

QUESTION 6: ECONOMIC PURSUITS

40 MARKS – 40 MINUTES

- Discuss in detail export promotion. (26 marks)
- How can the consumption of local products boost the South African economy? (10 marks) [40]

INTRODUCTION:



Incentives or mechanisms to encourage domestic manufacturers to increase the exports of goods and services to foreign countries. ✓✓

(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. ✓✓
- More workers will be employed. ✓✓
- Prices will be reduced. ✓✓

Methods of Export Promotion ✓

- Incentives
 - The government supplies information on export markets, research on new markets, concessions on transport charges, export credit, etc. in order to stimulate exports. ✓✓
- Subsidies

These include direct and indirect subsidies: ✓✓

 - Direct subsidies - Cash payments to exporters. ✓✓
 - Indirect subsidies - Refunds on import tariffs and general tax. ✓✓
- Trade neutrality
 - Subsidies equal in size to import duties are paid. ✓✓
 - Neutrality can be achieved through trade liberalization rebates. ✓✓

Advantages of Export Promotion ✓

- There are no limitations to size of scale since the market is very large. ✓✓
- Production is based on cost and efficiency. ✓✓
- There is increased domestic production. ✓✓
- Exchange rates would be realistic. ✓✓



Disadvantages of Export Promotion ✓

- The real cost of production is reduced by subsidies and incentives. ✓✓
- The product may thus never be able to compete in the open market. ✓✓
- The lack of competition because 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. ✓✓
- 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 who received the subsidy. ✓✓
- 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. ✓✓

(Accept any other correct relevant answer)

(A maximum of 8 marks may be allocated for mere listing of facts / examples) **(Max. 26)**

ADDITIONAL PART:

How can the consumption of local products boost the South African economy?

- If residents of a country support their own products, demand will increase and this may lead to inflation in the short term. ✓✓
- The increase in prices will motivate the producer to produce more. ✓✓
- An increase in production will mean higher employment. ✓✓
- The more people employed, the greater their income, which will increase production more. ✓✓
- Producers visit foreign markets because they are bigger, if they get the same sales on local markets, mass production will be able to take place, which will be a reduction in price with larger quantity. ✓✓

(Accept any other correct relevant answer)

A maximum of 2 marks may be allocated for listing of facts/examples) **(Max. 10)**

CONCLUSION:

In the light of the negative impact of free trade it is critically important to protect smaller developing economies against uneven competition from the developed economies. ✓✓

(Accept any other correct higher order conclusion / view)

(Max. 2)



[40]

TOTAL SECTION C: [40]

GRAND TOTAL: [150]