



**education**  
**MPUMALANGA PROVINCE**  
**REPUBLIC OF SOUTH AFRICA**

**NATIONAL  
SENIOR CERTIFICATE**

**GRADE 12**

**ECONOMICS P1**

*Stanmorephysics.com*  
**JUNE 2024**

**MARKS: 150**

**TIME: 2 hours**



**This question paper consists of 13 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.

1.1.1 The business cycle indicators that change before the economy gets changed are called ... indicators.

- A composite
- B economic
- C lagging
- D leading

1.1.2 Businesses borrow money from the financial institution and use it mainly to purchase ... goods.

- A capital
- B final
- C non-durable
- D consumer

1.1.3 The pricing policy that the government applies when providing community goods is ...

- A subsidies.
- B charging a small fee.
- C free of charge.
- D tax.

1.1.4 When the capital outflow is higher than the capital inflow, the Balance of Payment is in a ...

- A surplus.
- B equilibrium.
- C deficit.
- D profit.

1.1.5 The depreciation in the value of assets such as machinery used in producing goods is known as the....

- A net operating surplus.
- B compensation of employees.
- C residual item.
- D consumption of fixed capital.



1.1.6

When the effects of irregular events are removed from the time series, the ... business cycle is obtained.

- A actual
- B typical
- C Kitchin
- D Juglar

1.1.7

The tax system that takes more money from the poor in relation to their income is the ... tax.

- A progressive
- B regressive
- C proportional
- D personal income

1.1.8

An investment made in a specific asset with a fixed future value that is paid out on a specific date is known as the ...

- A reserve assets.
- B financial derivatives.
- C portfolio investment.
- D direct investment.

(8 x 2) (16)



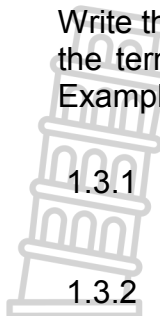
1.2 Choose a description from COLUMN B that matches an item in COLUMN A. Write only the letter (A –I) next to the question number (1.2.1 – 1.2.8) in the ANSWER BOOK.

COLUMN A		COLUMN B	
1.2.1	Capital market	A	shows the relationship between tax rate and tax revenue
1.2.2	Standard of National Accounts	B	the phase of the business cycle during which the level of economic activity starts to increase
1.2.3	The Laffer Curve	C	economic activities that withdraw money from the economy
1.2.4	Exchange rate	D	the ratio of export prices to import prices
1.2.5	Recovery phase	E	the phase of the business cycle during which the level of economic activity is very high
1.2.6	Human resource development	F	a price of a currency in terms of another country's currency
1.2.7	Leakages	G	recommended by the United Nations for countries' economic information to be comparable
1.2.8	Terms of trade	H	JSE is a major institution as it trades in shares
		I	Involves training of workers to improve their efficiency in production

(8 x 1) (8)



1.3 Write the concept/term described in each of the following statements. Write only the term next to the question number (1.3.1 – 1.3.6) in the ANSWER BOOK. Examples, acronyms and abbreviations **WILL NOT** be accepted.



1.3.1 The time that the economy takes to move from one peak to another peak or one trough to another trough.

1.3.2 Harmful goods that the government uses excise tax to discourage their consumption and production.

1.3.3 The government policy that uses taxation and government spending to influence the economy.

1.3.4 A summary of a record of a country's economic activities related to production, income, and expenditure.

1.3.5 Excessively complex administrative procedures that are often followed in the government sector.

1.3.6 Financial capital held by the monetary authorities such as the central bank to finance the trading disequilibrium.

(6 x 1) (6)

**TOTAL SECTION A: 30**



**SECTION B**

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

**QUESTION 2: MACROECONOMICS**

**40 MARKS – 30 MINUTES**


2.1 Answer the following questions.

2.1.1 List any TWO kinds of prices used in national accounts. (2 x 1) (2)

2.1.2 Why is the relationship between inflation and unemployment regarded as inverse? (1 x 2) (2)

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

**CIRCULAR FLOW**



Circular flow is an economic model that presents how money, goods (both consumer and capital goods), and services move between sectors in an economic system. The flows of money between the sectors are also traced to measure a country's national income or GDP in the various markets.

[Extracted from: [www.google.com](http://www.google.com)]

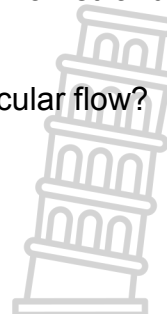
2.2.1 Identify ONE example of a real flow in the extract above. (1)

2.2.2 Which sector in the circular flow model indicates international trade? (1)

2.2.3 Briefly describe the term *foreign exchange market*. (2)

2.2.4 Explain the relationship between the factor market and the product market. (2)

2.2.5 Why is the financial sector important in the circular flow? (2 x 2) (4)



2.3 Study the data item below and answer the questions that follow.

**PROBLEMS IN THE PUBLIC SECTOR: PARASTATAL**

[A]

[Extracted from: [www.google.com](http://www.google.com)]

- 2.3.1 Provide the name of the parastatal labeled [A] that manufactures defense equipment in South Africa. (1)
- 2.3.2 Name the level of government responsible for providing services to the whole country. (1)
- 2.3.3 Briefly describe the term *nationalisation*. (2)
- 2.3.4 Why does privatisation often lead to increases in the prices of goods and services produced? (2)
- 2.3.5 How can the government improve the efficiency of providing public services in South Africa? (2 x 2) (4)
- 2.4 Briefly discuss *amplitude* and *trend line* as features underpinning business cycle forecasting. (2 x 4) (8)
- 2.5 How can an increase in injections positively affect the growth of an economy? (8)



**QUESTION 3: MACROECONOMICS**

**40 MARKS – 30 MINUTES**

3.1 Answer the following questions.

3.1.1 List any TWO reasons for the necessity of the public sector. (2 x 1) (2)

3.1.2 How is double counting avoided when calculating gross domestic product using the production method? (1 x 2) (2)

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

<b>GROSS DOMESTIC PRODUCT CALCULATION: GDP (E)</b>	
<b>GDP at current prices</b>	<b>R millions (2022)</b>
Gross domestic expenditure	10 625 692
Export of goods and services	2 220 120
Import of goods and services	2 088 754
Expenditure on gross domestic product	<b>[A]</b>

[Source: [www.resbank.co.za](http://www.resbank.co.za)]

3.2.1 Which method of calculating GDP is expressed as GDP (E)? (1)

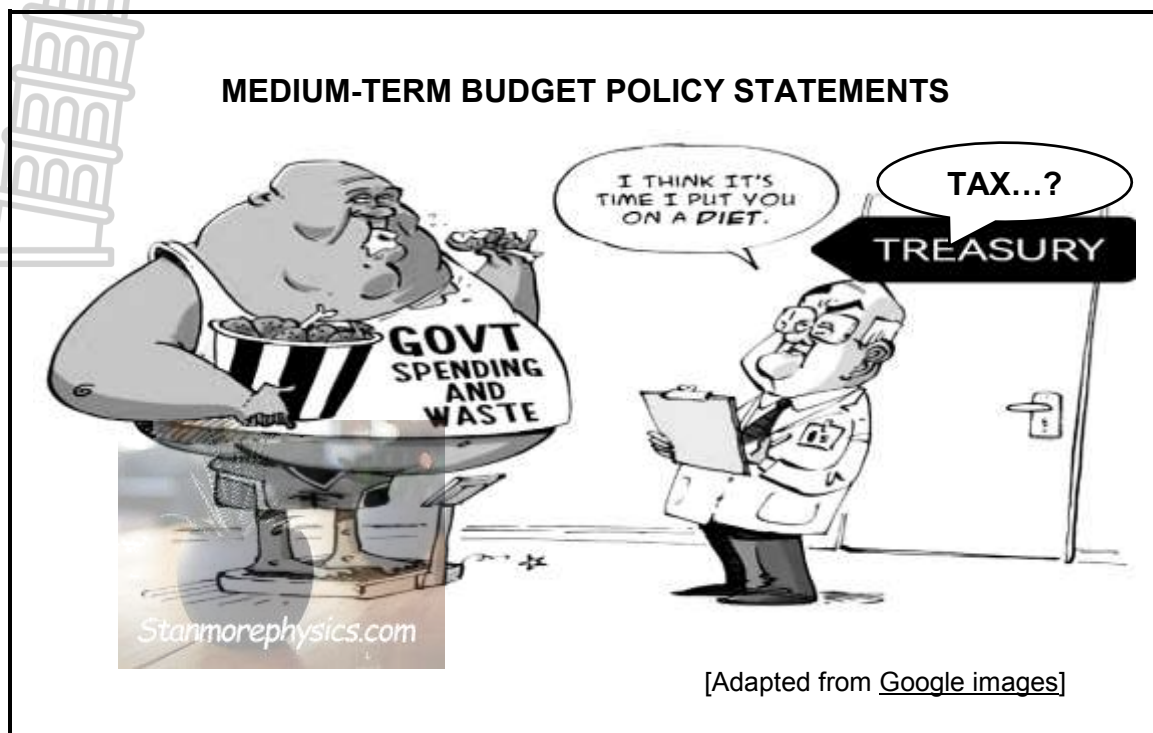
3.2.2 Give the alternative term for GDP at current prices. (1)

3.2.3 Briefly describe the term *gross domestic product*. (2)

3.2.4 What is the purpose of the residual item in the calculation of the GDP? (2)

3.2.5 Calculate the value of the expenditure on gross domestic product (letter **A**). (4)

3.3 Study the data item below and answer the questions that follow.



- 3.3.1 Identify the type of budget that is usually presented in Parliament during October. (1)
- 3.3.2 What is the financial year of the government in South Africa? (1)
- 3.3.3 Briefly describe the term *main budget*. (2)
- 3.3.4 Why is it important for a country to have a balanced budget? (2)
- 3.3.5 Explain the importance of the Medium Term Expenditure Framework. (2 x 2) (4)
- 3.4 Explain *direct* and *indirect taxation* as sources of government revenue. (2 x 4) (8)
- 3.5 What impact can the public sector failure have on the country? (8)

[40]

**QUESTION 4: MACROECONOMICS**

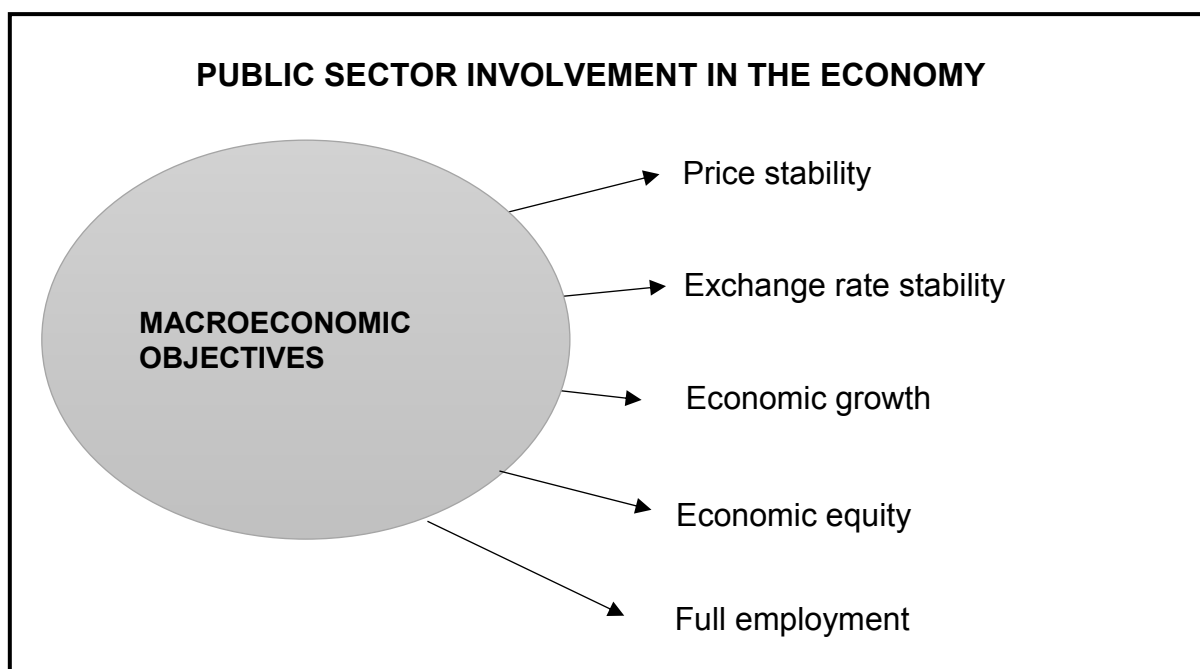
**40 MARKS – 30 MINUTES**

4.1 Answer the following questions.

4.1.1 List the TWO classifications of government spending. (2 × 1) (2)

4.1.2 How can interest rates be used to correct disequilibrium in the balance of payments? (1 × 2) (2)

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



4.2.1 Identify the main objective of the South African Reserve Bank above. (1)

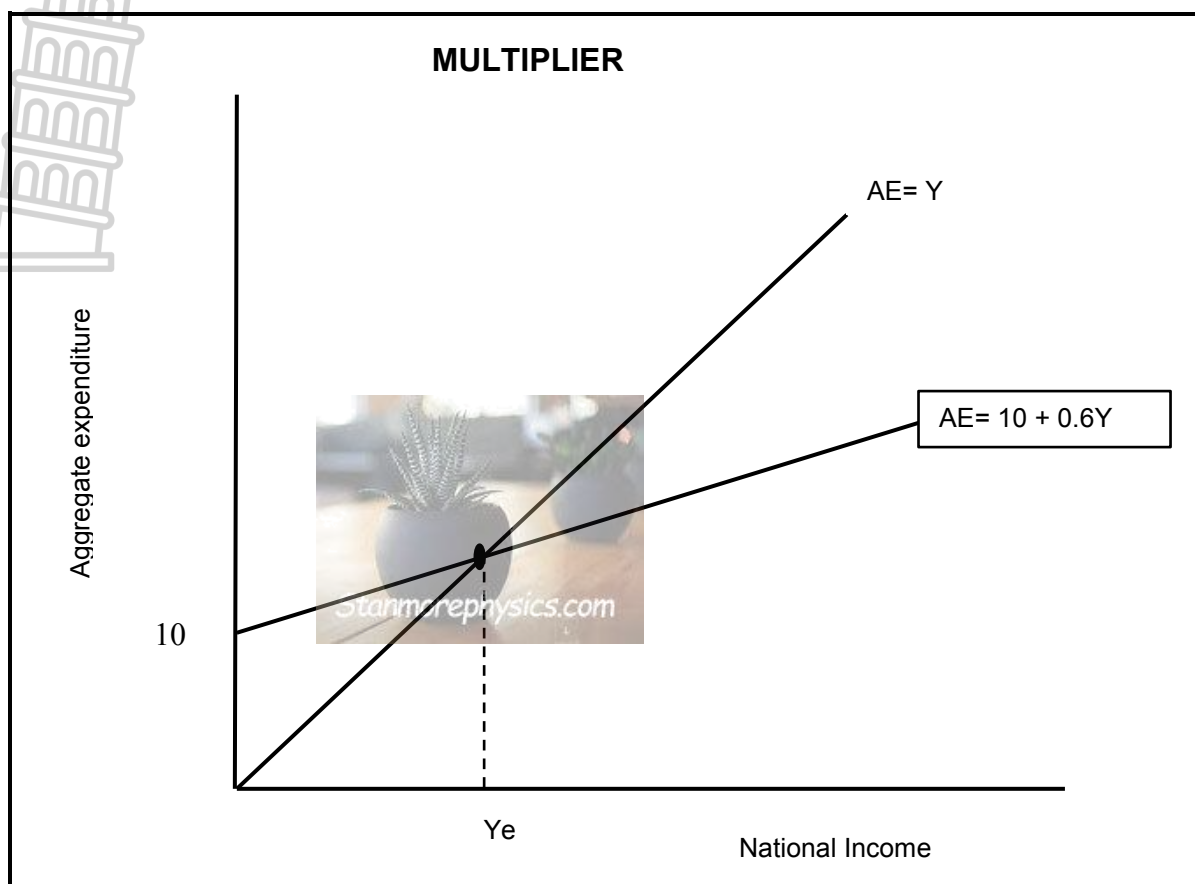
4.2.2 Name the indicator that is used to measure economic growth. (1)

4.2.3 Briefly describe the term *full employment*. (2)

4.2.4 Why is it important for the country to maintain exchange rate stability? (2)

4.2.5 What measures are implemented to achieve economic equity in South Africa? (2 × 2) (4)

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



- 4.3.1 From the consumption function above, identify the value of autonomous consumption. (1)
- 4.3.2 Name any ONE participant in a two-sector economy. (1)
- 4.3.3 Briefly describe the term *induced consumption*. (2)
- 4.3.4 How does a larger marginal propensity to save (mps) lead to a smaller increase in national income? (2)
- 4.3.5 With reference to the above graph, calculate the equilibrium income level ( $Y_e$ ) using the following formula: (4)
 
$$Y_e = \frac{1}{(1 - mpc) \times \bar{A}}$$
- 4.4 Distinguish between *direct investments* and *portfolio investments* as components of the Financial Account. (2 x 4) (8)
- 4.5 Evaluate how successfully households play their role as participants in the economy. (8)

[40]

**TOTAL SECTION B: 80**

**SECTION C**

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

STRUCTURE OF ESSAY	MARK ALLOCATION
<b>Introduction</b> <ul style="list-style-type: none"> <li>• A good starting point would be to define a concept or key word that appears in the question</li> <li>• Include other sentences to support the topic.</li> <li>• Do not include in your introduction any part of the question.</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>	Max. 2
<b>Body:</b> <b>Main part:</b> Discuss in detail / In-depth discussion / Examine / Critically discuss / Analyse / Compare / Evaluate / Distinguish / Differentiate / Explain / Assess / Debate  <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	Max. 26  Max. 10
<b>Conclusion</b> <ul style="list-style-type: none"> <li>• The conclusion is a wrap up of the discussion of the topic in the body and should be treated as a higher order response.</li> <li>• The conclusion can take the form of an own opinion, examples to support your discussion or contradictory viewpoint from what has been discussed.</li> <li>• No aspect from either the introduction or body should be included in the conclusion.</li> </ul>	Max. 2
<b>TOTAL</b>	<b>40</b>

**QUESTION 5: MACROECONOMICS**

**40 MARKS – 40 MINUTES**

- Discuss in detail the new economic paradigm (smoothing of cycles). (26 marks)
- Analyse the view of the Keynesian Economists on business cycles. (10 marks) **[40]**

**QUESTION 6: MACROECONOMICS**

**40 MARKS – 40 MINUTES**

- Discuss in detail the reasons for international trade. (26 marks)
- How can a managed floating exchange rate system impact on an economy? (10 marks) **[40]**

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



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**ECONOMICS P1**

**JUNE 2024**

**MARKING GUIDELINES**

[Stannmorephysics.com](http://Stannmorephysics.com)

**MARKS: 150**



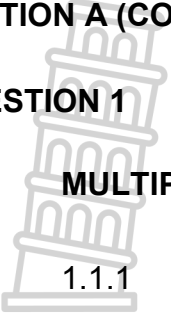

**This marking guideline consists of 19 pages.**

**SECTION A (COMPULSORY)**

**QUESTION 1**


**30 MARKS**

**1.1 MULTIPLE-CHOICE**

- 
- 1.1.1 D leading ✓✓
  - 1.1.2 A capital ✓✓
  - 1.1.3 C free of charge. ✓✓
  - 1.1.4 C deficit. ✓✓
  - 1.1.5 D consumption of fixed capital. ✓✓
  - 1.1.6 A actual ✓✓
  - 1.1.7 B regressive ✓✓
  - 1.1.8 B financial derivatives. ✓✓
- 

(8 x 2) (16)

**1.2. MATCH TYPE**

- 1.2.1 H JSE is a major institution as it trade in shares ✓
  - 1.2.2 G recommended by the United Nations for countries' economic information to be comparable ✓
  - 1.2.3 A shows the relationship between tax rate and tax revenue ✓
  - 1.2.4 F a price of a currency in terms of another country's currency ✓
  - 1.2.5 B the phase of the business cycle during which the level of economic activity starts to increase ✓
  - 1.2.6 I involves training of workers to improve their efficiency in production ✓
  - 1.2.7 C economic activities that withdraw money from the economy ✓
  - 1.2.8 D the ratio of export prices to import prices ✓
- 

(8 x 1) (8)

1.3 **ONE TERM**



1.3.1 Cycle length ✓

1.3.2 Demerit goods ✓

1.3.3 Fiscal policy ✓

1.3.4 National account aggregates ✓

1.3.5 Bureaucracy ✓

1.3.6 Reserve assets ✓

(6 x 1) (6)

**TOTAL SECTION A: 30**





**SECTION B**

**QUESTION 2: MACROECONOMICS**

**40 MARKS**

**2.1 Short questions**

**2.1.1 List any TWO kinds of prices used in national accounts.**

- Basic ✓
- Factor ✓
- Market ✓

(2 x 1) (2)

**2.1.2 Why is the relationship between inflation and unemployment regarded as inverse?**

As inflation increases, unemployment decreases / as inflation decreases unemployment increases ✓✓ (1 x 2) (2)

**2.2 DATA RESPONSE**

**2.2.1 Identify ONE example of a real flow in the extract above.**

Consumer goods/capital goods/goods and services ✓ (1)

**2.2.2 Which sector in the circular flow model indicates international trade?**

Foreign sector ✓ (1)

**2.2.3 Briefly describe the term *foreign exchange market*.**

The market in which currencies are bought and sold ✓✓ (2)  
(Accept any other correct relevant responses)

**2.2.4 Explain the relationship between the factor market and the product market.**

The factor market sells inputs that are used to produce goods sold in the goods market ✓✓ (2)  
(Accept any other correct relevant responses)

**2.2.5 Why is the financial sector important in the circular flow?**

- It links the participants with surplus funds with those who require funds ✓✓
- Firms can borrow money from financial institutions to invest in their businesses ✓✓
- Households can borrow money to finance their consumption spending ✓✓ (2 x 2) (4)  
(Accept any other correct relevant responses)

2.3 **DATA RESPONSE**



2.3.1 **Provide the name of the parastatal labeled [A] that manufactures defense equipment in South Africa.**

Denel ✓ (1)

2.3.2 **Name the level of government responsible for providing services to the whole country.**

Central/national government ✓ (1)

2.3.3 **Briefly describe the term *nationalisation*.**

When the government takes over the ownership of assets and businesses from the private sector ✓ ✓ (2)  
(Accept any other correct relevant responses)

2.3.4 **Why does privatisation often lead to increases in the prices of goods and services produced?**

The private sector aims to maximize profit, so higher prices lead to higher profit ✓ ✓ (2)  
(Accept any other correct relevant responses)

2.3.5 **How can the government improve the efficiency of providing public services in South Africa?**

- Motivating employees by giving incentives such as awards to those who do their work efficiently ✓ ✓
- Appointing managers with adequate skill and knowledge required for the job ✓ ✓
- Improving accountability of officials when dealing with public funds by legally dealing with corruption ✓ ✓ (2 x 2) (4)  
(Accept any other correct relevant responses)



2.4 **Briefly discuss *amplitude* and *trend line* as features underpinning business cycle forecasting.**

**Amplitude**

- Measures the vertical distance between a trough and the trend line or the vertical distance between the peak and the trend line ✓✓
- Indicates the intensity of the underlying forces and the size of a change ✓✓
- High amplitude shows the strong forces in the economy and severe expansion or contraction of economic activities ✓✓ (Max.4)

**Trend line**

- Shows the general direction in which the economy is moving ✓✓
- Usually has a positive slope because the production capacity of a country increases over time ✓✓
- Economists look at the performance of the economy over the past few years and then predict a future trend ✓✓ (Max.4) (8)

(Accept any other correct relevant responses)

(Allocate a maximum

of 4 marks for the mere listing of facts)

2.5 **How can an increase in injections positively affect the growth of an economy?**

- Investment spending on machinery and other equipment can lead to an increase in total production of goods and services ✓✓
- Research and development as part of investment by firms can result in the invention and production of new kinds of products ✓✓
- Increased export earnings can allow for foreign exchange to flow into the economy, making it possible to pay for imported inputs ✓✓
- Government spending on services such as education can lead to improved skills and productivity needed in production ✓✓
- Government expenditure on economic infrastructure such as roads and communication is important for businesses to do business with increased efficiency ✓✓

(Accept any other correct relevant responses)

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

**QUESTION 3: MACROECONOMICS**

**40 MARKS**

3.1 **Short questions**

3.1.1 **List any TWO reasons for the necessity of the public sector.**

- Provide public goods ✓
  - Manage economy ✓
  - Protect natural resources ✓
- (Accept any other correct relevant responses) (2 x 1) (2)

3.1.2 **How is double counting avoided when calculating gross domestic product using the production method?**

- Only finished products are considered ✓✓
  - Excluding intermediate goods and raw materials ✓✓
- (Accept any other correct relevant responses) (2)

3.2 **DATA RESPONSE**

3.2.1 **Which method of calculating GDP is expressed as GDP (E)?**

Expenditure ✓ (1)

3.2.2 **Give the alternative term for GDP at current prices.**

GDP at nominal prices ✓ (1)

3.2.3 **Briefly describe the term *gross domestic product*.**

The value of the final goods and services produced within the borders of a country in a year ✓✓ (2)  
(Accept any other correct relevant responses)

3.2.4 **What is the purpose of the residual item in the calculation of the GDP?**

It takes care of mistakes and omissions and therefore, brings a balance to the value of the GDP ✓✓ (2)  
(Accept any other correct relevant responses)

3.2.5 **Calculate the value of the expenditure on the gross domestic product (letter A)**

10 625 692 ✓  
+2 220 120 ✓  
- 2 088 754 ✓  
**10 757 058 ✓** (4)

### 3.3 DATA RESPONSE

3.3.1 Identify the type of budget that is usually presented in Parliament during October.

Medium-Term Budget Policy Statements/ MTBPS ✓ (1)

3.3.2 What is the financial year of the government in South Africa?

01 April to 31 March ✓ (1)

3.3.3 Briefly describe the term *main budget*.

The plan of the national government 's revenue and expenditure for a year ✓✓ (2)  
(Accept any other correct relevant responses)

3.3.4 Why is it important for a country to have a balanced budget?

To avoid the need for creating government debt through borrowing of money ✓✓ (2)  
(Accept any other correct relevant responses)

3.3.5 Explain the importance of the Medium Term Expenditure Framework.

- It serves to increase the level of transparency on matters of the government budget ✓✓
- It facilitates long-term planning as departments can be certain of policy and funding issues for every three years ✓✓ (2 x 2) (4)  
(Accept any other correct relevant responses)

3.4 Explain *direct* and *indirect* taxation as sources of government revenue.

#### Direct taxation

- Personal income tax is a direct tax on the incomes of individuals or households ✓✓
- Businesses pay corporate tax on their profits and capital gained from their shares ✓✓ (Max. 4)

#### Indirect taxation

- These are taxes levied on the consumption of goods and services. ✓✓
- Value-added tax is levied on the majority of goods and services consumed within the country. ✓✓
- Custom duties are tax imposed on imported goods ✓✓
- Excise duties are taxes on goods that are regarded as harmful to society (demerit goods) ✓✓ e.g. cigarettes and alcohol ✓ (Max.4) (8)  
(Accept any other correct relevant responses)  
(Allocate a maximum of 4 marks for the mere listing of facts)

3.5 **What impact can public sector failure have on the country?**

- When the government fails, an optimal allocation of resources is not achieved and consequently resources are wasted ✓✓
- Government failure can lead to macroeconomic instability indicating the inability to use fiscal policy effectively ✓✓
- The country can experience macroeconomic problems such as low economic growth, high inflation and high unemployment ✓✓
- When the public sector fails to provide social services such as sanitation, clean water, electricity etc., human lives are destabilised and their human rights are compromised ✓✓
- If the government fails to use the progressive income tax system effectively, there will be an unbalanced distribution of income in the country ✓✓

(Accept any other correct relevant responses)

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

(8)  
**[40]**



**QUESTION 4: MACROECONOMICS**

**40 MARKS**

4.1 Short questions



4.1.1 **List the TWO classifications of government spending.**

- Functional ✓
- Economic ✓ (2 x 1) (2)

4.1.2 **How can interest rates be used to correct disequilibrium in the balance of payments?**

- If interest rates are increased, spending including on imports can decrease ✓✓
- Foreign savers can increase their savings in a country with a higher interest rate, which will result in money inflow ✓✓ (1 x 2) (2)  
(Accept any other correct relevant responses)

4.2 **DATA RESPONSE**

4.2.1 **Identify the main objective of the South African Reserve Bank above.**

Price stability ✓ (1)

4.2.2 **Name the indicator that is used to measure economic growth.**

Real GDP ✓ (1)

4.2.3 **Briefly describe the term *full employment*.**

A situation whereby all people who are looking for jobs get employed ✓✓ (2)  
(Accept any other correct relevant responses)

4.2.4 **Why is it important for the country to maintain exchange rate stability?**

- Stable currency can maintain the level of costs of imports ✓✓
- Foreign investment can increase as investors can forecast their return on their investments with relative accuracy ✓✓ (2)  
(Accept any other correct relevant responses)



4.2.5 **What measures are implemented to achieve economic equity in South Africa?**

- Progressive income tax results in the higher income earners paying more than the lower income earners ✓✓
  - Subsidies on products enable consumers to buy some products at reduced prices ✓✓
  - Social grants are provided to the poor to assist them in providing for their basic needs ✓✓
- (Accept any other correct relevant responses)

(2 x 2) (4)

4.3 **DATA RESPONSE**

4.3.1 **From the consumption function above, identify the value of autonomous consumption.**

10✓ (1)

4.3.2 **Name any ONE participant in a two-sector economy.**

- Firms/ businesses/producers ✓
- Consumers/households✓ (1)

4.3.3 **Briefly describe the term *induced consumption*.**

The consumption that depends on income ✓✓ (2)  
(Accept any other correct relevant responses)

4.3.4 **How does a larger marginal propensity to save (mps) lead to a smaller increase in national income?**

The amount spent in the economy is reduced, therefore economic activity grows at a reduced rate (when more money is saved than spent) ✓✓ (2)  
(Accept any other correct relevant responses)

4.3.5 **With reference to the above graph, calculate the equilibrium income level ( $Y_e$ ) using the following formula.**

$$\begin{aligned} Y_e &= (1/1 - MPC) \times \bar{A} \\ &= (1/1 - 0.6) \times 10 \\ &= 1/0.4 \times 10 \\ &= 2.5 \times 10 \\ &= 25 \end{aligned}$$

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(4)



4.4 Distinguish between *direct investments* and *portfolio investments* as components of the Financial Account.

**Direct investments**

- An investment in fixed property or the acquisition of a significant share in a business ✓✓
- The investments into South Africa by foreigners represent incurrence of liability by South Africa ✓✓
- Liabilities are recorded as a credit (+) because money enters the country ✓✓
- Investment by South Africans in foreign countries represents the acquisition of assets ✓✓ (Max.4)

**Portfolio investment.**

- The purchase of financial assets such as minority shares on a stock market of another country ✓✓
  - The percentage of such shares is very small and the aim is just to make more money ✓✓
  - They are referred to as “hot money” because they can be quickly converted into cash ✓✓ (Max.4) (8)
- (Accept any other correct relevant responses)  
(Allocate a maximum of 4 marks for the mere listing of facts)

4.5 Evaluate how successfully households play their role as participants in the economy.

**Successfully because:**

- They offer their factors of production, therefore enabling the production of goods and services to take place ✓✓
- Through education, they acquire skills that increase their productivity in their jobs ✓✓
- They pay relevant taxes, thereby contributing to the government expenditure on various economic projects ✓✓
- They buy goods and services, enabling firms to produce more, therefore leading to economic growth ✓✓

**Not successfully because:**

- Some households have limited skills and knowledge needed in production and, therefore often inefficient in their jobs ✓✓
  - Some households dodge (evade) paying their taxes by not declaring their income to the government ✓✓
  - Shortage of jobs results in much of labour unused, therefore leading to a country producing below its potential level ✓✓ (8)
- (Accept any other correct relevant responses) [40]  
(Allocate a maximum of 2 marks for the mere listing of facts)

**TOTAL SECTION B: 80**

## SECTION C

### ESSAYS

#### QUESTION 5: MACROECONOMICS

40 MARKS

- Discuss in detail the new economic paradigm (smoothing of cycles). (26 marks)
- Analyse the view of the Keynesian Economists on business cycles. (10 marks)

#### INTRODUCTION

The new economic paradigm is the simultaneous application of demand-side and supply-side policies to influence the economy ✓✓  
(Accept other correct relevant introductions) (Max. 2)

#### MAIN PART:

##### DEMAND SIDE POLICIES ✓

These are measures taken to stimulate aggregate demand in the economy and consist of monetary and fiscal policies ✓✓

##### Monetary policies ✓

- When the level of economic activity changes the SARB can use expansionary and contractionary (restrictive) measures to reduce the fluctuation of such economic activities ✓✓
- An expansionary monetary policy is implemented when the economy is in recession to stimulate economic activities ✓✓

The instruments of the monetary policies are:

##### Interest rate ✓

- To expand credit creation, during recession interest rates can be reduced ✓✓
- This can increase aggregate demand as more people are likely to apply for loans ✓✓
- Increased aggregate demand leads to increased total production of goods and services ✓✓
- To reduce (restrict) credit creation, during peak repo rate can be increased ✓✓
- This can lead to a decrease in the number of loans, aggregate demand and production of goods and services ✓✓

##### Open market transactions ✓

- To encourage (expand) credit creation, the SARB buys securities from the banks ✓✓
- This result in money flowing into the banking system and aggregate demand and production increase ✓✓
- To restrict credit, the SARB sells securities to the banks ✓✓
- When banks buy these securities money flows from the banks to SARB ✓✓
- Banks will have less money to lend and cannot give as many loans as before ✓✓
- This can reduce aggregate demand and supply of goods and services ✓✓

### **Moral suasion ✓**

- The SARB consults with the banks and persuades them to act in a desirable manner suitable for prevailing economic condition ✓✓
- To increase (expand) demand for loans, the SARB can encourage the banks to be less strict in their requirements for one to qualify for a loan ✓✓
- This can lead to an increase in both aggregate consumption and production of goods and services ✓✓
- To reduce (restrict/ contract) demand for loans, banks can be encouraged to be stricter with loan extension ✓✓
- This can result in aggregate demand and supply decreasing ✓✓

### **Cash Reserve Requirements ✓**

- Banks are required to hold a certain minimum cash reserve in the central bank. ✓✓
- To increase (expand) aggregate demand, the SARB can reduce the amount of money needed as cash reserves in each bank's account with it. ✓✓
- This will increase the amount to be given as credit. ✓✓
- To reduce (restrict) aggregate demand, the amount of money needed as reserves in each bank's accounts with the SARB can be increased ✓✓
- This will result in banks having limited amounts of money to give out as credit ✓✓

## **2. Fiscal policy ✓**

### **Expansionary fiscal policy ✓**

- The measures taken involve a reduction in taxation and an increase in government expenditure ✓✓

### **Reduction in taxation ✓**

- If income tax decreases, consumers' disposable income will increase ✓✓
- Households can spend more on goods and services stimulating aggregate demand ✓✓
- Level of production can increase to meet higher demand, resulting in employment of more factors production. ✓✓
- Income levels will increase as well as expenditure, turning the economy to an upswing Increase in government expenditure. ✓✓
- The government can increase its expenditure for economic and social services, E.g. expenditure on social grants, education, healthcare services and infrastructure development projects. ✓✓
- This can increase aggregate demand and businesses will produce more to meet higher demand ✓✓
- More factors of production will be employed resulting in higher income levels ✓✓
- Aggregate expenditure will increase turning the economy to an upswing ✓✓

### **Contractionary (restrictive) fiscal policy ✓.**

### **Increase in taxation ✓**

- Increased personal income tax leads to a decrease in consumers' disposable income. ✓✓
- Households will spend less on goods and services, reducing aggregate demand. ✓✓
- Production of goods and services will decrease resulting in less factors of production employed ✓✓
- Income and expenditure levels will decrease further turning the economy to a downswing ✓✓

**Decrease in Government expenditure ✓**

- A reduction in government expenditure leads to a decrease in aggregate expenditure ✓✓
- Less goods and services will be produced resulting in less factors of production employed. ✓✓
- Income and expenditure levels will decrease further turning the economy to a downswing ✓✓

(Max. 13)

**SUPPLY-SIDE POLICIES ✓**

These are measures aimed at stimulating aggregate supply of goods and services ✓✓

**Government measures that can reduce costs ✓**

- Providing Infrastructural services like communication, transport and energy at reasonable costs can help to increase aggregate supply ✓✓
- Administrative costs like inspections and regulations - add to overall costs, therefore reducing them can increase production ✓✓
- Cash incentives like subsidies and compensation to exporters can result in increased aggregate supply ✓✓

**Measures to improve the efficiency of inputs ✓**

- Tax rates: A reduction in income tax rates can increase aggregate supply, as households will be encouraged to work harder to increase their disposable incomes ✓✓
- Capital consumption: replacing capital goods regularly can create opportunities for businesses to keep up with technological development ✓✓
- Human resources development: The quality of labour can be improved by improving health care, education, and training. This can result in efficient workers and therefore increase in supply ✓✓
- Free advisory services are offered by the government to promote opportunities to export and establish business activities in foreign countries e.g. weather forecasts, and research & development ✓✓

**Measures to improve the efficiency of markets ✓**

- Deregulation: The government can remove laws and regulations that hamper the operation of the market (to make markets free) ✓✓
- Competition is encouraged to establish new businesses, invite foreign direct investment, and remove power imbalances such as monopolies and opportunities for collusion(oligopolies) ✓✓

(Max. 13)

(Allocate a maximum of 8 marks for the mere listing of facts including headings)

(Accept any other correct relevant response)

(Max.26)

*NB: Where graphs are used, allocate a maximum of 4 marks for a well-drawn and correctly labeled graph*

## ADDITIONAL PART

- Keynesian Economists believe that the markets are inherently unstable ✓✓
- Business cycles occur due to the forces that arise inside the market ✓✓
- Price mechanism fails to co-ordinate demand and supply in various markets ✓✓
- Prices are not flexible enough as they increase easily but are difficult to decrease ✓✓
- They believe that governments must intervene in the economic processes to smoothen the peaks and troughs as far as possible ✓✓
- During expansion governments should apply policy to improve growth without increasing inflation ✓✓
- During contraction, the government policies should be applied to shorten the period ✓✓
- Examples of endogenous factors are: changes in the level of investment, changes in aggregate demand, and changes in aggregate supply, monetary policy ✓✓  
(Allocate a maximum of 2 marks for mere listing of facts)  
(Accept any other correct relevant response) (Max. 10)

## CONCLUSION

Government intervention through different policies can help to bring the much-needed balance between growth and inflation ✓✓

(Accept any other correct relevant higher-order conclusion) (Max.2 )



## QUESTION 6: MACROECONOMICS

40 MARKS

- Discuss in detail the reasons for international trade. (26 marks)
- How can a managed floating exchange rate system impact on an economy? (10 marks)

### INTRODUCTION

International trade involves the movement of goods and services between countries ✓✓  
(Accept other correct relevant introductions) (Max. 2)

### BODY: MAIN PART

#### DEMAND REASONS

##### Size of the population ✓

- The size of the population impacts demand. ✓✓
- If there is an increase in population growth, it causes an increase in demand, as more people's needs must be satisfied ✓✓
- Local suppliers may not be able to satisfy this demand. ✓✓

##### Income levels ✓

- The population's income levels affect demand ✓✓
- Changes in income cause a change in the demand for goods and services ✓✓
- An increase in the per capita income of people results in more disposable income that can be spent on local goods and services, some of which may then have to be imported ✓✓

##### Changes in the wealth of the population ✓

- An increase in the wealth of the population leads to greater demand for goods. ✓✓
- People have access to loans and can spend more on luxury goods, many of which are produced in other countries ✓✓

##### Preference and tastes ✓

- Preferences and tastes can play a part in determining prices, ✓✓
- For example, customers in Australia have a preference for a specific product that they do not produce and need to import, and it will have a higher value than in other countries. ✓✓

##### The difference in consumption patterns ✓

- The difference in consumption patterns is determined by the level of economic development in the country, ✓✓
- For example, a poorly developed country will have a high demand for basic goods and services but a lower demand for luxury goods ✓✓

## SUPPLY REASONS

### Natural resources ✓

- These resources are not evenly distributed across all countries of the world ✓✓
- They vary from country to country and can only be exploited in places where these resources exist ✓✓
- South Africa is well endowed with different natural resources but less well
- endowed with skilled labour and capital whilst Japan and Ireland have relative abundance of skilled labour but they lack natural resources ✓✓

### Labour resources ✓

- Labour differs from country to country in terms of skills, knowledge, training, quality, quantity, and cost between them ✓✓
- Some countries have highly skilled, well-paid workers and high productivity levels ✓✓

### The availability of capital ✓

- Some countries need to modernize their industries and economies with advanced machinery, equipment and plant but cannot manufacture this equipment because they lack the capital to do so ✓✓
- This has increased the need for international trade ✓✓

### Lack of entrepreneurship ✓

- Countries that have good entrepreneurial skills offer more goods and services for trade ✓✓
- Efficiency determines the supply of goods and services produced at lower prices and reduces the opportunity cost of acquiring them ✓✓

### Climatic conditions ✓

- These conditions make it possible for some countries to produce certain goods at a lower price than other countries ✓✓
- For example, Brazil is the biggest producer of coffee ✓
- Countries have different climatic conditions and are therefore able to produce different products ✓✓

### Technological resources ✓

- The development levels and innovation processes of countries will always differ and as a result, other countries may have them in abundance while others may not ✓✓
- Countries like Germany, and the United States, can use capital that embodies high levels of technology while other countries do not have access to the latest technology ✓✓
- These countries that have a high technological labour force can produce certain goods and services at a low unit cost ✓✓

### Specialisation ✓

- The production of certain goods and services allows some countries to produce them at a lower cost than others ✓✓
- For example, Japan produces electronic goods and sells these at a lower price ✓
- International trade enables countries to specialize in the production of goods and services in which they have a comparative advantage ✓✓
- Most of such surplus production gets exported to other countries and the revenue earned from these exports can be used to finance imports ✓✓

(Allocate a maximum of 8 marks for mere listing of facts including headings)

(Accept any other correct relevant response)

(Max. 26)

## ADDITIONAL PART

### Positively

- If a country's currency depreciates too much the central bank can intervene by buying its currency on the foreign exchange market ✓✓
- This action can increase the demand for the country's currency and its value can increase ✓✓
- The appreciation of the currency can help to reduce the amount needed to pay for imported products ✓✓
- If the currency appreciates too much, the central bank can sell its local currency reserves in the foreign exchange markets ✓✓
- This increases the supply of the local currency and its value decreases ✓✓
- The depreciating currency can make the country's exports affordable and therefore increase ✓✓

### Negatively

- The intervention by the reserve bank can encourage speculation on a country's currency ✓✓ whereby some people can buy the currency when the value is low to sell it when the value increases as a result of reserve bank intervention ✓✓
- A depreciation that comes as a result of central bank intervention can make imported inputs too expensive, leading to an increase in inflation ✓✓
- If the intervention is too often, it can create a sense of unpredictability in the potential investors' minds, therefore, they may not be attracted to the economy ✓✓ (Max.10)  
(Accept any other correct relevant responses)  
(Allocate a maximum of 2 marks for the mere listing of facts)

## CONCLUSION

Countries need to integrate their economies because nations of the world need each other for the survival and the attainment of their economic growth and development ✓✓  
(Accept any other correct relevant higher-order conclusion) (Max.2)

**(40)**

**TOTAL SECTION C:**

**40**

**GRAND TOTAL:**

**150**





Colleagues as per the outcome of the Marking guideline Discussion, take note of the following changes. Remember

Remember full explanations of the reason were discussed in the marking standardisation meeting, so here is the summary and way forward.

Question	Reason for Change	Type of change
2.1.2	<b>Outside of the Grade 11 curriculum.</b> (2 marks)	Subtract
2.2	<b>Outside the Grade 11 Curriculum</b> (10 marks)	Subtract
2.5	<b>Outside of the Grade 11 curriculum</b> (8 marks)	Subtract
Total mark subtracted : 20 marks		
NB: Question 2 will be marked out of 20 marks)  The learner ' total mark for Q2 should be converted to 40 e.g. if the learner obtained 08 marks the conversion should be  $08/20 \times 40 = 16$ Therefore the learner gets 16 out of 40		

### QUESTION 3

Question	Reason for change	Change
3.2.5	<b>Not part of the Grade 11 <u>paper 2</u> curriculum</b>	Subtract
NB: Question 3 will be marked out of 36 marks)  The learner ' total mark for Q3 should be converted to 40 e.g. if the learner obtained 08 marks the conversion should be  $08/36 \times 40 = 9$ Therefore the learner gets 9 out of 40		

Question	Reason for change	Type of change
4.5	<b>Not part of the Grade 11 Curriculum</b>  (8 marks)	Subtract
	NB: Question 4 will be marked out of 32 marks)  The learner ' total mark for Q4 should be converted to 40 e.g. if the learner obtained 08 marks the conversion should be  $08/32 \times 40 = 10$ Therefore the learner gets 10 out of 40	
Q5 additional Part	<b>Not Part of the Grade 11 curriculum</b>  Functioning of the market is not part of the Grade 11 curriculum (10 marks)	Subtract
	NB: Question 5 will be marked out of 30 marks)  The learner ' total mark for Q4 should be converted to 40 e.g. if the learner obtained 08 marks the conversion should be  $08/30 \times 40 = 11$ Therefore the learner gets 11 out of 40	

**NB: CONVERTING PER QUESTION WILL ASSIST AS THE TOTAL MARK WILL BE STRAIGHT OUT OF 150, THEREFORE, SIMPLIFIES THE PROCESS.**

