



KWAZULU-NATAL PROVINCE

EDUCATION
REPUBLIC OF SOUTH AFRICA

CURRICULUM GRADE 10 -12 DIRECTORATE

NCS (CAPS)

STEP AHEAD REVISION

TEACHER SUPPORT DOCUMENT

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GRADE 11: Term 1-4

ECONOMICS

2024

PREFACE

This support document serves to assist Economics teachers on how to deal with curriculum gaps. It also addresses the challenging topics in the Grade 11 curriculum. The lesson plans should be used in conjunction with the 2024 Annual Teaching Plan, 2021-2023 Grade 11 Step Ahead Teacher Support Document and Grade 11 2021-2023 Step Ahead Learner Support Document. Activities should serve as a guide on how to assess topics dealt with in this document. It covers the following topics:

NO.	TOPIC
1.	Factors of Production
2.	Circular Flow
3.	Economic System
4.	Economic Structure
5.	Relationship between markets
6.	Effect Cost and revenue
7.	Price Elasticity of Demand and Supply
8.	Economic growth
9.	Economic Development
10.	Money and Banking
11.	Globalisation
12.	Environment Deterioration

TOPIC 1: FACTORS OF PRODUCTION

ACTIVITY 1

1.1	Match the concepts in column A to description in column B. Write only the correct letter next to the question number .e.g (1.2.9 J).		
	COLUMN A	COLUMN B	
1.1.1	Procurement	F	Purchasing of goods and services for business purposes
1.1.2	Land	D	Any area geographical location where production takes place
1.1.3	Intermediate goods	E	Goods that are undergone production process that are not ready for consumption
1.1.4	Rent	A	The remuneration from the sale of a factor of production which is scarce
1.1.5	Physical capital	G	All man-made physical assets like plant and machinery, tools, buildings, roads etc are the various forms of physical capital
1.1.6	Division of labour	C	People who specialize in the production process

(6x1) [6]

1.2 Give ONE term for each of the following descriptions. Write only the term next to the question numbers (1.2.1 to 1.2.5) in the ANSWER BOOK. Abbreviations, acronyms, and examples will NOT be accepted.

1.2.1 The person who takes a risk to start the business.

Entrepreneur

1.2.2 Resources that can replace themselves or reform over period.

Renewable resources

1.2.3 Resources that are plentiful in nature and have no exchange value.

Free goods

1.2.4 Accumulation of more resources stock in a country such as machinery.

Capital formation

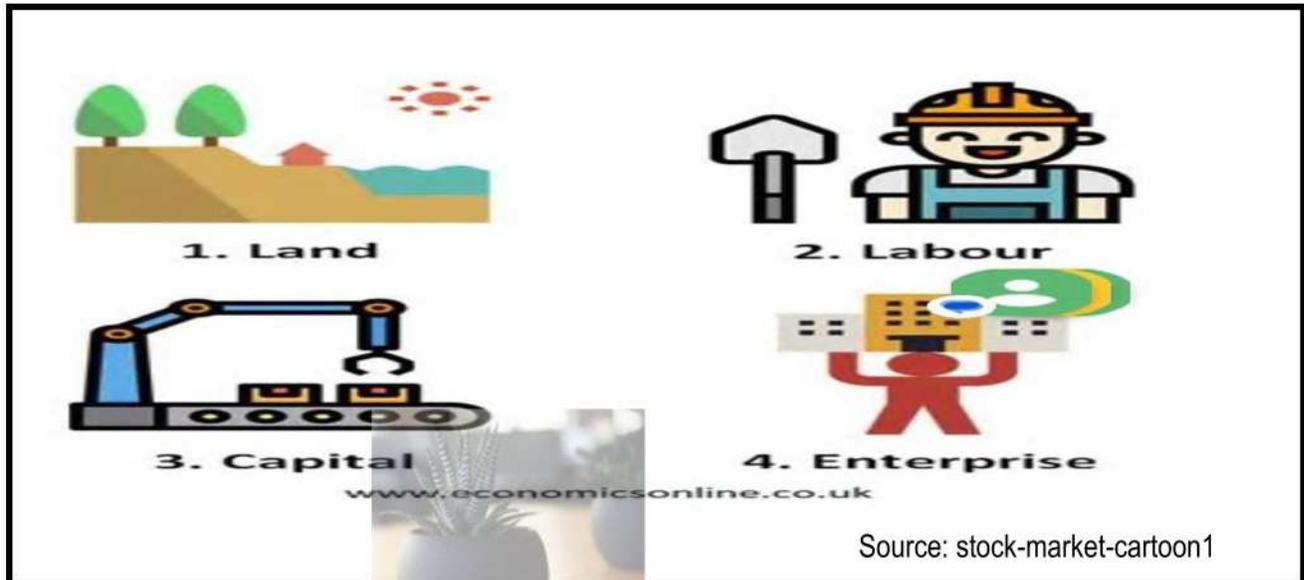
1.2.5 The actual payment that a worker receives each day, week or at the end of each month.

Wages or salary

(5x1) [5]

ACTIVITY 2

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



2.1.1 Identify the economic term depicted by the cartoon above? (1)

Factors of production

2.1.2 Name any ONE classification of labour. (1)

- Skilled labour
- Unskilled labour
- Semi-skilled labour

2.1.3 Briefly describe the term *capital*. (2)

Capital refers to financial assets or resources that businesses or individuals use to fund their operations, invest in projects, or generate income. It includes money, equipment, buildings, and other tangible and intangible assets that are essential for production and economic growth. Capital is a crucial component in determining a firm's ability to expand, innovate, and sustain long-term profitability.

2.1.4 Explain the impact of EPWP in the economy. (2)

The Expanded Public Works Programme (EPWP) in South Africa aims to alleviate poverty and unemployment by providing temporary work opportunities and skills development to marginalized communities. It boosts the economy by increasing household incomes, enhancing employability through skills training, and fostering local economic development through community-driven projects. By improving infrastructure and public services, the EPWP also contributes to long-term economic growth and stability.

2.1.5 Why do we need entrepreneurs in the economy of South Africa? (4)

Entrepreneurs are crucial for South Africa's economy as they drive innovation and create new businesses, which generate employment opportunities and stimulate economic growth. They foster competition, improve productivity, and introduce new products and services that meet the evolving needs of consumers. Entrepreneurs also attract investment, both domestic and foreign, which can lead to improved infrastructure and further economic development. Additionally, they often address social and economic challenges by developing solutions that can uplift communities and reduce poverty.

Activity 3

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



[Source: <https://www.businesslive.co.za> move]

3.1.1. Which production factor is represented in the cartoon above? (1)

• Labour
3.1.2. What is the remuneration received by this production factor? (1)

• Wages/ Salary
3.1.3. Briefly describe the *term* labor. (2)

Labor refers to the human effort, both physical and mental, used in the production of goods and services. It encompasses the work performed by employees, including skilled and unskilled workers, across various industries. Labor is a fundamental factor of production, essential for economic activity and the generation of income and wealth.

3.1.4. Why South Africa have a large supply of unskilled workers? (2)

South Africa has a large supply of unskilled workers primarily due to historical inequalities and deficiencies in the education system, which have left many individuals without access to quality education and training. The legacy of apartheid contributed to systemic socio-economic disparities, limiting opportunities for many to acquire skills. High unemployment rates and limited access to vocational training programs further exacerbate the issue, as many people are unable to develop the necessary skills for higher-paying jobs. Additionally, rural-urban migration has led to an oversupply of unskilled labor in urban areas, where many seek employment opportunities that do not require specialized skills.

3.1.5. What is the impact of technology on unemployment in South Africa? (2 x 2) (4)

Technology impacts unemployment in South Africa by both creating and displacing jobs; automation and digitalization can lead to job losses in traditional sectors such as manufacturing and agriculture. However, technology also generates new employment opportunities in emerging industries like information technology, telecommunications, and e-commerce. The skills gap remains a challenge, as many workers lack the digital literacy and technical skills needed for these new roles, exacerbating unemployment among unskilled and low-skilled workers. Addressing this requires investment in education and training programs to equip the workforce with the necessary skills to thrive in a technology-driven economy.

3.2. Discuss the role of households in an open circular flow. (4 x 2) (8)

In an open circular flow model, households play a crucial role as they provide factors of production, such as labor, capital, and land, to firms in exchange for income in the form of wages, rent, interest, and profits. They use this income to purchase goods and services from firms, driving demand and stimulating economic activity. Households also save part of their income, which can be channeled into investments through financial markets, providing capital for business expansion and innovation. Households pay taxes to the

government, which are then used for public goods and services, influencing overall economic stability and growth. In an open economy, households engage in international trade by purchasing imported goods and services, and their investments can include foreign assets, integrating the domestic economy with the global market.

Activity 4

2.1 Answer the following questions.

4.1.1 Name TWO classifications of capital. (2 x 1) (2)

- Physical capital
- Human capital

4.1.2 Why do people with scarce skills receive higher wages? (1 x 2) (2)

- People with scarce skills receive higher wages because their unique abilities and expertise are in high demand but limited supply, making them more valuable to employers. This scarcity drives up competition among employers to attract and retain such talent, resulting in higher wages.

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



[Source : <https://www.statssa.gov.za>]

4.2.1 Identify method of GDP determines production at basic price? (1)

- Production method

4.2.2 Name the institution besides Statistics SA publishes statistics in SA? (1)

- the South African Reserve Bank (SARB)

4.2.3 Briefly describe the term Gross Domestic Product. (2)

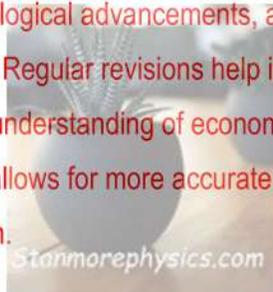
Gross Domestic Product (GDP) measures the total monetary value of all goods and services produced within a country's borders over a specific period, typically annually or quarterly. It serves as a key indicator of a nation's economic health and performance, reflecting the size and growth rate of its economy. GDP can be calculated using three approaches: the production approach, the income approach, and the expenditure approach.

4.2.4 How can economic growth be increased in South Africa? (2)

Economic growth in South Africa can be increased by investing in education and skills development to enhance the productivity and employability of the workforce. Improving infrastructure, such as transportation, energy, and telecommunications, can boost efficiency and attract both domestic and foreign investment. And fostering a favorable business environment through regulatory reforms, reducing corruption, and supporting entrepreneurship can stimulate innovation and expansion in various economic sectors.

4.2.5 Why do countries revise their national accounts? (2 x 2) (4)

Countries revise their national accounts to ensure accuracy and reliability in measuring economic activity, reflecting the most current data and methodologies. These revisions incorporate updated information, such as new survey data, technological advancements, and changes in economic structure, which can significantly affect GDP calculations. Regular revisions help in better policy-making and economic planning, as they provide a more precise understanding of economic trends and conditions. And aligning national accounts with international standards allows for more accurate comparisons with other countries, fostering global economic analysis and cooperation.



Activity 5

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

RAMAPHOSA ENCOURAGES ENTREPRENEURSHIP AMONG YOUNG SOUTH AFRICANS

Dineo Bendile

JOHANNESBURG – Deputy President Cyril Ramaphosa says government is trying to reignite the spirit of entrepreneurship among young South Africans.

The deputy president has stressed not only the importance of seizing educational opportunities, but also of encouraging entrepreneurship.

He has told young people that they have a large role to play in the growth of South Africa's economy.

Ramaphosa's spokesperson, Tyrone Seale says, "As we create these opportunities, we are doing so holistically. We're looking at them as total citizens and total social beings ..."

[Edited by Tamson Wort – News 24]

2.1.1 Identify ONE other factor of production not mentioned in the extract above. (1)

- Land
- Capital

2.1.2 Before which year would this extract have been written? (1)

Before February 14, 2018

2.1.3 Describe the term entrepreneur. (2)

An entrepreneur is an individual who identifies opportunities in the market and takes risks to start and manage a business venture. They are often innovative, willing to take calculated risks, and play a crucial role in driving economic growth by creating jobs and introducing new products or services.

2.1.4 Why are educational opportunities important for entrepreneurship? (2)

Educational opportunities are crucial for entrepreneurship as they provide individuals with the knowledge, skills, and expertise needed to identify and capitalize on business opportunities. A solid education equips aspiring entrepreneurs with essential skills such as critical thinking, problem-solving, financial management, and market analysis, which are vital for starting and managing a business effectively. Moreover, access to education enhances credibility, networks, and access to resources, fostering an environment where entrepreneurial ventures can thrive.

2.1.5 What is the difference between a successful entrepreneur and an unsuccessful entrepreneur? (2 x 2) (4)

The difference between a successful entrepreneur and an unsuccessful one often lies in their mindset, resilience, and strategic decision-making. Successful entrepreneurs typically possess a strong vision, adaptability to changing market conditions, and a willingness to learn from failures. They effectively manage risks, capitalize on opportunities, and build robust networks, whereas unsuccessful entrepreneurs may

struggle with these aspects, leading to setbacks, lack of growth, and ultimately, failure to sustain their ventures.

- 2.2 Differentiate between renewable and non-renewable resources. (8)

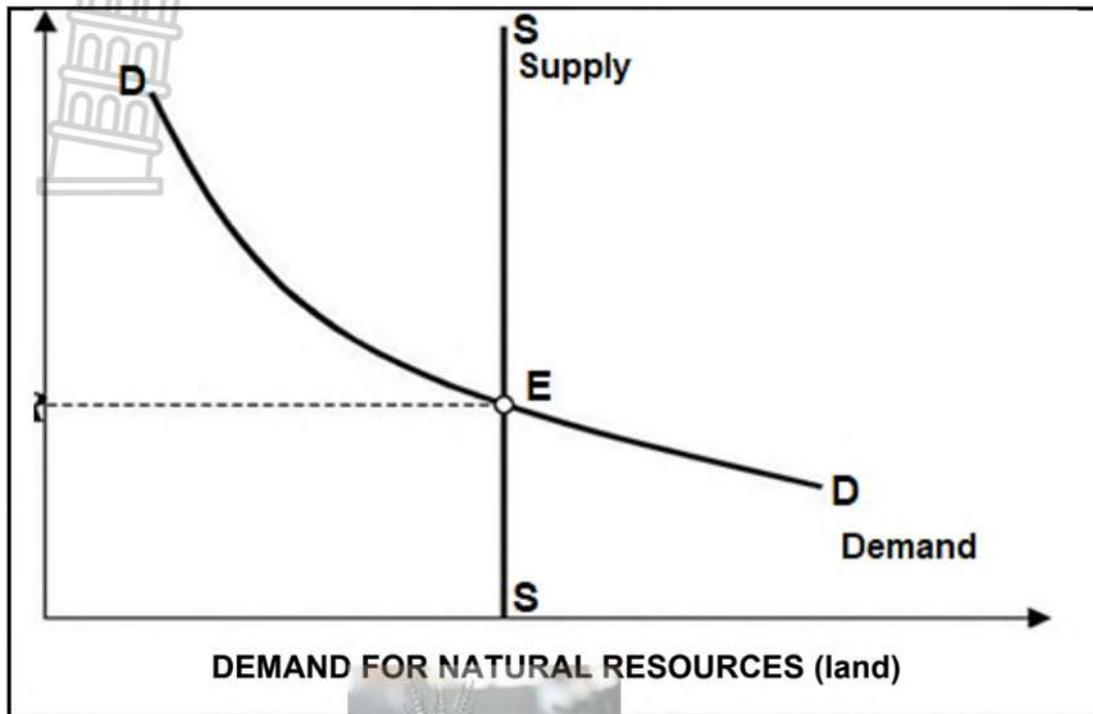
Renewable resources are natural resources that can be replenished or regenerated over a relatively short period of time, such as sunlight, wind, and biomass. They are sustainable because their use does not deplete the resource, making them suitable for long-term use. In contrast, non-renewable resources are finite and cannot be easily replaced within a human lifespan, such as fossil fuels (coal, oil, natural gas) and minerals. These resources are formed over millions of years and once depleted, they are gone forever, making their use unsustainable in the long term.

- 2.3 How has the South African government responded to COVID-19's social and economic impact? (8)

The South African government responded to the COVID-19 pandemic with a range of social and economic measures. This included implementing strict lockdowns to curb the spread of the virus, providing financial relief to vulnerable households through social grants and food parcels, and supporting businesses with loan guarantees and tax relief. Additionally, the government rolled out a vaccination program to inoculate the population against COVID-19, aiming to achieve herd immunity and facilitate economic recovery. These efforts were aimed at mitigating the pandemic's social and economic impact and restoring stability to the country's economy and society.



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



[Adapted from [google images](#)]

3.1.1 Name an example of a non-renewable resource.

(1)

- Coal
- Oil
- Natural Gas
- Petroleum

3.1.2 What is the importance of natural resources to the economy?

(1)

- Natural resources are the bedrock of economic activity, supplying the raw materials and energy necessary for industry and manufacturing. Their availability and management significantly impact a country's economic development and stability. Efficient utilization and sustainable management of these resources are vital for long-term economic growth and environmental health.

3.1.3 Briefly describe the term natural resource.

(2)

- Natural resources are raw materials or substances found in the environment that have economic value and are utilized by humans. They can include renewable resources like forests and fisheries, as well as non-renewable resources such as minerals and fossil fuels.

3.1.4 Explain the relationship between the scarcity of land and rent.

(2)

The scarcity of land directly influences rent prices due to the economic principle of supply and demand. As land becomes scarcer, its value increases because demand typically exceeds supply. This increase in land value results in higher rents as landowners charge more to lease or use their limited and valuable land.

- 3.2 Discuss the characteristics of a market economy. (4 x 2) (8)

A market economy is characterized by private ownership of resources and businesses, where decisions regarding production, consumption, and distribution are primarily driven by market forces of supply and demand. Prices are determined by the interactions of buyers and sellers in competitive markets, reflecting the scarcity and value of goods and services. Government intervention is minimal, limited to enforcing property rights, regulating competition, and addressing market failures. Market economies encourage innovation, entrepreneurship, and efficiency as firms strive to maximize profits and consumers seek to satisfy their preferences.

- 3.3 How is Black Economic Empowerment ensuring community participation in South Africa? (8)

Black Economic Empowerment (BEE) in South Africa aims to ensure community participation by promoting the economic inclusion and advancement of historically disadvantaged individuals and communities. Through policies and initiatives, BEE encourages black South Africans to participate in ownership, management, and decision-making roles within businesses and industries. This includes providing opportunities for black-owned businesses to access contracts, procurement opportunities, and government tenders, thereby fostering economic development at the community level. BEE also emphasizes skills development, education, and training to enhance the capacity of black individuals to contribute meaningfully to the economy and society.

Activity 4

4.1 Answer the following questions.

- 4.1.1 Name any TWO sources of wealth. (2 x 1) (2)

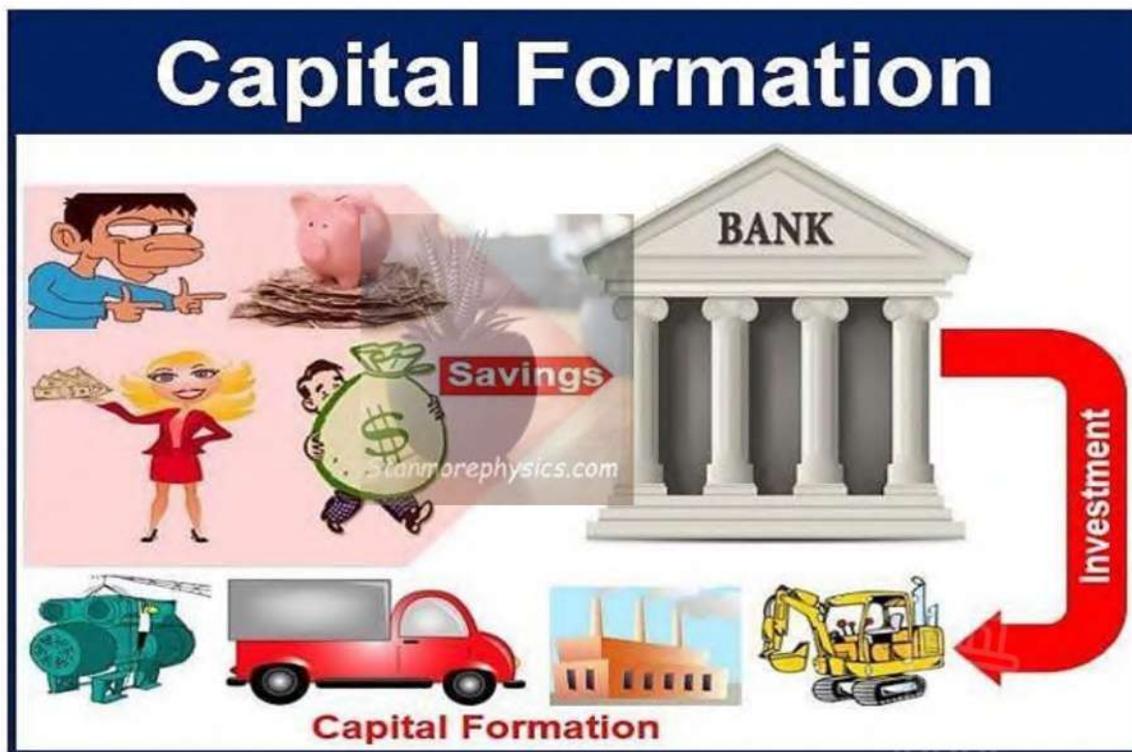
- Investments
- entrepreneurship

- 4.1.2 How will an increase in interest rates influence consume spending? (1 x 2) (2)

An increase in interest rates typically leads to higher borrowing costs for consumers, including mortgages, car loans, and credit card debt. This increase in the cost of borrowing discourages consumer spending as individuals may reduce their discretionary purchases to manage higher debt repayments. Consequently, decreased consumer spending can slow down economic growth and affect businesses reliant on consumer demand.



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



[Source: <https://marketbusinessnews.com>]

4.2.1 Name an example of capital goods.

(1)

- machinery

4.2.2 Indicate the remuneration for capital.

(1)

- interest

4.2.3 Briefly describe the term capital formation.

(2)

Capital formation refers to the process of increasing the stock of capital goods in an economy over time through investment in physical assets such as machinery, equipment, factories, and infrastructure. This process is essential for economic growth as it enhances productivity, expands production capacities, and facilitates technological advancements. Capital formation involves both public and private sector investment aimed at improving the long-term productive capacity and competitiveness of an economy.

4.2.4 Outline the importance of savings for the creation of capital goods. (2)

Savings are essential for the creation of capital goods as they provide the necessary funds for investment in new machinery, equipment, infrastructure, and technology. Without savings, businesses and governments would lack the financial resources needed to expand production capacities and innovate, hindering economic growth. By channeling savings into productive investments, societies can enhance productivity, create jobs, and improve living standards over the long term.

4.2.5 Why is capital formation important to the South African economy? (4)

Capital formation is critical to the South African economy because it drives economic growth by expanding productive capacity through investments in infrastructure, machinery, technology, and human capital. This process enhances efficiency, productivity, and competitiveness across industries, leading to increased output and employment opportunities. Moreover, capital formation attracts domestic and foreign investment, supporting sustainable development and fostering innovation in key sectors crucial for long-term economic stability and prosperity. By investing in capital formation, South Africa can address infrastructure gaps, reduce poverty, and achieve more inclusive growth.

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- Discuss the economic importance of the following factors of production for the producers of goods and services:

Labour

(8)

Labor is a fundamental factor of production that encompasses the physical and mental efforts exerted by individuals to produce goods and services. It includes both skilled and unskilled workers who contribute their expertise, time, and energy to the production process. The productivity and efficiency of labor influence the overall output and competitiveness of industries within an economy. Policies and investments that enhance education, skills training, and workforce participation are crucial for optimizing labor's contribution to economic growth and development.

Capital

(8)

Capital is a critical factor of production that refers to the tools, machinery, equipment, buildings, and infrastructure used in the production of goods and services. It represents the physical assets and resources that enable businesses to enhance productivity, efficiency, and output levels. Capital can be classified into two types: physical capital (such as machinery and equipment) and financial capital (such as funds used for investment). Effective management and investment in capital goods are essential for stimulating economic growth, innovation, and competitiveness in both developed and developing economies.

Natural resources

(10)

Natural resources are essential factors of production that encompass all raw materials and substances derived from the natural environment. They include renewable resources like forests, fisheries, and wind energy, as well as non-renewable resources such as minerals, fossil fuels, and land. The availability and quality of natural resources significantly influence economic activities and development strategies in countries, shaping industries like agriculture, mining, and energy production. Sustainable management and conservation of natural resources are crucial for ensuring long-term economic stability, environmental sustainability, and societal well-being.

(26)

- How have the land redistribution programmes (policies) contributed towards accommodating marginalized groups in the economy?

(10)

Land redistribution programs in South Africa have aimed to accommodate marginalized groups in the economy by providing access to land for agricultural production and housing. These programs seek to address historical injustices by redistributing land from large commercial farms to previously disadvantaged individuals and communities. By enabling access to land, marginalized groups can engage in farming, create livelihoods, and generate income, thereby contributing to rural development and poverty alleviation. Land redistribution also supports

empowerment initiatives, fostering economic inclusion and broader participation in the economy, albeit challenges like access to markets and adequate support remain.

[40]



TOPIC 2: CIRCULAR FLOW

ACTIVITY: 1

1.1 Various options are provided as possible answers to the following questions. Choose the answer and write only the letter next to the question number. E.g. 1.1.5. A .

1.1.1 The total value of remuneration that the owners of factors of production receive for their share in process is called...

- A. Goss Domestic Product.
- B. **Gross National Income**
- C. Gross National Product
- D. Gross National Expenditure

1.1.2 The method of adding final value of all goods and service calculated as gross value added is called

- A. **production**
- B. income
- C. expenditure
- D. domestic

1.1.3 A balancing figure that is used correct errors and omissions is called...

- A. constant prices
- B. gross capital formation
- C. **residual item**
- D. market prices

1.1.4 Taxes on products must be added to convert basic prices to...

- A. factor cost.
- B. **market prices.**
- C. nominal prices.
- D. real prices.

4x2 (8)

1.2 Choose a description from COLUMN B that matches the item in COLUMN A. Write only the letter (A-I) next to the question number (1.2.1 – 1.2.5) in the ANSWER BOOK.

	COLUMN A		COLUMN B
1.2.1	Leakages	D	Withdrawal of money in an economy
1.2.2	Gross Domestic Product	C	The total market value of all final goods and services produced within the borders of a country over a specific period of time
1.2.3	Capital formation	F	Stock of investment available in a country.
1.2.4	Real flow	B	The movement of goods and services between the participants in the circular flow
1.2.5	Autonomous consumption	A	Expenditure that is not depending in the level of income.

(5x1) [5]

1.3 Provide the economic term/concept for each of the following descriptions. Write only the term/concept next to the question number. No abbreviations will be accepted.

1.3.1 Expenditure which is affected by the level of income.

Induced spending

1.3.2 The flow of income and expenditure between the participants in the circular flow.

Money flow

1.3.3 Goods and services whose provision has benefits for the user and for the society.

Merit goods

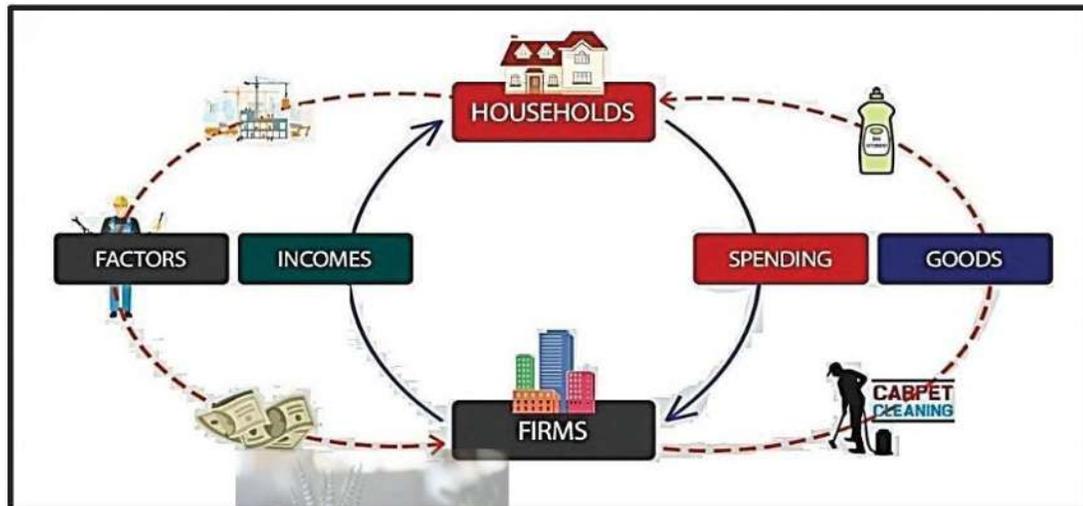
1.3.4 Goods that last in value for a relatively long period.

Durable goods

(4x1)4

ACTIVITY :2

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



Source: Google photos

2.1.1 What is depicted in the diagram above? (1)

- Circular flow Stanmorephysics.com

2.1.2 Identify the major participant in the economy. (2)

- Household

2.1.3 Briefly describe the term circular flow. (2)

The circular flow of income and expenditure illustrates the continuous movement of money and goods between households and businesses in an economy. It demonstrates how households supply factors of production to businesses in exchange for income, which is then spent on goods and services produced by businesses, completing the cycle.

2.1.4 Explain the role of the factor market in the circular flow. (2)

The factor market in the circular flow refers to the market where factors of production, such as labor, capital, land, and entrepreneurship, are bought and sold. In this market, households supply factors of production to businesses in exchange for income (wages, rent, interest, and profits). Businesses, in turn, use these factors to produce goods and services, which they sell in the product market to generate

revenue and profit. Thus, the factor market facilitates the exchange of productive resources necessary for the production process within the economy.

2.1.5 How does the financial sector interact with firms in the circular flow? (4)

The financial sector interacts with firms in the circular flow by providing essential financial services such as loans, investments, and banking facilities. Firms rely on the financial sector to secure capital for investment in new projects, expansion, and day-to-day operations. In return, the financial sector earns interest, fees, and returns on investments, contributing to the flow of income and expenditure in the economy.

ACTIVITY 3

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

NO.	ITEM	AMOUNT BILLIONS (R)
1	Final consumption expenditure by (A)	2 379
2	Final consumption expenditure by general government	635
3	Gross capital formation	569
4	Residual item	-12
5	Gross domestic expenditure	3 571
6	Exports of goods and services	854
7	Imports of goods and services	872
8	Expenditure on GDP at market prices	(B)

Source: Statistics SA

3.1.1 Identify the institution that is responsible for publishing above table. (1)

- Statistics SA

3.1.2 Which method is depicted by the above table? (1)

- Expenditure method.

3.1.3 Briefly describe the concept *gross national product* (2)

Gross National Product (GNP) is a measure of the total value of goods and services produced by the residents of a country, both domestically and abroad, in a specific period. It includes the income earned by citizens and companies of a country, regardless of where the production occurs.

3.1.4 Briefly explain the purpose of the residual item. (2)

The residual item in national income accounting serves to balance the equation of the circular flow of income and expenditure. It accounts for any discrepancies or errors in measurement that may arise when calculating national income, ensuring that total income equals total expenditure in the economy.



ACTIVITY 4

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

VALUE ADDED OF SOUTH AFRICA			
	R MILLIONS		
	2021	2022	2023
Primary sector	290 998	339 734	341 114
Secondary sector	500 533	509 361	531 094
Tertiary sector	1631 831	1 785 938	1 948 054
= Gross Value Added @ Basic Price	2 423 362	2 635 033	2 820 262
+ Taxes on products	265 478	314 987	339 475
LESS subsidies on products	15 068	17 290	20 757
= Gross Value Added @ Market Price	2 673 772	2 932 730	3 138 980

Source: SARB Quarterly Bulletin March 2023

4.1.1. Identify method used in the above table to determine GDP? (1)

- Production method

4.1.2. Which year is currently used by the SARB as base year? (1)

- 2021

4.1.3. Briefly describe the concept gross *domestic product*. (2)

Gross Domestic Product (GDP) measures the total monetary value of all goods and services produced within a country's borders over a specific period, usually annually or quarterly. It serves as a key indicator of a nation's economic performance and size, reflecting the overall level of economic activity and output within its borders.

4.1.4. How do you convert GDP@ basic prices to GDP@ market prices? (2)

Converting GDP at basic prices to GDP at market prices involves adjusting for taxes on products and subsidies



received. GDP at basic prices includes only the value of goods and services produced, excluding taxes but including subsidies. To obtain GDP at market prices, taxes on products are added while subsidies are subtracted from GDP at basic prices. This adjustment reflects the final prices paid by consumers and gives a more accurate representation of the overall economic output accounting for taxes and subsidies.

4.1.5. Calculate the percentage contribution of the tertiary sector to GDP@ basic prices for 2021.

Show all the calculations (4)

ACTIVITY :5

5.1.1. Name any TWO methods of calculating Gross Domestic Product. (2x1) (2)

Production method

Income Method

Expenditure method

5.1.2. Why are intermediate goods and services excluded when calculating the value of GDP? (1x2) (2)

Intermediate goods and services are excluded from GDP calculations to avoid double-counting within the economy. Including them would inflate GDP figures, as their value is already accounted for in the final goods and services produced. By focusing only on final goods and services consumed by households, businesses, government, and exports, GDP accurately reflects the value added at each stage of production without duplicating contributions from intermediate stages. This approach provides a clearer picture of the economic output and avoids distortions in measuring the economy's overall productivity and growth.

5.1.3 Distinguish between factor market and the product market. (8)

The factor market is where factors of production such as labor, capital, land, and entrepreneurship are bought and sold by households to businesses. In this market, households supply factors in exchange for income in the form of wages, rent, interest, and profits.

In contrast, the product market is where goods and services produced by businesses are bought and sold by households and other businesses. It includes the transactions of final goods and services that are directly consumed or used for investment purposes.

While the factor market facilitates the exchange of productive resources necessary for production, the product market facilitates the exchange of final goods and services for consumption or investment purposes.

The distinction lies in what is exchanged: factors of production in the factor market and final goods and services in the product market, reflecting different stages in the economic cycle of production and consumption.

5.1.4 Discuss classification of final consumption expenditure by households. (8)

Final consumption expenditure by households can be classified into various categories based on the type of goods and services purchased. These categories often include necessities such as food, housing, and healthcare, as well as discretionary spending on items like entertainment, travel, and durable goods such as cars and appliances. Classification helps economists and policymakers understand consumption patterns, assess changes in consumer behavior over time, and formulate targeted policies to support household welfare and economic growth. Analyzing these categories also provides insights into income distribution, savings rates, and overall economic stability.

5.1.5 Differentiate between real GDP and nominal GDP. (8)

Real GDP and nominal GDP differ in that nominal GDP measures the total monetary value of all goods and services produced within a country's borders at current market prices, without adjusting for inflation. Real GDP, on the other hand, adjusts nominal GDP for inflation or deflation, providing a more accurate measure of economic output by accounting for changes in price levels over time. Real GDP is often used to compare economic growth over different periods, as it reflects changes in output while holding prices constant, whereas nominal GDP reflects both changes in output and changes in prices.

Activity 6

6.1.1. Name any TWO methods of calculating Gross Domestic Product. (2x1) (2)

Production method

Income Method

Expenditure method

6.1.2. Why are intermediate goods and services excluded when calculating the value of GDP? (1x2) (2)

They will cause double counting

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

SOUTH AFRICA'S GROSS DOMESTIC PRODUCT – 2019		
<i>At current prices</i>	2018	2019
Compensation of employees	2 320 179	2 418 544
Net operating surplus	1 249 182	1 296 696
Consumption of fixed capital	638 782	713 078
Gross value added at factor cost	4 245 848	4 428 317
Other taxes on production	101 936	105 061
Less: Other subsidies on production	6 492	9 798
Gross value added at basic prices	4 173 328	(A)
Taxes on products	545 558	564 866
Less: Subsidies on products	12 951	10 821
Gross domestic product at market prices	4 873 899	5 077 625

[Source: SARB – QB March 2020]

6.2.1. Give ONE example of taxes on products. (1)

- Sales tax
- Excise tax

6.2.2. Name ONE form of compensation of employees. (1)

- Wages

6.2.3. Briefly describe the term gross national income. (2)

Gross National Income (GNI) is the total income earned by a country's residents, including income earned domestically and abroad. It represents the sum of GDP and net income received from abroad (net income earned by residents from foreign investments minus net payments made to foreign investors).

- 6.2.4. Explain the purpose of subsidies on production. (2)

Subsidies on production are implemented to lower the cost of production for producers, thereby encouraging increased output and lower prices for consumers. They aim to support specific industries, promote economic growth, and enhance competitiveness domestically and in international markets.

- 6.2.5. Calculate the value of A for the year 2019. Show ALL calculations. (4)

- 6.3. Discuss the role of households in an open circular flow. (4x2) (8)

Households play a pivotal role in the open circular flow of the economy as consumers of goods and services produced by businesses. They provide factors of production such as labor and capital to firms in exchange for income through wages, rent, interest, and profits. This income is then spent on goods and services, taxes, and savings, thereby influencing the level of consumption, savings, and investment in the economy. Additionally, households interact with the government and the rest of the world through taxes paid and received, and through imports and exports of goods and services.

Activity 7

- 7.1 Answer the following questions.

- 7.1.1 Name any TWO levels of government. (2 x 1) (2)

- National
- Provincial
- Local

- 7.1.2 Why is the public sector important? (1 x 2) (2)

The public sector is important because it provides essential services and infrastructure that contribute to the overall well-being and development of society. It plays a key role in ensuring social welfare, maintaining law and order, delivering public goods like education and healthcare, and regulating economic activities to promote fairness and stability.

- 7.2 Study the table below and answer the questions that follow.

GROSS VALUE ADDED 2020, QUARTER 3

	R (Millions)
Gross value added at primary sector	320 281
Gross value added at secondary sector	945 944
Gross value added at tertiary sector	2 895 561
Gross value added at basic prices	4 161 786

7.2.1 Identify the method of calculating Gross Domestic Product was used above? (1)

- Production method

7.2.2 As of year 2020, which year is currently used as the base year by the SARB? (1)

- 2019

7.2.3 Briefly describe the concept Gross Value Added. (2)

Gross Value Added (GVA) is a measure that quantifies the value of goods and services produced by an individual, firm, sector, or country after deducting the cost of intermediate goods and services used in production. It provides a more accurate picture of economic output by focusing on value creation at each stage of production.

7.2.4 What is the impact of a decline in primary sector activities on production? (2)

A decline in primary sector activities, such as agriculture, mining, and forestry, can significantly impact production in several ways. It may reduce the availability of raw materials and resources needed for secondary and tertiary sector activities, leading to decreased output across various industries. And fewer primary sector activities can affect employment levels, income generation, and overall economic growth, particularly in economies heavily dependent on natural resource extraction. Efforts to diversify the economy and enhance productivity in other sectors can mitigate the negative effects of a decline in the primary sector.

7.2.5 Calculate the % contribution of the secondary sector to the Gross Value Added at basic price. Show your calculations. (4)

Activity 8

8.1 Answer the following questions.

8.1.1 Name any TWO examples of injections. (2)

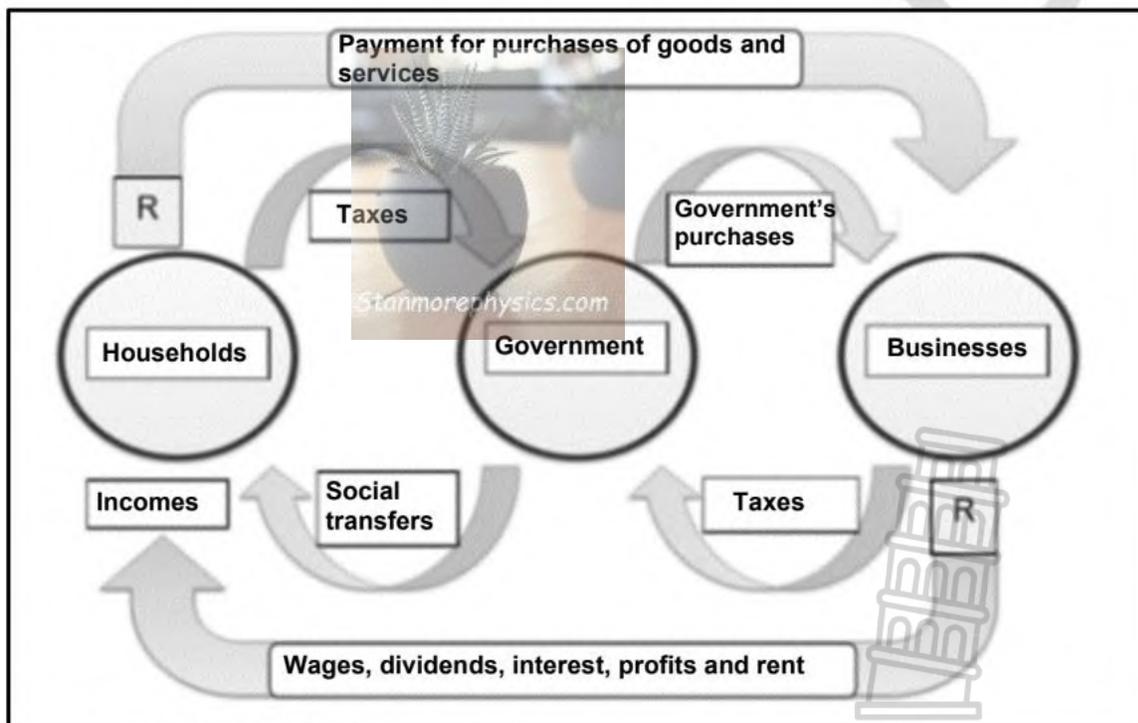
- Investment

- Exports
- Government

8.1.2 Why are intermediate goods and services excluded when calculating the value of GDP? (2)

Intermediate goods and services are excluded from GDP calculations to avoid double-counting within the economy. Including them would inflate GDP figures, as their value is already accounted for in the final goods and services produced and sold to consumers. By focusing only on final goods and services, GDP accurately reflects the value added at each stage of production without duplicating contributions from intermediate stages.

8.2 Study the following diagram and answer the questions that follow.



8.2.1 Identify ONE injection in the diagram above. (1)

- Government spending

8.2.2 Name the type of economy portrayed in the above diagram. (1)

- Closed economy

8.2.3 Briefly describe the term circular flow. (2)

The circular flow of income and expenditure illustrates the continuous movement of money and goods/services between households and businesses within an economy. It demonstrates how households supply factors of production (such as labor and capital) to businesses in exchange for income (wages, rent, interest, and profits). Businesses, in turn, use these factors to produce goods and services, which they sell to households and other entities, completing the cycle of economic activity.

8.2.4 What is the main objective of social transfers? (2)

The main objective of social transfers is to redistribute income and resources within a society to address inequalities and improve the well-being of vulnerable or disadvantaged groups. These transfers typically include social welfare payments, pensions, unemployment benefits, and subsidies for essential goods and services. By providing financial support and assistance, social transfers aim to alleviate poverty, enhance social cohesion, and ensure a minimum standard of living for all members of society.

8.2.5 Why is the factor market important in the circular flow? (4)

The factor market is crucial in the circular flow because it facilitates the exchange of factors of production (such as labor, capital, land, and entrepreneurship) between households and businesses. It allows businesses to acquire the resources needed for production, while households earn income in return for supplying these factors. This interaction forms the foundation of economic activity, enabling businesses to produce goods and services that are then sold back to households and other entities in the product market, thereby completing the circular flow of income and expenditure in the economy.

Activity 9

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



Final consumption expenditure by households (At constant 2010 prices) (R millions)			
	2012	2013	2014
Durable goods:	175 319	191 062	201 145
Furniture, household appliances, etc.	28 535	30 157	31 806
Personal transport equipment	104 908	115 950	121 713
Computers and related equipment	7 805	9 055	10 290
Recreational and entertainment goods	24 835	25 972	27 023
Other durable goods	9 236	9 928	10 313
Semi-durable goods:	149 519	157 441	162 412
Clothing and footwear	87 941	92 359	95 430
Household textiles, furnishings, glassware, etc.	24 265	25 865	26 978
Motorcar tyres, parts and accessories	15 744	16 287	16 321
Recreational and entertainment goods	11 031	11 710	11 953
Miscellaneous goods	10 583	11 220	11 730

[Source: SARB Quarterly Bulletin (June 2015)]

3e

9.1.1 Identify ONE other classification of final consumption expenditure by households not mentioned in the table above. (1)

•

9.1.2 What is the trend of the value of 'other durable goods' since 2012? (1)

9.1.3 Briefly describe *the term* durable goods. (2)

Durable goods are tangible items that are expected to last for an extended period, typically more than three years, and are used repeatedly over time. Examples include cars, appliances, furniture, and electronics.

9.1.4 Explain what is meant by the term at constant prices in the table above. (2)

The term "at constant prices" refers to values in a table or dataset that have been adjusted to account for inflation or deflation. This adjustment allows for comparisons of data over time without the influence of changing price levels, providing a clearer view of real changes in quantities or values. It helps to isolate the effect of changes in volume or quantity from changes in prices, providing a more accurate representation of trends and patterns in economic or statistical data.

9.1.5 Why is the final consumption expenditure by households important in the economy? (4)

Final consumption expenditure by households is important because it constitutes a significant portion of aggregate demand in the economy, driving production and economic growth. It reflects the spending patterns and preferences of consumers, influencing business decisions on production levels,

investment, and employment. Monitoring changes in household consumption expenditure provides insights into economic trends, consumer confidence, and overall economic health.

- 9.2 Explain the difference between final goods and services and intermediate goods and services, in detail. (8)

Final goods and services are those that are purchased by consumers for their own use or for investment purposes. They are ready for consumption and do not undergo further processing before reaching the end user. In contrast, intermediate goods and services are used as inputs in the production of final goods and services. They undergo further processing or transformation before becoming part of a final product sold to consumers, and their value is included in the final price of the product.

- 9.3 How can the final consumption expenditure by government improve the standard of living? (8)

Final consumption expenditure by government can improve the standard of living by directly providing essential public goods and services such as healthcare, education, infrastructure, and public safety. These expenditures enhance societal well-being by ensuring access to basic amenities, quality education, and healthcare services for citizens. Additionally, government spending stimulates economic activity and job creation, supporting overall economic growth and stability, which in turn can contribute to higher incomes and improved living standards for the population.



Activity 10

- 10.1 Answer the following questions.

- 10.1.1 Name any TWO groups of marginalized people in the economy. (2 x 1) (2)

Females

Blacks

Disabled

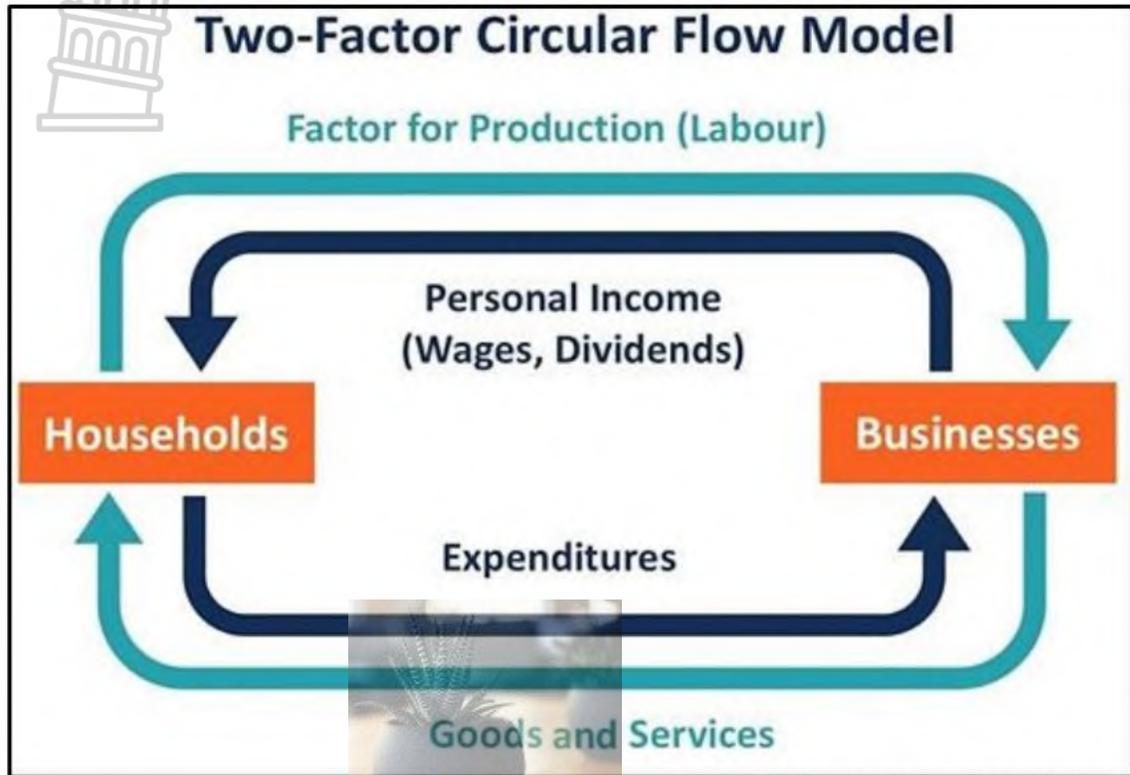
- 10.1.2 Why are intermediate goods and services excluded when calculating the value of GDP? (1 x 2) (2)

Intermediate goods and services are excluded from the calculation of GDP to avoid double-counting. Including them would inflate GDP figures because their value is already captured in the final goods and



services produced and sold to consumers. By focusing only on final goods and services, GDP accurately reflects the total value added at each stage of production in the economy.

10.2 Study the information below and answer the questions that follow:



[Adapted from google images]

10.2.1 Name any other participant in an open economy.

(1)

Government

Foreign sector

10.2.2 Indicate the flow that is represented by goods and services.

(1)

Real flow

10.2.3 Briefly describe the term circular flow.

(2)

The circular flow of income and expenditure illustrates the continuous movement of money and goods/services between households and businesses within an economy. It demonstrates how households supply factors of production to businesses in exchange for income, which is then spent on goods and services produced by businesses, completing the cycle of economic activity.

10.2.4 Explain the interaction between households and firms.

(2)

Households and firms interact in the economy through the exchange of goods, services, and factors of production. Households provide labor, capital, land, and entrepreneurship to firms in exchange for income in the form of wages, rent, interest, and profits. Firms, in turn, produce goods and services that households consume or invest in, creating a reciprocal relationship that drives economic activity and growth.

10.2.5 How can the business sector contribute more positively to the economy? (2 x 2) (4)

The business sector can contribute more positively to the economy by investing in research and development to foster innovation and technological advancement. This can lead to the creation of new products and services, increased productivity, and economic growth. And, businesses can enhance job creation and skills development through training programs and apprenticeships, thereby reducing unemployment and improving human capital. Finally, maintaining ethical business practices, promoting environmental sustainability, and engaging in corporate social responsibility initiatives can enhance the overall well-being of communities and contribute to sustainable economic development.



TOPIC 3: ECONOMIC SYSTEMS

1.1 Various options are provided as possible answers to the following questions. Choose the answer and write only the letter next to the question number. E.g. 1.1.5. A

1.1.1 An economic system where economic questions about scarcity are answered by the state is known as...

- A. centrally planned
- B. market
- C. mixed
- D. traditional

1.1.2 The rules and procedures followed by the government officials that causes delays in producing services are called.....

- A. regulation
- B. accountability
- C. hierarchy
- D. bureaucracy



1.1.3 An economic system that is controlled by the private and public sector is..... economy.

- A. command
- B. market
- C. mixed
- D. traditional

1.1.4 An economy that uses supply and demand to allocate resources and determine price is known as.....

- A. centrally planned economy
- B. market economy
- C. mixed economy
- D. command

(4X2) 8

ACTIVITY 2

2.1. Study the diagram and answer the questions that follow.



2.1.1 Identify the economic system depicted above. (1)

centrally planned economy

2.1.2 Name the motive in the free market system? (1)

Profit motive

2.1.3 Briefly describe the term *free market system*. (2)

A free-market system is an economic system characterized by minimal government intervention and regulation in economic activities. Prices for goods and services are determined by supply and demand forces in competitive markets, allowing for efficient allocation of resources based on consumer preferences and producer incentives.

2.1.4 Explain how resources are allocated in centrally planned economy. (2)

In a centrally planned economy, resources are allocated by the government through central planning agencies or authorities. Production decisions, resource allocation, and distribution of goods and services are determined based on government directives and objectives rather than market forces. This system aims to achieve specific economic and social goals set by the government, but it can lead to inefficiencies due to lack of market feedback and incentives for innovation.

2.1.5 How can mixed economic system positively impact the economy? (4)

A mixed economic system combines elements of both market and command economies, allowing for flexibility and adaptation to changing economic conditions. This system can positively impact the

economy by leveraging market mechanisms for efficiency and innovation while providing government intervention to address market failures, promote social welfare, and ensure equitable distribution of resources. By balancing market-driven incentives with regulatory oversight and social safety nets, a mixed economy can foster sustainable growth, mitigate income inequality, and support overall economic stability.

ACTIVITY 3

3.1. Study the cartoon and answer the questions that follow.



Source: google images

3.1.1 Identify the sector who allocate resources in economic system above? (1)

Public sector

3.1.2 Name the economic system that oppose the centrally planned economic system. (1)

Free market economy

3.1.3 Briefly describe the term *centrally planned economic system*. (2)

A centrally planned economic system is characterized by government control over all aspects of economic activity, including production, distribution, and pricing of goods and services. Decisions regarding resource allocation, production targets, and distribution of output are made by central planning authorities based on predetermined goals and objectives. This system aims to achieve collective goals such as social equality and economic stability but often faces challenges such as inefficiency, lack of innovation, and poor responsiveness to consumer preferences.

3.1.4 Brief explain the role of the government in mixed economy system in the economy? (2)

In a mixed economy system, the government plays a crucial role in balancing market forces with public interest objectives. It regulates and oversees key industries to ensure fair competition, consumer protection, and environmental sustainability. Additionally, the government provides public goods and services such as infrastructure, education, healthcare, and social welfare programs to support economic growth, social stability, and equitable distribution of resources.

3.1.5 How effective is the central planned economy in addressing income inequality and poverty. (4)

A centrally planned economy can be effective in addressing income inequality and poverty by implementing redistributive policies and social welfare programs aimed at providing necessities to all citizens. However, its effectiveness depends on the efficiency of resource allocation and distribution decisions made by central planning authorities. Challenges such as bureaucratic inefficiencies, lack of incentives for innovation, and potential disparities in access to goods and services can hinder its ability to effectively reduce income inequality and poverty in the long term.

3.2 Analyze the necessity of government to spend in both free market and centrally planned economy. (8)

In both free market and centrally planned economies, government spending serves crucial purposes that contribute to economic stability and societal well-being. In free market economies, government spending is necessary to provide public goods and services, regulate markets to ensure fair competition, and address market failures such as externalities and monopolies. Similarly, in centrally planned economies, government spending is essential for funding production targets, providing essential services, and implementing social welfare programs to address income inequality and poverty. Regardless of the economic system, government spending plays a vital role in fostering economic growth, maintaining social stability, and promoting overall prosperity.

3.3 Examine the impact of competition within a free market economy. (8)

Competition within a free-market economy drives innovation, efficiency, and consumer choice as businesses strive to attract customers and increase market share. It encourages firms to improve product quality, lower prices, and innovate to differentiate themselves from competitors. Additionally, competition fosters economic growth by stimulating investment in research and development, leading to technological advancements and overall productivity gains. However, unchecked competition can sometimes lead to market dominance by a few firms, potentially reducing consumer options and creating barriers to entry for new businesses.

Activity 4

4.1 **Answer the following questions.**

4.1.1 Name TWO different economic systems.

(2 x 1) (2)

Free market economy

Command system

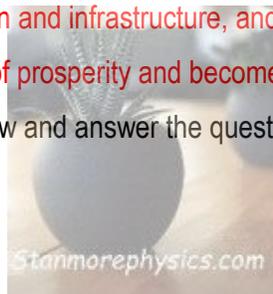
Mixed economy

4.1.2 Why is it impossible for South Africa to become a rich country?

(1 x 2) (2)

It is not accurate to say that it is impossible for South Africa to become a rich country. Many factors contribute to a nation's economic development, including natural resources, human capital, institutional quality, and policies that promote economic growth and development. While South Africa faces challenges such as inequality, unemployment, and structural issues, with effective governance, investment in education and infrastructure, and inclusive economic policies, it has the potential to achieve higher levels of prosperity and become a wealthy nation over time.

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





The Progressive Agenda

- 4.2.1 Identify the economic system to which “FREE STUFF” above refers. (1)
Centrally planned economy
- 4.2.2 What is the free-market system free from, in its purest form? (1)
Free from government restrictions
- 4.2.3 Briefly describe the term economic system. (2)
An economic system refers to the structure and organization through which a society allocates its resources to produce goods and services and distribute them among its members. It encompasses the institutions, policies, and mechanisms that govern how economic activities are conducted within a country or region.
- 4.2.4 Explain the concept of an invisible hand in the economy. (2)
The concept of the invisible hand in the economy, introduced by Adam Smith, suggests that individuals pursuing their own self-interest unintentionally promote the overall economic well-being of society. Through the pursuit of profit and self-interest in competitive markets, individuals inadvertently contribute to economic growth, efficient resource allocation, and the satisfaction of societal needs and wants.
- 4.2.5 Why is the South African economy regarded as a mixed economic system? (2 x 2) (4)

The South African economy is regarded as a mixed economic system because it incorporates elements of both market-based principles and government intervention. While private enterprises operate and compete in various sectors, the government plays a significant role in areas such as infrastructure development, social welfare, and regulatory oversight. This blend allows for flexibility in economic decision-making, addresses market failures, and promotes equitable distribution of resources and opportunities.

Activity 5

- Compare and contrast the South African mixed economy with a centrally planned economic system. (26)
- How does the government assist the economically marginalized groups in South Africa? (10)
[40]
- Discuss the characteristics, advantages and disadvantages of a country having a mixed economy. (26)
- Analyze the problems that South Africa is facing with too much government involvement in the economy. (10)
[40]



TOPIC 4: ECONOMIC STRUCTURE

ACTIVITY 1

1.1 Various options are provided as possible answers to the following questions. Write down the question number (1.1.1 to 1.1.4) choose the answer and write the letter (A-D) next to the question number in the ANSWER BOOK.

1.1.1 Sector involved in facilitating the flow of goods and services from producers to consumers is called ...

- A.) free market
- B.) primary
- C.) secondary
- D.) tertiary

1.1.2 The system of production, resource allocation and distribution of goods and services within a society...

- A.) economic growth
- B.) economic structure
- C.) economic integration
- D.) economic development



1.1.3 Facilities and systems that make the economic activities in the country possible is called.....

- A.) technology
- B.) efficiency
- C.) production
- D.) infrastructure



1.1.4 All the business enterprises and parts of government that produce a similar type of good or services is called.....

- A.) industry
- B.) structure.
- C.) organization

D.) system.

(4X2) [8]

- 1.2 Choose a description from COLUMN B that matches an item in COLUMN A. write only the letter (A-F) to the question number (1.2.1- 1.2.4) in the ANSWER BOOK, for example 1.2.5 D for each of the following descriptions. ABBREVIATIONS and ACRONYMS will not be accepted.

COLUMN A	COLUMN B
1.2,1 Communication	D
1.2.2 Manufacturing	C
1.2.3 Transport	E.
1.2.4 Primary sector	B

(4x1) [4]

ACTIVITY 2

- 2.1 Study the extract below and answer the questions that follow.

Eskom challenges slow down South African economy.

In a plan unveiled in October, public enterprises, CEO Dan Marokane set a series of steps to restore stability to Eskom, including exposing it to greater competition, lowering fuel costs, increasing renewable –energy output and selling non-core assets. That steps would ease the way for private generations to supply the national.

Source: *Business day*2023

- 2.1.1 Name of type of infrastructure in the extract above (1)
Energy Infrastructure
- 2.1.2 Identify one supplier of energy in the article above. (1)
Eskom
- 2.1.3 Briefly describe the term *secondary sector*. (2)

The secondary sector of the economy involves industries that transform raw materials into finished goods through manufacturing and construction processes. It includes activities such as producing machinery, vehicles, textiles, and building infrastructure.

2.1.4 Explain why it is important for Eskom to have a competition. (2)

Competition for Eskom is crucial because it can drive efficiency and innovation, leading to improved service quality and lower costs for consumers. It helps prevent monopolistic practices, ensuring fair pricing and better resource management. Additionally, competition encourages investment in renewable energy sources, contributing to a more sustainable energy sector. Lastly, it can enhance energy security by diversifying power generation sources, reducing the risk of supply disruptions.

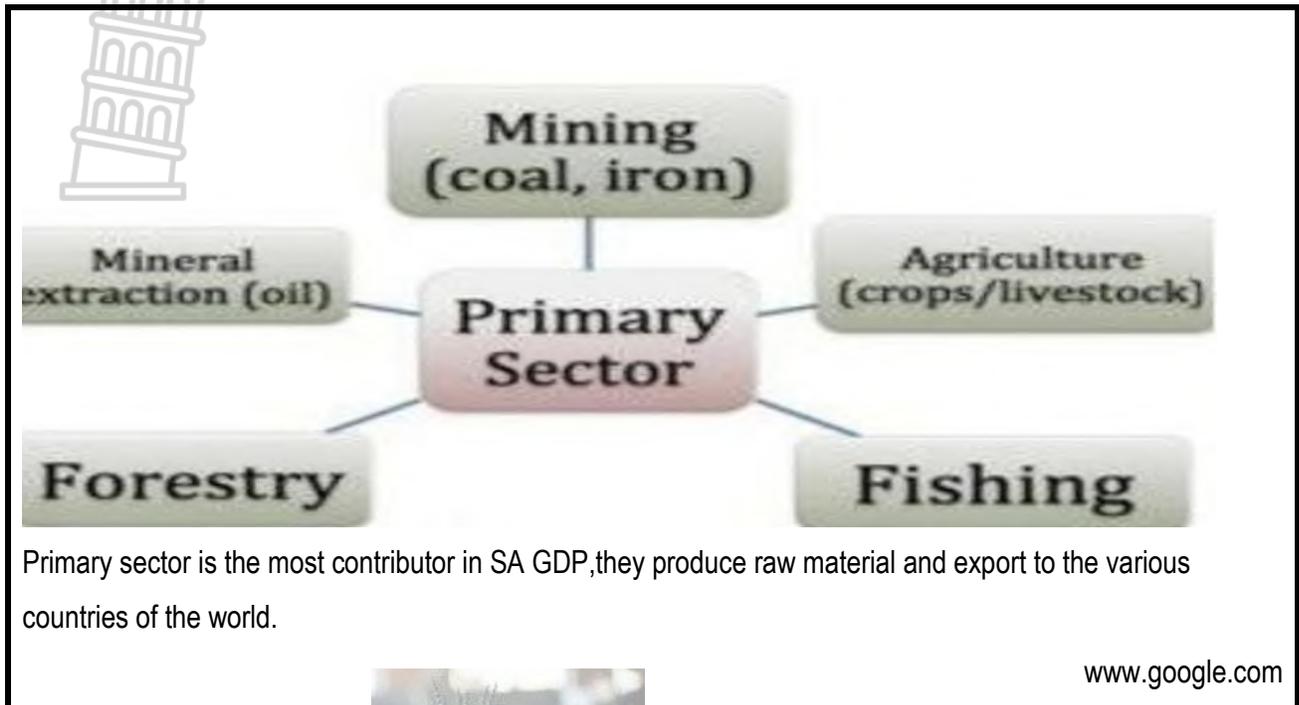
2.1.5 How does the shortage of energy in South Africa affect the economy? (4)

The shortage of energy in South Africa disrupts industrial production, leading to reduced output and economic growth. It increases operational costs for businesses that must invest in alternative power sources, thereby reducing profitability and competitiveness. Frequent power outages and load shedding negatively impact consumer confidence and spending, slowing overall economic activity. Furthermore, energy shortages deter foreign investment, as reliable infrastructure is a key factor for businesses considering entering the market.



ACTIVITY 3

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



3.1.1 Identify one example of primary sector in the above diagram. (1)

- Forestry
- Fishing
- Agriculture

3.1.2 Name the sector that contribute more in South African GDP. (1)

Agriculture

3.1.3 Briefly describe the term *primary sector*. (2)

The primary sector of the economy involves the extraction and harvesting of natural resources, including agriculture, forestry, fishing, and mining. It forms the foundation of an economy by providing raw materials that are used by the secondary sector to produce goods.

3.1.4 Explain the negative impact of shortage of skilled labour force in the sector. (2)

A shortage of skilled labour in a sector reduces productivity and efficiency, leading to higher operational costs and lower output quality. It can hinder the adoption of advanced technologies and innovation, slowing down industry growth and competitiveness. Additionally, businesses may struggle to meet

demand, resulting in missed opportunities and potential loss of market share to better-equipped competitors.

3.1.5 How can local mineral processing be promoted in South Africa? (4)

Local mineral processing in South Africa can be promoted by providing tax incentives and subsidies to companies that invest in domestic processing facilities, encouraging them to add value to raw minerals locally. Enhancing infrastructure, such as reliable energy supply and transportation networks, can support efficient mineral processing operations. Investing in skills development and training programs tailored to the needs of the mineral processing industry will ensure a steady supply of qualified labor. Lastly, implementing favorable trade policies and reducing bureaucratic red tape can attract both local and foreign investment in the sector, boosting its growth and sustainability.

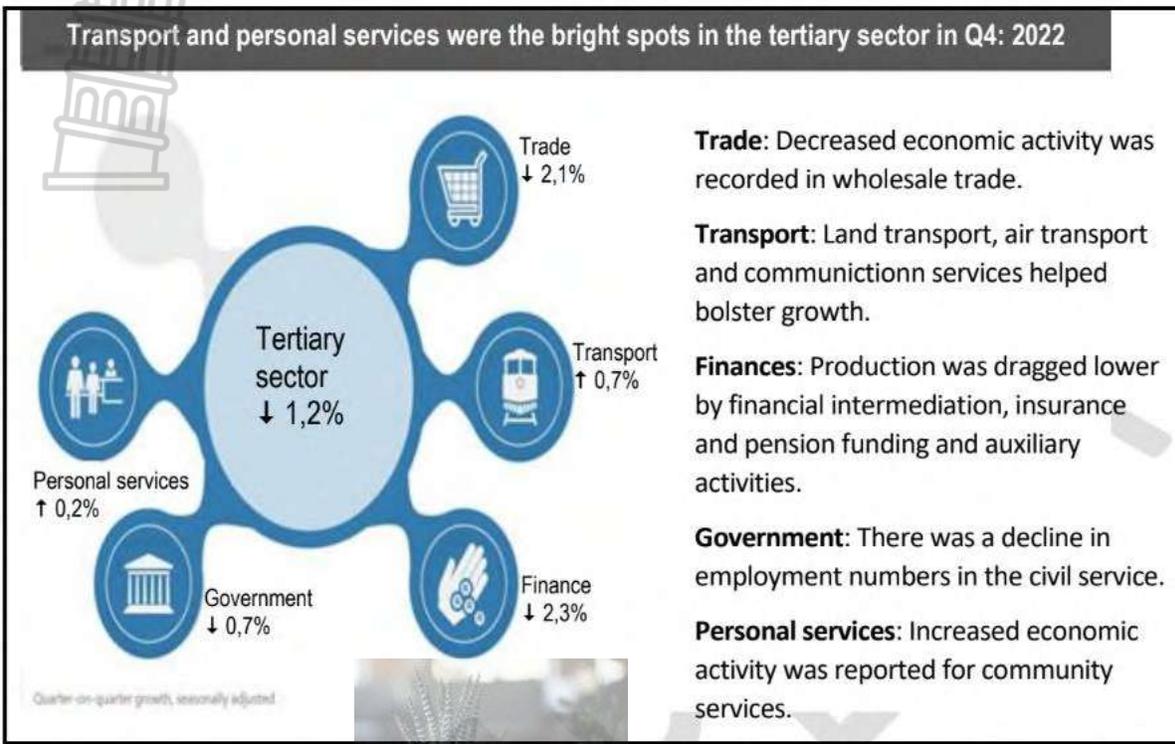
3.2 Discuss the importance of primary sector in the economy? (8)

The primary sector is vital to the economy as it provides the raw materials essential for manufacturing and construction, driving the secondary sector's growth and development. It supports employment and livelihoods for a large portion of the population, particularly in rural areas, thereby contributing to social stability and economic inclusion. Export of primary products, such as minerals, agricultural goods, and timber, generates significant foreign exchange earnings, strengthening the national trade balance. Additionally, the primary sector forms the foundation for industries like food processing and energy production, ensuring a stable supply chain for essential goods and services.

3.3 How does the tertiary sector contribute to modern economies? (8)

The tertiary sector contributes to modern economies by providing essential services such as healthcare, education, finance, and retail, which improve quality of life and economic efficiency. It drives innovation and technological advancements, particularly in sectors like information technology and telecommunications, fostering overall economic growth. The tertiary sector creates a significant number of jobs, often offering higher wages and better working conditions compared to primary and secondary sectors, enhancing social stability and consumer spending. Furthermore, it supports other sectors by offering crucial support services like logistics, marketing, and legal assistance, ensuring smooth business operations and facilitating international trade.

4.1 Study the information below and answer the questions that follow



4.1.1 Identify ONE type of transport in the information above.

(1)

Air transport

4.1.2 In which sector are commercial services found?

(1)

Financial sector

4.1.3 Briefly describe the term genetic operations.

(2)

Genetic operations are processes used in genetic algorithms and genetic programming to evolve solutions to optimization and search problems. These operations typically include selection, crossover (recombination), and mutation, which mimic natural evolutionary processes to create new generations of potential solutions.

4.1.4 What could lead to an increase in the percentage contribution of government services in the tertiary sector?

(2)

An increase in the percentage contribution of government services in the tertiary sector could be driven by expanded public investment in healthcare, education, and social services to meet growing population demands. Economic crises or natural disasters might necessitate greater government intervention and spending to stabilize the economy and provide essential services. Additionally, policy shifts towards more

government involvement in infrastructure projects and public safety can boost the share of government services within the tertiary sector.

4.1.5 How does the primary sector contribute towards the economy? (2 x 2) (4)

The primary sector contributes to the economy by providing raw materials essential for various industries, forming the foundation of the manufacturing and construction sectors. It supports employment in agriculture, mining, fishing, and forestry, which are vital for rural and regional development. The export of primary products generates significant foreign exchange earnings, bolstering a country's trade balance. Additionally, the primary sector's productivity can drive technological advancements and infrastructure development, further stimulating economic growth.

4.2 Differentiate between renewable and non-renewable resources. (4 x 2) (8)

Renewable resources are naturally replenished over short periods of time, such as sunlight, wind, water, and biomass, and can be used sustainably without depleting their availability. Non-renewable resources, on the other hand, are finite and take millions of years to form, such as fossil fuels (coal, oil, natural gas) and minerals, and their use leads to eventual depletion. Renewable resources are often considered more environmentally friendly as their utilization generally has a lower impact on the ecosystem. In contrast, the extraction and use of non-renewable resources often result in significant environmental degradation and contribute to issues like pollution and climate change.

4.2 Why is capital formation important to the South African economy? (8)

Capital formation is crucial to the South African economy as it facilitates investment in infrastructure, which is necessary for economic growth and development. It enhances productivity by providing businesses with the physical assets needed to expand operations, leading to job creation and higher income levels. Increased capital formation attracts both domestic and foreign investments, fostering a more competitive and diverse economic environment. Additionally, it supports technological advancements and innovation, contributing to overall economic stability and improved living standards.

TOPIC 5: RELATIONSHIP BETWEEN MARKETS

ACTIVITY 1



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 – 1.1.5) in the **ANSWER BOOK**. e.g. 1.1.6 D

1.1.1 The mechanism that enables buyers and sellers to trade goods and services is called

a ...

- A. market.
- B. business.
- C. economy.
- D. industry.



1.1.2 An individual firm in a perfect market is defined as a price ...

- A. setter
- B. maker
- C. taker
- D. fixer

1.1.3 The market structure where there are few large firms is known as a/an ... market

- A. perfect
- B. oligopoly
- C. monopolistic
- D. monopoly



1.1.4 The type of goods that can be used in conjunction with other goods are called ...

- A. inferior

- B. substitute
- C. intermediate
- D. complementary

1.1.5 The quantity of goods or services that consumers are willing and able to buy at a specific price and time is called...

- A. demand.
- B. supply.
- C. market.
- D. exchange.

(5X2) [10]

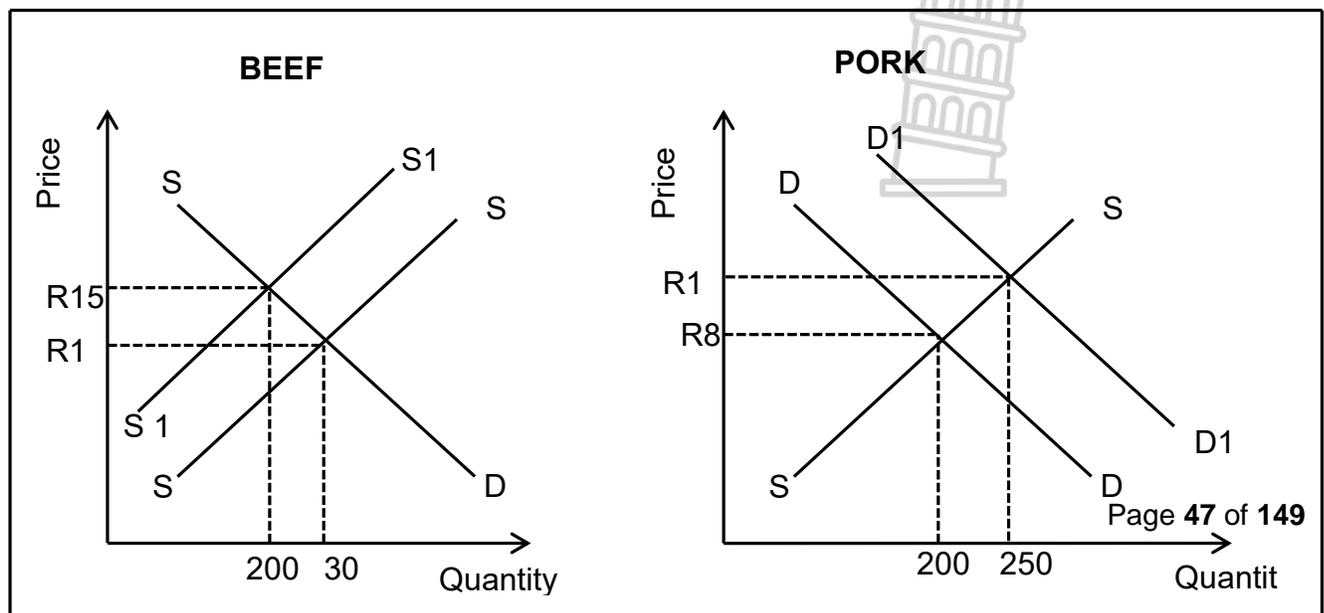
1.2 Give ONE term for each of the following descriptions. Write only the term next to the question number (1.3.1 – 1.3.5) in the ANSWER BOOK. Acronyms and abbreviations will NOT be accepted.

- 1.3.1 A condition where market supply and demand are equal at the same price level. (1)
- 1.3.2 Exchange value of a product that the consumer pays for in actual rands and cents. (1)
- 1.3.3 An exclusive right that is given to a firm to produce and sell a product or service. (1)
- 1.3.4 The price of a good in relation to another good. (1)
- 1.3.5 The number of customers that one firm has access to in relation to other firms in the market. (1)

(5X1) [5]

ACTIVITY 2

2.1 Study the graphs below and answer the questions that follow.



2.1.1 Identify the type of demand and supply relationships represented by the graphs above. (1)

Substitutes

2.1.2 What is the new quantity supplied for beef after the price increase? (1)

200

2.1.3 Briefly describe the term *complementary goods*. (2)

Complementary goods are products that are typically used together, such that the consumption of one increases the demand for the other, like printers and ink cartridges. When the price of one complementary good rise, the demand for both goods usually decrease, and vice versa.

2.1.4 Explain the cause of an increase in the price of pork. (2)

An increase in the price of pork can be caused by a supply shortage due to factors like disease outbreaks among pigs, which reduce the number of healthy livestock available for market. And rising feed costs or increased demand for pork, possibly due to population growth or changing dietary preferences, can also drive-up prices.

2.1.5 How does the factor market influence the goods market for beef and pork? (4)

The factor market influences the goods market for beef and pork by determining the costs of inputs such as feed, labor, and land, which directly affect the production costs and supply of these meats. Higher input costs in the factor market can lead to increased prices for beef and pork in the goods market. And the availability and quality of inputs, like skilled labor and healthy livestock, impact the efficiency and quantity of beef and pork production. Changes in the factor market, such as advancements in farming technology or shifts in labor availability, can either enhance production capabilities or create constraints, thereby influencing the supply and pricing in the goods market.

ACTIVITY 3

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

TRANSNET GOES PRIVATE

SA took a major step towards ending the monopoly of Transnet and opened up its ports to private investment, selecting a Philippines-based multinational port operator as an equity partner for the joint venture to run its flagship Durban container terminal.

Transnet will own 51% shares of the SPV and non-current assets of the port will be transferred to the new company.

Adapted from BusinessLive.com



3.1.1. Identify the market structure under which Transnet operates from the extract above. (1)

natural monopoly

3.1.2. What is the sale of a state-owned enterprise to a private firm called? (1)

privatization

3.1.3. Briefly describe the term *natural monopoly*. (2)

A natural monopoly occurs when a single firm can supply the entire market for a good or service more efficiently and at a lower cost than any combination of multiple firms due to significant economies of scale. This typically happens in industries with high fixed costs and infrastructure requirements, such as utilities like water and electricity.

3.1.4. Explain the nature of product sold by Transnet. (2)

Transnet, a state-owned company in South Africa, primarily provides freight transportation services, including rail, port, and pipeline infrastructure. Its products include the transport of bulk commodities like coal, iron ore, and manganese, as well as containerized goods across South Africa and into neighboring countries. Transnet's services are essential for facilitating trade and the efficient movement of goods within the country and for export purposes. The company's infrastructure and logistics capabilities support various industries, contributing significantly to the national economy by enabling smooth and cost-effective transportation solutions.

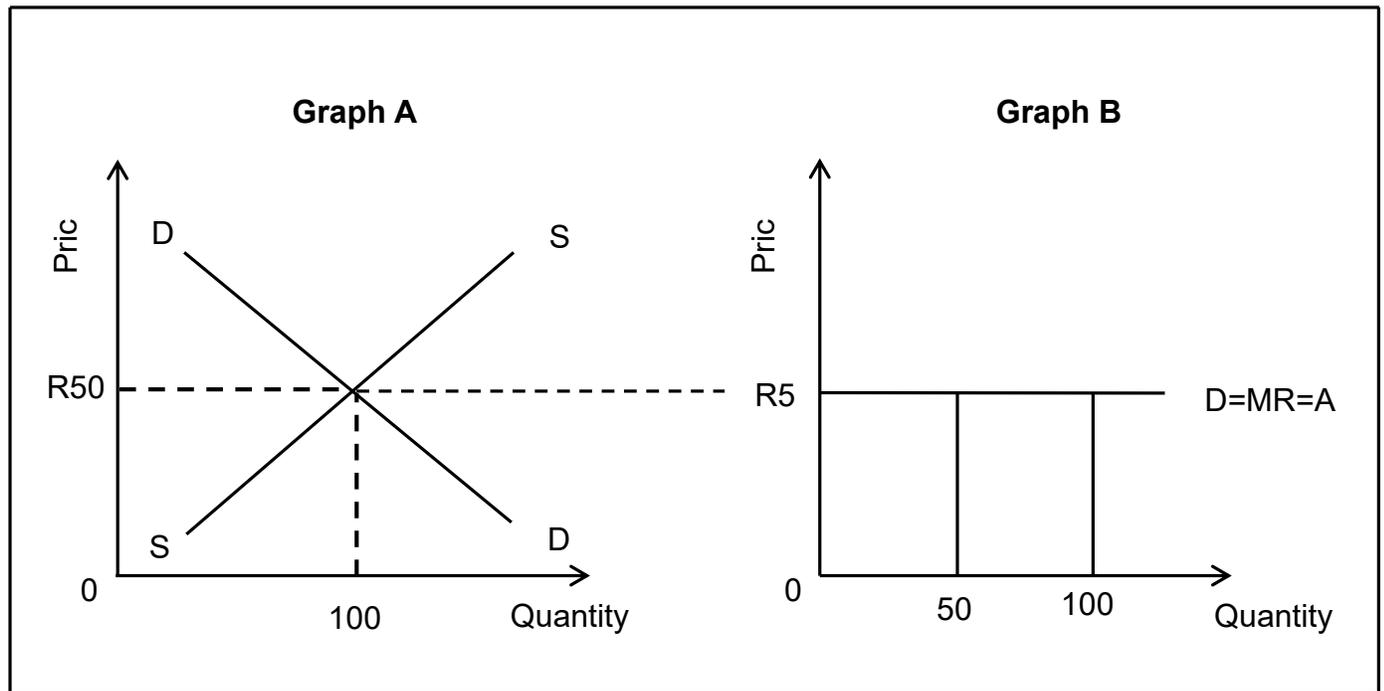
3.1.5. How would privatization affect the freight market? (4)

Privatization of the freight market could increase efficiency and competitiveness by introducing private sector management practices and investment, potentially lowering costs and improving service quality. It could also lead to increased innovation and technological advancements as private companies seek to differentiate themselves and gain market share. However, there is a risk of reduced accessibility and higher prices for consumers if the focus shifts predominantly towards profit maximization rather than public service provision.



ACTIVITY 4

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



4.1.1. Identify the graph that represents the industry from the source above. (1)

A

4.1.2. How many sellers operate in a perfect market? (1)

Many sellers

4.1.3. Briefly describe the term *equilibrium point*. (2)

The equilibrium point in a market is where the quantity of a good or service supplied equals the quantity demanded, resulting in a stable market price. At this point, there is no surplus or shortage, and the market clears efficiently.

4.1.4. Why is the demand curve in graph B shaped horizontally? (2)



The demand curve in graph B is shaped horizontally because it represents a situation where the quantity demanded remains constant regardless of changes in price. This could occur in specific contexts such as perfectly elastic demand, where consumers are highly responsive to price changes and will only purchase a certain quantity at a given price. In this scenario, any increase or decrease in price does not affect the quantity demanded, resulting in a flat, horizontal demand curve.

4.1.5. Why does the individual firm have to accept R50 as the price to charge for its product? (4)

The individual firm has to accept R50 as the price to charge for its product because it operates in a competitive market where price is determined by market forces of supply and demand. In such markets, each firm is a price taker and cannot influence the market price. Charging above R50 would lead to no sales as consumers would choose cheaper alternatives, while charging below R50 would mean sacrificing potential revenue per unit sold. Therefore, accepting R50 as the price ensures the firm remains competitive and maximizes its sales revenue within the market conditions.

Activity 5

5.1 Answer the following questions.

5.1.1 Name any TWO barriers to entry in a monopoly market. (2 x 1) (2)

Capital requirement

Patent

Licence

5.1.2 How will the removal of South Africa from the free trade zone impact the country's economy? (1 x 2) (2)

The removal of South Africa from a free trade zone would likely lead to several economic impacts. Firstly, it could result in higher tariffs and trade barriers with other member countries, potentially reducing South Africa's exports and increasing costs for imported goods. Secondly, businesses reliant on the free trade zone for sourcing materials or exporting products may face increased operational costs and reduced competitiveness. Lastly, it could affect investor confidence and economic growth prospects, as South Africa's access to a broader market and investment opportunities within the zone diminishes.



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

LOCAL BUSINESSES CRIPPLED BY POWER OUTAGES



Loadshedding and power outages have cut business hours and production and reduced income. Some businesses also had to spend large amounts on alternative power sources while others cannot afford these additional costs. Power outages have increased operating costs, resulting in loss of revenue, and declining margins, affecting profitability.

[Source:<https://germistoncitynews.co.za/305016/businesses-bear-the-brunt-of-power-woes/>]

5.2.1 Identify the constraint faced by businesses in the extract above (1)

Power outage

5.2.2 Name any ONE example of explicit costs incurred by businesses. (1)

Transport costs

Wages and salaries

5.2.3 Briefly describe the term revenue. (2)

Revenue refers to the total income generated from sales of goods or services by a company over a specific period. It is calculated by multiplying the quantity of goods or services sold by the price at which they are sold.

5.2.4 What should the business look at when deciding on a level of output? (2)

When deciding on a level of output, businesses should consider both the production costs and the expected revenue from selling additional units. They aim to maximize profit by producing where marginal revenue equals marginal cost, ensuring each additional unit produced contributes positively to the overall profitability of the business.

5.2.5 Analyze the role of profit in a business. (2 x 2) (4)

Profit plays a crucial role in a business as it serves as a measure of financial success and sustainability. It incentivizes entrepreneurship and investment by providing a return on capital and risk-taking. Profitability enables businesses to reinvest in operations, innovate, expand, and ultimately create value for shareholders and stakeholders. Moreover, it serves as a barometer of efficiency and competitiveness within the market, influencing decisions on pricing, production levels, and resource allocation.

ACTIVITY 6

Discuss in detail the characteristics of a perfect market. (26)

Introduction:

A perfect market, also known as a perfectly competitive market, is an idealized economic scenario characterized by many small buyers and sellers trading homogeneous goods or services. In such markets, no single buyer or seller has the power to influence prices. Prices are determined solely by supply and demand forces, and all firms in the market are price takers, meaning they must accept the prevailing market price for their goods or services.

Main Part

A perfect market, also known as a perfectly competitive market, is characterized by several key features:

- 1. Many Buyers and Sellers:** There are numerous buyers and sellers in the market, none of whom have a significant market share. No single buyer or seller can influence the market price through their actions.
- 2. Homogeneous Products:** Goods sold in a perfect market are identical or homogeneous, meaning consumers perceive no difference between products from different sellers. This ensures that buyers make purchasing decisions solely based on price.
- 3. Perfect Information:** Both buyers and sellers have complete and accurate information about prices, quality, and availability of goods in the market. This transparency ensures that all participants can make informed decisions.
- 4. Free Entry and Exit:** There are no barriers to entry or exit for firms in a perfect market. New firms can easily enter the market if they see an opportunity for profit, and existing firms can leave if they are making losses.
- 5. Price Takers:** Individual firms and consumers are price takers, meaning they accept the market price as given and do not have the ability to influence it through their actions. Firms maximize profit by producing at the point where marginal cost equals market price.
- 6. Perfect Mobility of Factors of Production:** Factors of production, such as labor and capital, can move freely between different uses and industries. This ensures that resources are allocated efficiently to their most productive uses.
- 7. No Externalities:** The production and consumption of goods in a perfect market do not create external costs or benefits that affect third parties not involved in the transaction. This ensures that the market achieves allocative efficiency.
- 8. Non-Collusion:** Firms do not collude or engage in strategic behavior such as price-fixing or forming cartels. Competition is based purely on market forces of supply and demand.

9. Profit Maximization: Firms in a perfect market aim to maximize profit by producing at the point where marginal cost equals marginal revenue (which equals price). This ensures productive efficiency where resources are used in the least costly way to produce goods.

Conclusion:

In theory, a perfect market represents an idealized benchmark that highlights efficiency in resource allocation, price determination, and consumer welfare. While real-world markets rarely exhibit all these characteristics simultaneously, understanding the concept of a perfect market helps economists analyze and compare the functioning of different market structures and identify areas where markets may be inefficient or fail to allocate resources optimally.

Additional Part:

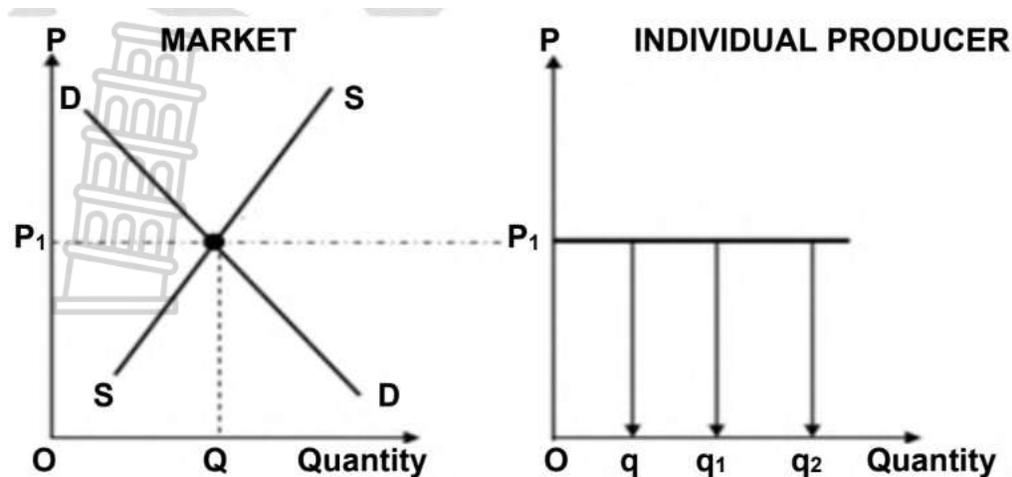
Analyze the conditions that force the firm in the perfect competition to charge the market price. (10)

In perfect competition, several conditions force firms to charge the market price. Firstly, the market consists of many small firms, each producing a homogeneous product, leading to perfect substitutability among products. Secondly, consumers have perfect information about prices and product characteristics, ensuring they will only purchase at the lowest available price. Thirdly, barriers to entry and exit are minimal, allowing new firms to enter the market easily if profits are available, which prevents firms from charging above the market price without losing market share. Fourthly, the assumption of profit maximization compels firms to produce where marginal cost equals market price, ensuring they cannot sustainably charge more than the market price.

Activity 7

7.1 Briefly explain, using the graphs below, how prices are determined for an individual producer in a perfect market. (4 x 2) (8)





Explanation:

In a perfect market, prices for an individual producer are determined by the intersection of their marginal cost (MC) curve and the market demand curve. The producer operates as a price taker, meaning they must accept the prevailing market price for their product. They maximize profit by producing the quantity where MC equals the market price. If the market price exceeds their average total cost (ATC) at this quantity, they earn economic profits. Conversely, if the market price falls below ATC, they incur losses. Long-term equilibrium in the perfect market occurs when firms earn zero economic profit, with price equaling both MC and ATC, ensuring efficient allocation of resources.

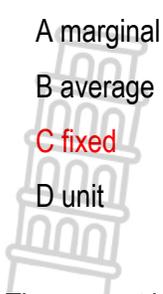
TOPIC 6: COST AND REVENUE CURVES

ACTIVITY 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 1.1.3) in the ANSWER BOOK, e.g. 1.1.4D.

1.1.1 The cost that remain the same even the number of unit changes is ... cost.



- A marginal
- B average
- C fixed
- D unit

1.1.2 The amount by which the total cost increase when one extra unit of a product is produced is...cost

- A. total
- B. **marginal**
- C. average
- D. per unit

1.1.3 Point where marginal costs curve intersects marginal revenue curve is...point

- A. Loss
- B. equilibrium
- C. economic
- D. **profit maximizing**

(3X2) [6]

1.2 Match column A with column B. Write only the letter next to the number.

COLUMN A	COLUMN B
1.2.1 Marginal revenue	C. Additional income received from selling one more unit
1.2.2 Diseconomies of scale	D. Occur when the cost per unit increases
1.2.3 Economic profit	E. Profit that business make in addition to its normal profit
1.2.4 Fixed cost	A. costs that do not change as production changes.
1.2.5 Average revenue	B. the total cost of production divided by the quantity of output produced.

(5X1) [5]

1.3 Provide the economic terms/concept for each of the following descriptions. Write only the term next to the question number.

1.3.1 The mechanism that brings potential buyers and sellers to exchange goods and services.

Market

1.3.2 Sum of fixed plus variable cost.

Total costs

1.3.3 A period of production where at least one factor is fixed.

Short-term

1.3.4 The minimum earning that prevent business from leaving the market.

Normal profit

(4X1) 4

ACTIVITY 2

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

Number of containers (Q)	A	Variable cost (VC)	Total cost (TC) TC= FC+ VC	Marginal cost (MC) $Mc = \Delta TC / \Delta Q$
20	100	0	100	$100/20 = 5$
40	100	80	180	$80/20 = 4$
60	100	120	220	$40/20 = 2$
80	100	160	280	B
100	100	260	360	$80/20 = 4$

2.1.1 Identify one costs curve on the above table

(1)

Marginal cost

Total cost

Variable cost

2.1.2 Name the cost labelled by symbol A on the above table (1)

Fixed cost

2.1.3 Briefly describe the term *marginal cost*. (2)

Marginal cost (MC) refers to the additional cost incurred by producing one more unit of a good or service. It includes the variable costs of labor, materials, and other inputs necessary for production.

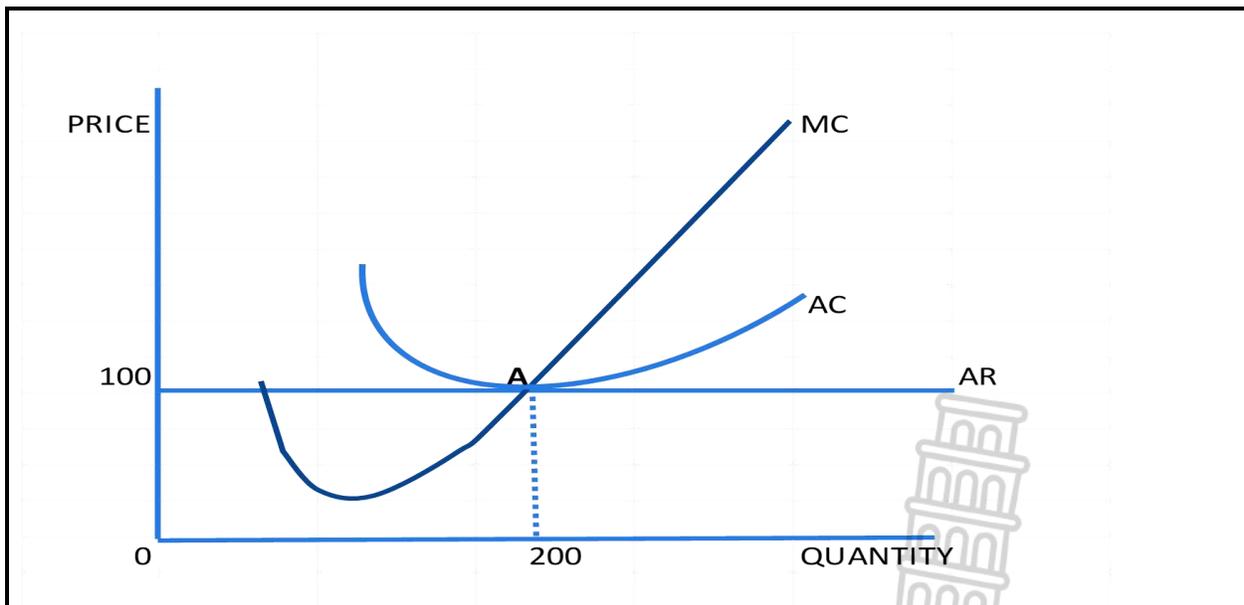
2.1.4 Why fixed cost has a horizontal curve? (2)

Fixed costs have a horizontal curve because they do not vary with changes in the quantity of output produced. Regardless of how much or how little a firm produces, fixed costs remain constant. This characteristic gives fixed cost curves a horizontal shape when plotted against the quantity of output.

2.1.5 Calculate the value of B using the formula provided on the table. (4)

ACTIVITY 3

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



3.1.1 Identify profit maximization point in above graph. (1)

A

3.1.2 Identify the market shown on the above graph (1)

Perfect market

3.1.3 Briefly describe the term *long-run* (2)

In economics, the long run refers to a period in which all inputs are variable, allowing firms to adjust their production levels and scale of operations fully. It contrasts with the short run, where some inputs are fixed, limiting a firm's ability to change production capacity.

3.1.4 Why the marginal revenue curve is horizontal? (2)

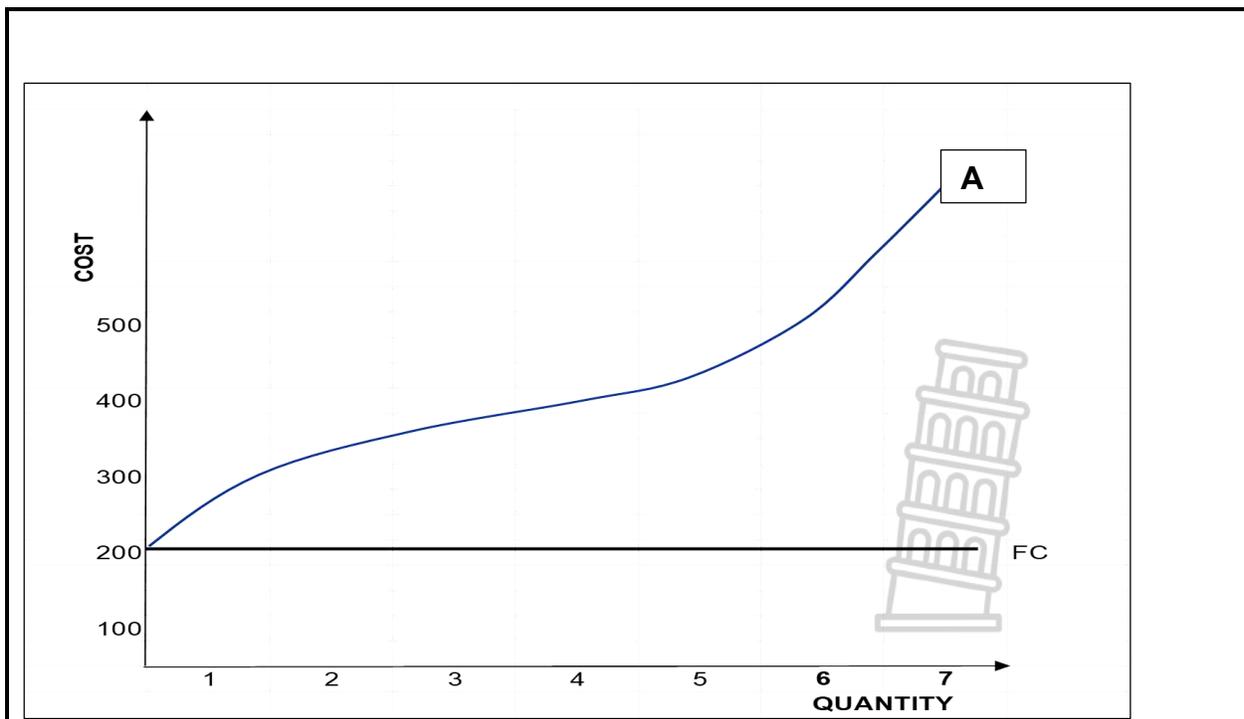
The marginal revenue curve is horizontal in perfect competition because each additional unit sold by a firm fetches the same price as the previous units. In a perfectly competitive market, the firm is a price taker and cannot influence the market price, so marginal revenue remains constant at the market price.

3.1.5 How is the SMART principle applied by businesses? (4)

Businesses apply the SMART principle to set and achieve goals effectively. SMART stands for Specific, Measurable, Achievable, Relevant, and Time-bound. This approach ensures that goals are clearly defined, quantifiable, realistic, aligned with business objectives, and have a defined timeline for completion, facilitating better planning, execution, and evaluation of outcomes.

ACTIVITY 4

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



4.1.1 Identify the total amount of fixed costs in the graph. (1)

- R 200

4.1.2 Name the curve that is labelled A . (1)

• Total cost

4.1.3 Briefly describe the term explicit costs. (2)

Explicit costs refer to the direct monetary expenses incurred by a firm in conducting its business operations, such as wages, rent, utilities, and raw materials. These costs are easily identifiable and quantifiable in financial records.

4.1.4 Why is fixed cost curve is perfectly horizontal? (2)

The fixed cost curve is perfectly horizontal because fixed costs do not change with changes in the quantity of output produced. Regardless of whether the firm produces zero units or the maximum capacity, the fixed costs remain constant.

4.1.5 The price of the product sold in the above graph is R100. What would the profit/loss of producing zero products be? Show ALL calculations. (4)

$0 - 100 = -100$ (loss)

4.2 Why should marginal revenue be equal to marginal cost for profits to be maximized? (8)

Marginal revenue (MR) should equal marginal cost (MC) for profits to be maximized because this is the point where the additional revenue earned from producing one more unit (MR) equals the additional cost incurred to produce that unit (MC). At this equilibrium point, the firm achieves allocative efficiency, where resources are allocated optimally to maximize overall economic welfare. Deviations from this equality would lead to either underproduction (where $MR > MC$) or overproduction (where $MR < MC$), both resulting in suboptimal profit levels for the firm.

4.3 Discuss the SMART principle in designing the objectives of businesses (8)

The SMART principle is a framework used by businesses to set clear and achievable objectives:

1. **Specific:** Objectives should be clear and well-defined, outlining exactly what needs to be accomplished.

2. **Measurable:** Goals should include criteria for measuring progress and success, using quantifiable metrics or milestones.

3. **Achievable:** Objectives should be realistic and within reach, considering the resources and capabilities of the business.

4. **Relevant:** Goals should align with the broader mission and strategic priorities of the business, ensuring they contribute to overall success.

5. **Time-bound:** Objectives should have a specific timeframe or deadline for completion, providing a sense of urgency and focus for implementation.

Activity 5

5.1 Answer the following questions.

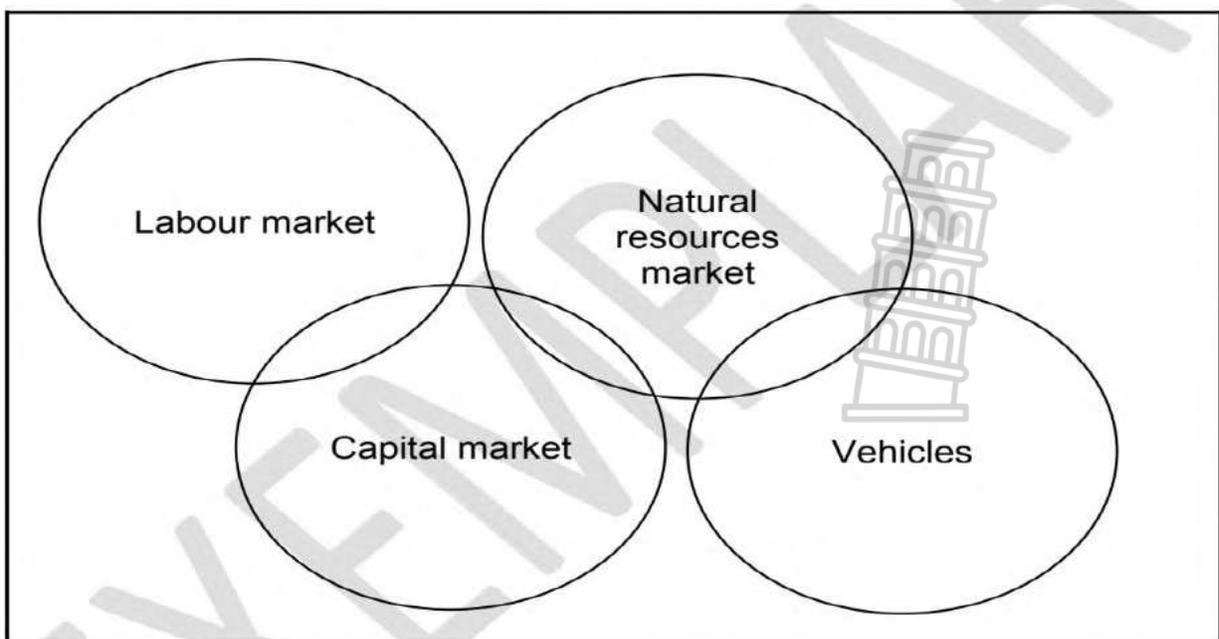
5.1.1 Name any TWO examples of variable costs. (2 x 1) (2)

- Electricity
- Wages
- Water

5.1.2 Why are the AR and MR curves equal in the perfect market? (1 x 2) (2)

In a perfect market, the average revenue (AR) and marginal revenue (MR) curves are equal because each additional unit sold by a firm fetches the same price as the previous units. Since the firm is a price taker and cannot influence the market price, it must lower the price of all units sold to sell an additional unit, resulting in a horizontal MR curve that equals the market price and thus the AR curve.

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



5.2.1 Identify an example found in a product market from the information above. (1)

5.2.2 Name ONE factor of production missing from the above information. (1)

• Entrepreneur

5.2.3 Briefly describe the term market. (2)

A market refers to a system or arrangement where buyers and sellers come together to exchange goods, services, or resources. It encompasses the interaction between supply and demand forces that determine prices and quantities traded within a specific economic setting.

5.2.4 Explain the positive impact of competition on the markets. (2)

Competition in markets fosters several positive impacts. It encourages businesses to innovate and improve their products or services to attract customers, leading to technological advancements and higher quality offerings. And competition drives down prices as firms strive to gain market share, resulting in increased consumer choice and affordability.

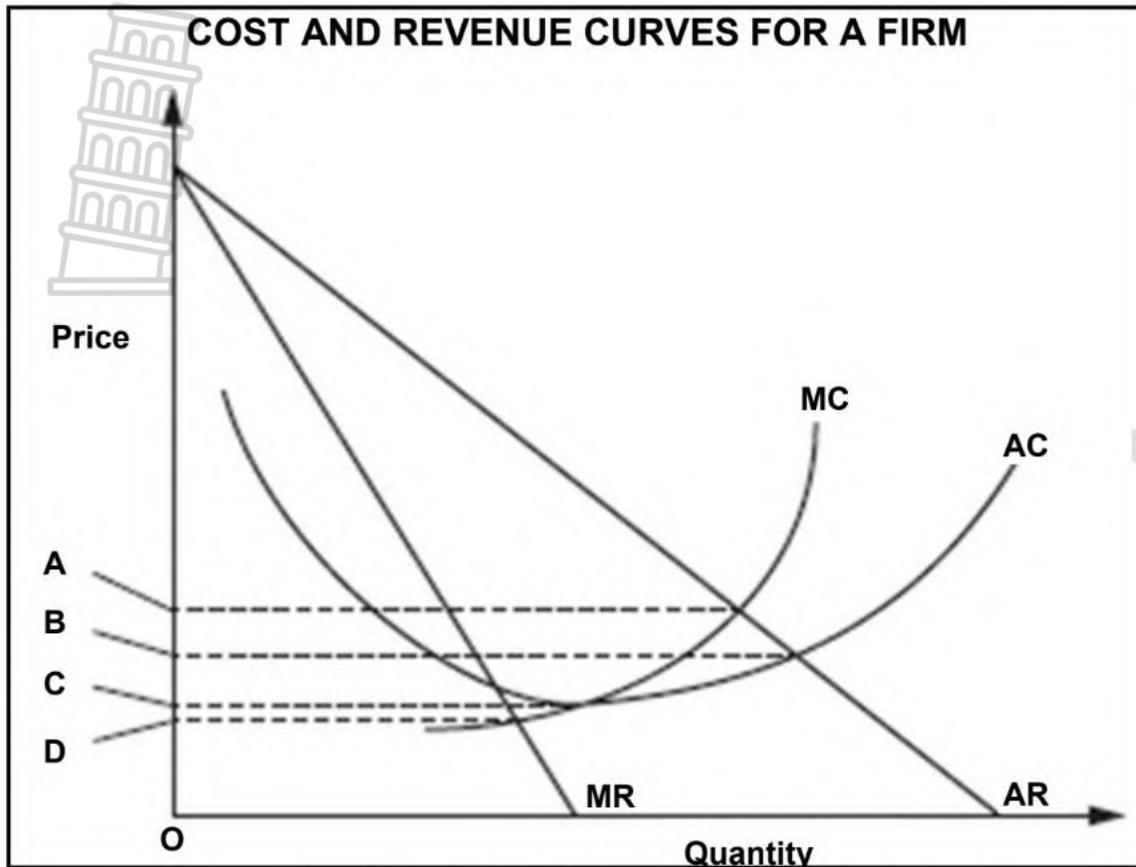
5.2.5 How do natural disasters impact the supply of factors of production in the market? (2 x 2) (4)

Natural disasters can significantly impact the supply of factors of production in markets. For instance, agricultural disasters like droughts or floods can reduce the supply of crops and livestock, affecting raw materials used in production. Physical infrastructure such as roads, ports, and factories may be damaged or destroyed, limiting the ability to transport goods or manufacture products. Disruptions to labor availability due to displacement or injury can also constrain production capacity, leading to temporary or long-term shortages in the supply of labor. Overall, natural disasters can disrupt the entire supply chain, causing fluctuations in factor availability and potentially affecting market prices and economic stability.

Activity 6

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





6.1.1 In the graph above, at which price does allocative efficiency occur? (1)

- A

6.1.2 Which letter indicates the profit maximization of the firm above? (1)

- D

6.1.3 Briefly describe the term imperfect market. (2)

An imperfect market refers to a market structure that lacks one or more of the characteristics of perfect competition. In imperfect markets, there may be fewer buyers or sellers, differentiated products, barriers to entry, or market power held by some firms to influence prices. This can result in less efficient allocation of resources and potentially higher prices or reduced consumer welfare compared to perfectly competitive markets. Examples include monopolies, oligopolies, monopolistic competition, and markets with asymmetric information.

6.1.4 What is likely to happen to the demand for this firm's output in the long run? (2)

6.1.5 Explain the pattern of the MC curve. (2 x 2) (4)

The marginal cost (MC) curve typically exhibits a U-shaped pattern. Initially, as production increases, the MC curve slopes downward, indicating decreasing marginal costs due to economies of scale and specialization. Eventually, the MC curve begins to slope upward, reflecting increasing marginal costs as diminishing returns set in and additional units of production require more resources or become less efficient to produce. This U-shaped pattern of the MC curve illustrates the optimal production level where marginal cost equals marginal revenue, maximizing profit for the firm in competitive markets.

6.2 Briefly discuss the SMART principle in designing the objectives of businesses. (4 x 2) (8)

1. **Specific:** Objectives should be clearly defined and specific, avoiding ambiguity and ensuring everyone understands what needs to be accomplished.
2. **Measurable:** Goals should include criteria that allow progress and success to be tracked and measured using quantifiable metrics or milestones.
3. **Achievable:** Objectives should be realistic and attainable, considering the resources, skills, and constraints of the organization.
4. **Relevant:** Goals should be aligned with the broader mission, vision, and strategic priorities of the business, ensuring they contribute meaningfully to overall success.
5. **Time-bound:** Objectives should have a defined timeframe or deadline for completion, providing a sense of urgency and focus for implementation.

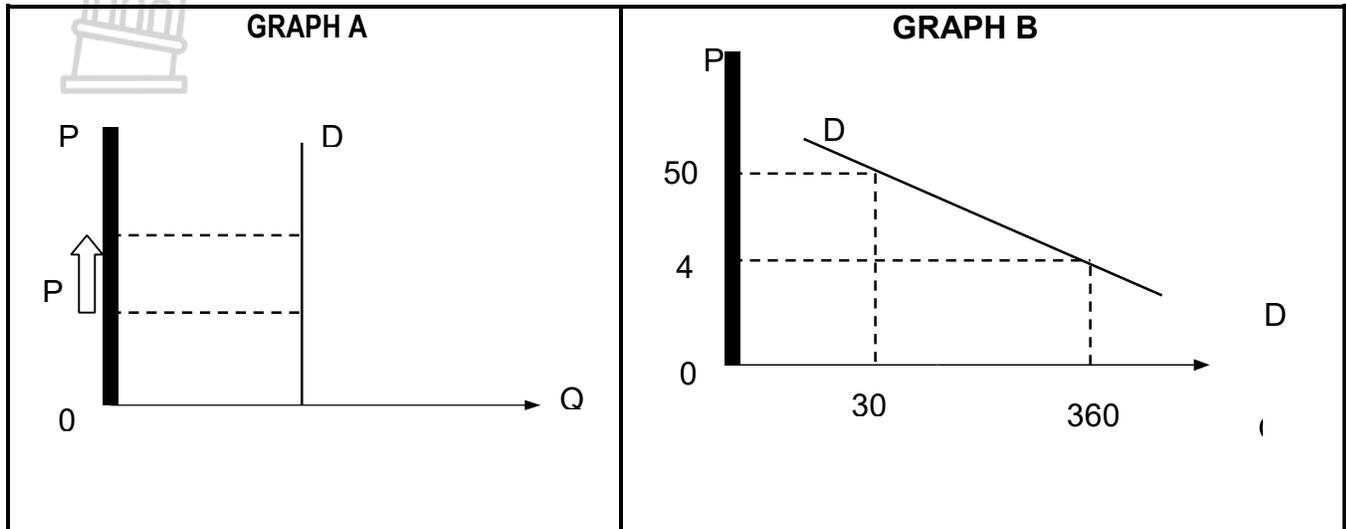
6.3 How will a firm's objective in an oligopolistic market differ from the objective of a firm in a perfectly competitive market? (8)

In an oligopolistic market, where a few large firms dominate, the primary objective often includes maintaining market share and strategic positioning relative to competitors. Profit maximization remains a goal but is tempered by considerations of market dynamics and mutual interdependence among firms. In contrast, firms in a perfectly competitive market focus on maximizing short-term profit by optimizing production and pricing decisions based on market forces, as they have no market power to influence prices. Oligopolistic firms may also prioritize long-term sustainability and competitive advantage through strategic alliances, differentiation strategies, or innovation.

TOPIC 7: ELASTICITY

ACTIVITY 1

1.1. Study the graphs below and answer the questions that follow:



1.1.1 Identify the curve represented by letter D (1)

Demand curve

1.1.2 Give the value of price elasticity of demand in graph A above. (1)

Zero

1.1.3 Briefly describe the term *price elasticity of demand*. (2)

Price elasticity of demand (PED) measures the responsiveness of quantity demanded of a good or service to changes in its price. It quantifies the percentage change in quantity demanded divided by the percentage change in price. A high elasticity (greater than 1) indicates that demand is sensitive to price changes, while a low elasticity (less than 1) suggests demand is relatively insensitive to price changes.

1.1.4 Why price elasticity of demand has a negative sign? (2)

The price elasticity of demand has a negative sign because it is typically expressed as a negative number due to convention. This negative sign indicates an inverse relationship between price and quantity demanded: as price increases, quantity demanded decreases, and vice versa. However, in practice, economists often refer to the absolute value of elasticity to focus on the magnitude of the responsiveness, regardless of direction.

1.1.5 Calculate the price elasticity of graph B. Show all calculations. (4)



ACTIVITY 2

2.1 Study the table below and answer the questions follow.

A	Quantity Supplied
R 50	600
R 45	400

2.1.1 Give a label for point A in the above table. (1)

Price

2.1.2 Identify the quantity supplied at a price of R50. (1)

600

2.1.3 Briefly describe the term *price elasticity of supply* (2)

Price elasticity of supply (PES) measures the responsiveness of quantity supplied of a good or service to changes in its price. It quantifies the percentage change in quantity supplied divided by the percentage change in price. A high PES (greater than 1) indicates that supply is sensitive to price changes, meaning producers can quickly increase or decrease production in response to price fluctuations.

2.1.4 How the availability of natural resources affects the elasticity of supply? (2)

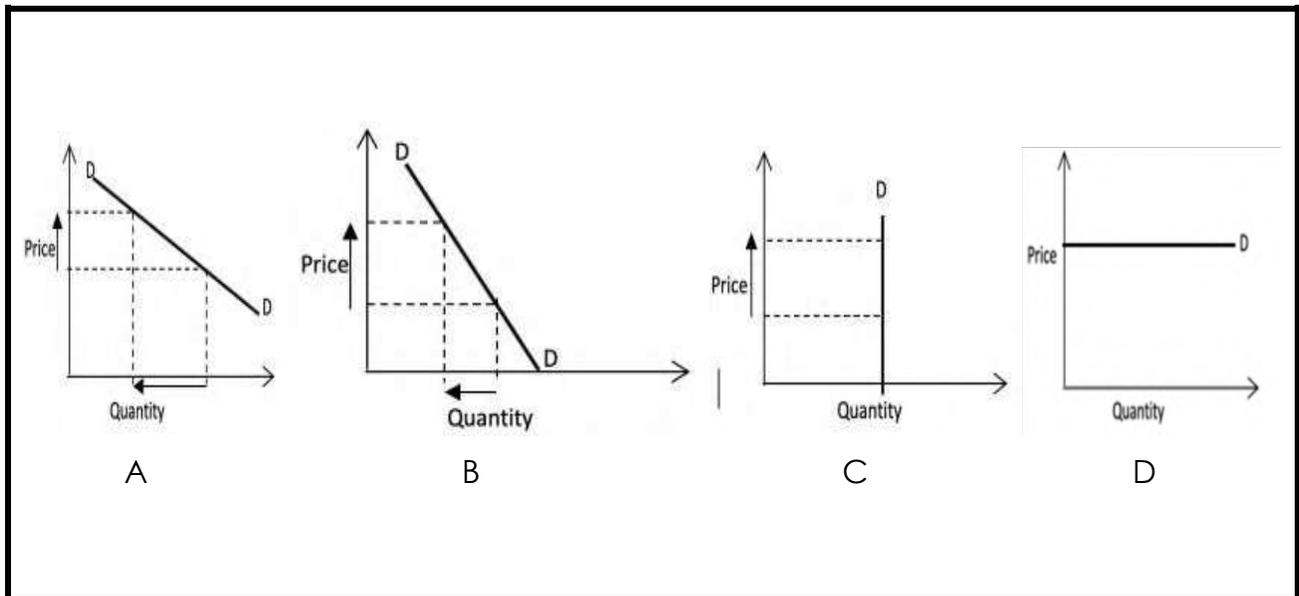
The availability of natural resources can significantly impact the elasticity of supply. If a resource is abundant and easily accessible, the supply tends to be more elastic because producers can increase output relatively easily in response to price changes without significant cost increases. Conversely, scarce or limited natural resources constrain supply elasticity, as production cannot be easily ramped up, leading to less responsiveness to changes in demand or price.

2.1.5. Calculate the percent change in the quantity supplied because of a decrease in the price. (4)



ACTIVITY 3

3.1 Study the graphs below and answer the questions that follow:



3.1.1. Identify the graph that illustrate inelasticity of demand in the above data. (1)

C

3.1.2. Give the nature of the product in graph C? (1)

Alcohol, Cigarette

3.1.3. Briefly describe term *cross elasticity of demand* (2)

Cross elasticity of demand measures how sensitive the quantity demanded of one good is to changes in the price of another related good. It is calculated as the percentage change in quantity demanded of one good divided by the percentage change in price of the other good. Positive cross elasticity indicates substitutes (where an increase in the price of one good leads to an increase in demand for the other), while negative cross elasticity indicates complements (where an increase in the price of one good leads to a decrease in demand for the other).

3.1.4 How luxury goods influence the price elasticity of demand? (2)

Luxury goods typically have a high price elasticity of demand because consumers can easily postpone or reduce their purchases if prices rise. The demand for luxury goods is often more sensitive to changes in income and consumer preferences rather than basic needs. This means that changes in price can have a significant impact on the quantity demanded, as consumers may adjust their purchasing behavior based on their discretionary income and perceived value of the luxury item.

3.1.5 What is the effect of substitute product in the market (4)

Substitute products in the market affect both demand and pricing dynamics. When a substitute product becomes available or its price changes, consumers often switch to the substitute if it offers a comparable utility at a lower cost. This substitution effect typically leads to a decrease in demand for the original product. Moreover, competition from substitutes can exert downward pressure on prices as firms adjust to retain market share, promoting efficiency and consumer welfare through competitive pricing strategies.

Activity 4

- Discuss, in detail, the price elasticity of demand (PED) without the aid of graphs. (26)

Introduction:

Price elasticity of demand (PED) is a crucial concept in economics that measures how sensitive the quantity demanded of a good or service is to changes in its price. It is calculated as the percentage change in quantity demanded divided by the percentage change in price. Understanding PED helps businesses and policymakers predict and respond to changes in consumer behavior due to price fluctuations.

Main Part:

1. Interpretation of PED Values:

Elastic Demand ($PED > 1$): When PED is greater than 1, demand is considered elastic. This means that a small change in price leads to a proportionately larger change in quantity demanded in the opposite direction. Products with elastic demand are typically non-essential items or have readily available substitutes. Consumers are sensitive to price changes and may switch to alternatives if prices increase.

Inelastic Demand ($PED < 1$): When PED is less than 1, demand is inelastic. Here, a change in price causes a smaller percentage change in quantity demanded. Inelastic goods are often necessities or have few substitutes, and consumers are less responsive to price changes. Producers of inelastic goods can typically raise prices without losing many customers in the short term.

Unitary Elasticity (PED = 1): A PED of 1 indicates unitary elasticity, where the percentage change in quantity demanded equals the percentage change in price. Unitary elastic goods experience proportional changes in quantity demanded in response to changes in price, reflecting a balanced responsiveness from consumers.



2. Factors Affecting PED:

Availability of Substitutes: The presence of close substitutes affects PED significantly. Goods with more substitutes tend to have more elastic demand because consumers can easily switch to alternatives if prices change.

Necessity vs. Luxury: Necessities such as food, medications, and utilities tend to have inelastic demand because consumers must purchase them regardless of price changes. Conversely, luxury items or discretionary goods often have elastic demand as consumers can postpone or reduce their purchases if prices increase.

Time Horizon: PED can vary over different time periods. In the short run, demand for goods may be more inelastic because consumers cannot quickly adjust their consumption patterns. Over the long run, however, consumers may have more flexibility to change their behavior or find substitutes, making demand more elastic.

Income Level: Goods that represent a larger portion of consumers' budgets tend to have more elastic demand. Higher-income consumers may be less sensitive to price changes for certain goods, leading to more inelastic demand for those products.

3. Implications for Businesses and Policy:

Pricing Strategy: Understanding PED helps businesses determine optimal pricing strategies. For goods with elastic demand, firms may need to lower prices to increase revenue, whereas for goods with inelastic demand, they can potentially increase prices without significant loss of sales.

Revenue Maximization: Businesses can use PED to estimate the impact of price changes on total revenue. For elastic goods, reducing prices could lead to higher sales volume and revenue despite lower prices per unit. In contrast, for inelastic goods, price increases could lead to higher revenue despite lower sales volume.

Government Intervention: Policymakers use PED to assess the impact of taxes, subsidies, or regulations on consumer behavior. Taxes on goods with inelastic demand may generate significant revenue with minimal

reduction in consumption, while taxes on goods with elastic demand could lead to substantial reductions in consumption.

Conclusion:

In conclusion, price elasticity of demand is a fundamental concept that helps economists, businesses, and policymakers understand how consumers respond to changes in prices. It provides insights into consumer behavior, market dynamics, and the effectiveness of pricing strategies and policies aimed at influencing economic outcomes.

- How can government increase the price elasticity of supply of essential goods? (10)

The government can increase the price elasticity of supply of essential goods through several strategies. Firstly, it can invest in infrastructure and logistics to improve transportation networks and storage facilities, reducing production and distribution costs and making it easier for suppliers to respond quickly to price changes. Secondly, providing subsidies or incentives for producers to adopt technology and innovations that enhance production efficiency and flexibility can increase supply elasticity. Thirdly, reducing regulatory barriers and streamlining administrative processes can expedite approvals and permits for production, enabling suppliers to adjust output more swiftly in response to market demands. Lastly, fostering competition and diversifying sources of supply through trade agreements or market reforms can mitigate supply disruptions and enhance overall market responsiveness to price fluctuations.

[40]





TOPIC 8: ECONOMIC GROWTH

ACTIVITY 1

1.1 Various options are provided as possible answers to the following questions. Choose the answer and write only the letter next to the question number. E.g. 1.1.6. A

1.1.1 A graph that measures the degree of inequality is called a

- A. Perfect line
- B. Gini coefficient curve
- C. Lorenz curve
- D. Productive inefficiency

1.1.2 Higher income earners are taxed at higher rate is called....

- A. Proportional
- B. Regressive
- C. Progressive
- D. Indirect tax

1.1.3 An improvement in the standard of living of the population of a country is known as ...

- A. Economic development
- B. Economic growth
- C. investment
- D. capital formation



- 1.1.4 A total value of all final goods and services that are produced within the borders of a country in a year
- A. Gross national product
 - B. Gross domestic product
 - C. Per capita income
 - D. Gross domestic expenditure
- 1.1.5 The quality of life of an individual or a household is called....
- A. standard of living
 - B. wealth
 - C. poverty
 - D. minimum wage
- (5x2)10**

1.2 Choose a description from Column B that matches the item in Column A. Write only the letter next to the question number.

COLUMN A	COLUMN B
1.2.1. Wealth	A. A number of years a new born is expected to live.
1.2.2. Gini coefficient	B. Policy aimed at increasing the ownership of agricultural land of black people.
1.2.3. Life expectancy	C. Stock of capital assets of households, representing money earned and saved.
1.2.4. Land redistribution	D. Statical measure used to express the inequality of income distribution.
1.2.5. Productivity	E. Levied when money is inherited from a deceased person.
	F. Relationship between input and output obtained with one unit of inputs per worker.

(5x1)5

- 1.3 Give economic term /concept for each of the following descriptions.**
- 1.3.1 Income per member of the population in a country.
 - 1.3.2 The index that measures the inequality of income.
 - 1.3.3 A return of land to those who lost have lost it due to discriminatory laws is.....
 - 1.3.4 When people live below a certain threshold and cannot afford certain basic goods and service .
 - 1.3.5 Wage rate that is set by government whereby no workers are paid less than stipulated amount.

(5x1)5



ACTIVITY 2

2.1 Answer the following questions

2.1.1 Name any two income redistribution methods (2)

Progressive taxation

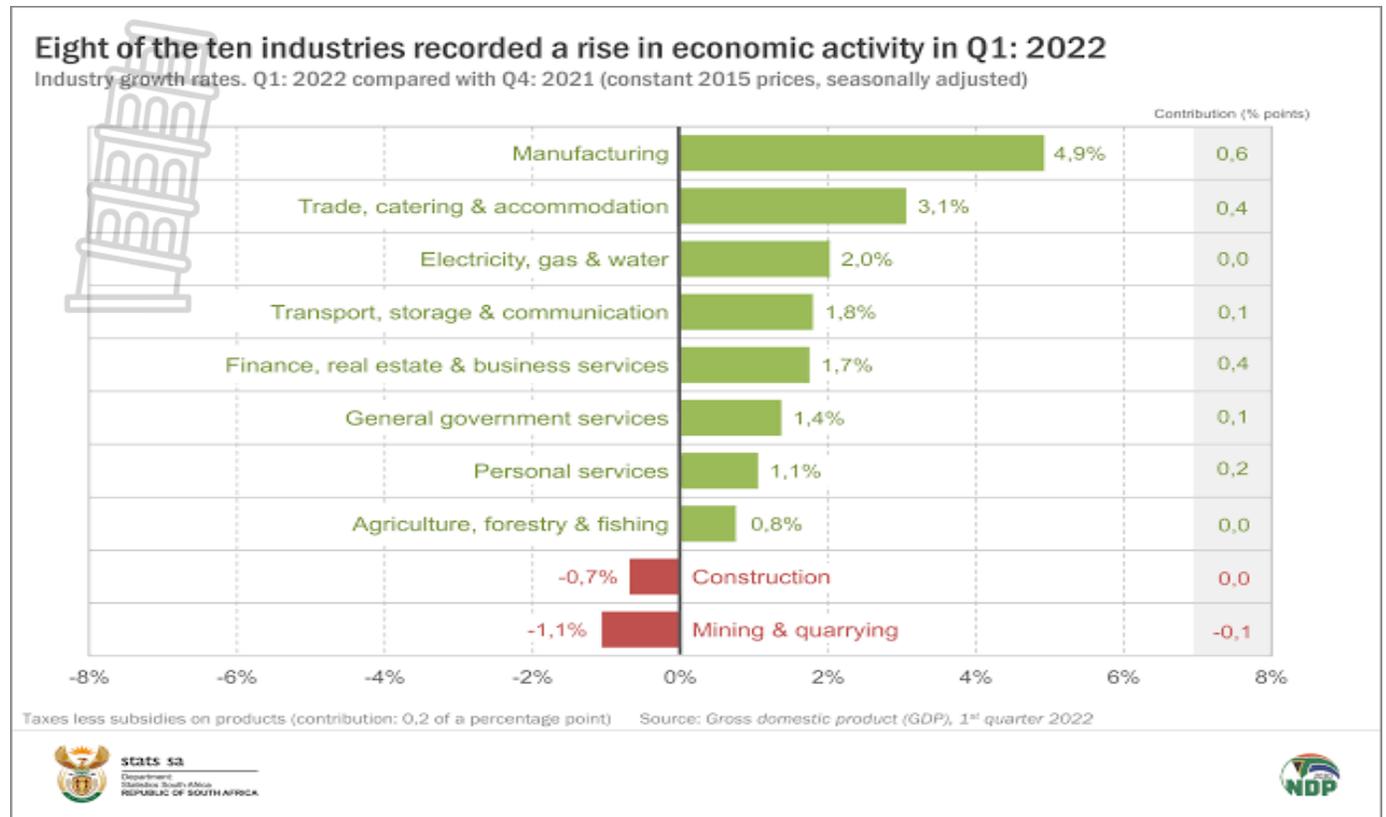
Social Welfare Programs

2.1.2 What effect does the low economic growth rate have on the economy (2)

A low economic growth rate indicates a sluggish expansion of the economy, leading to slower increases in income, employment opportunities, and overall standard of living for the population. It can also result in reduced business investment, weaker consumer confidence, and limited government revenues, which may hinder future development and sustainability.

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





2.2.1 Identify the industry that contribute most in GDP from graph above (1)

Manufacturing

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

Gross Domestic Product (GDP)

2.2.3 Briefly describe term *economic development*. (2)

Economic development refers to the sustained, long-term improvement in living standards, quality of life, and economic health of a country. It encompasses various aspects including increases in per capita income, reduction of poverty and inequality, improvements in infrastructure and technology, and advancements in education and healthcare systems. Economic development aims to achieve higher levels of economic productivity, social progress, and overall well-being for the population.

2.2.4 Explain the factors that can lead to increase in economic growth (2)

Several factors can contribute to an increase in economic growth. Investments in physical capital, such as infrastructure and technology, can enhance productivity and efficiency. Human capital development through education and training improves the skills and knowledge of the workforce, fostering innovation and economic performance. Additionally, favourable government policies, such as promoting

entrepreneurship, reducing regulatory burdens, and encouraging international trade, can stimulate economic activity and attract investments, further boosting economic growth.

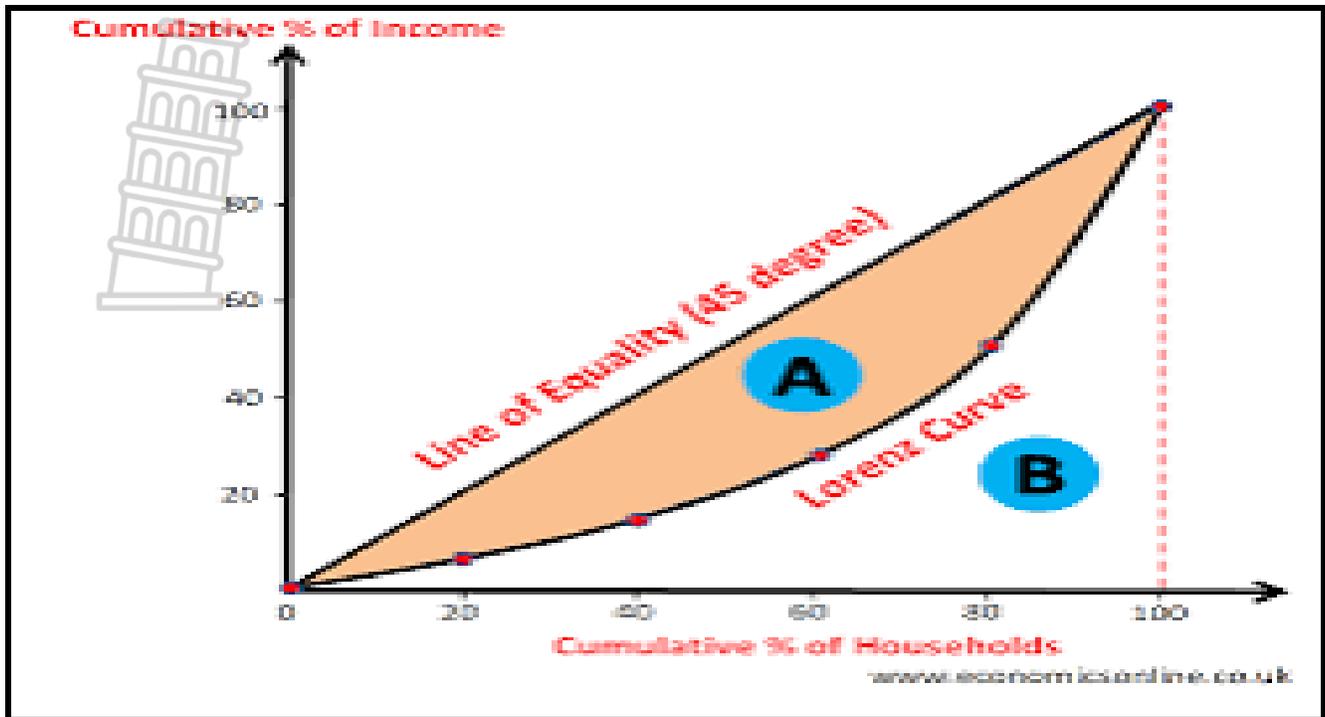
2.2.5 Why is South Africa experiencing low economic growth rate levels? (4)

South Africa is experiencing low economic growth rates due to several factors. These include structural issues such as high unemployment, income inequality, and a lack of sufficient infrastructure development. Political instability and policy uncertainty have also deterred investment and hindered economic progress. Additionally, external factors such as global economic slowdowns and fluctuations in commodity prices, which South Africa heavily relies on, have further constrained growth prospects. Addressing these challenges requires comprehensive reforms and policies aimed at enhancing competitiveness, improving governance, and promoting sustainable economic development.

ACTIVITY 3

3.1 Study the graph below and answer the questions that follows.





3.1.1 Identify the economic concept that is depicted in the above graph (1)

Lorenz curve

3.1.2 Provide the name of the area label A (1)

Gini coefficient

3.1.3 Briefly describe the term *wealth*. (2)

Wealth refers to the accumulation of assets and resources that hold economic value, typically measured in terms of monetary value. It includes physical assets like real estate, investments, and personal possessions, as well as intangible assets such as intellectual property or financial securities.

Wealth represents an individual's or entity's net worth, indicating their economic prosperity and financial resources.

3.1.4 Why is South Africa among the countries with the highest rates of inequality in the world? (2)

South Africa faces high rates of inequality due to historical and structural factors. The legacy of apartheid-era policies segregated wealth and opportunities along racial lines, leaving a significant portion of the population marginalized. Economic policies and uneven access to education, healthcare, and employment opportunities have perpetuated inequality. Additionally, disparities in land ownership, income distribution, and limited social mobility have contributed to South Africa's persistent ranking

among the most unequal countries globally. Addressing these issues requires comprehensive reforms to promote inclusive economic growth and equitable development.

- 3.1.5 Explain the relationship between the Gini coefficient and the Lorenz curve (4)

The Gini coefficient and the Lorenz curve are both measures used to assess income or wealth inequality within a population. The Lorenz curve graphically represents the distribution of income or wealth among individuals or households, where the cumulative percentage of the population is plotted against the cumulative percentage of income or wealth they hold. The Gini coefficient quantifies the extent of inequality by providing a numerical measure derived from the Lorenz curve; it ranges from 0 (perfect equality) to 1 (perfect inequality). A higher Gini coefficient indicates greater inequality, while a more concave Lorenz curve reflects more equitable distribution.

ACTIVITY 4

- 4.1 Study the extract below and answer the questions that follows.

GINI COEFFICIENT IN SOUTH AFRICA 2015-2022

The Gini coefficient in South Africa was 0,65 points in 2015 and in 2022 is 0.63 points with lesser inequality in income within the rural areas of the most Southern country of Africa. An ideal situation is one in which incomes are perfectly distributed with the equal zero.

South Africa had the world's highest in income distribution.

Source: StatSA

- 4.1.1 Name the index that describe the percentage of the population living below the poverty -line income. (1)

Poverty Headcount Ratio

- 4.1.2 What is the trend of Gini coefficient between 2015 and 2022 (1)

Lesser inequality

- 4.1.3 Briefly describe term *Gini co-efficient* (2)

The Gini coefficient is a statistical measure used to quantify income or wealth inequality within a population. It ranges from 0 to 1, where 0 represents perfect equality (everyone has the same income or wealth) and 1 represents perfect inequality (one person has all the income or wealth). A higher Gini coefficient indicates greater inequality within a society or economy.

- 4.1.4 What effect will an increase in the income tax rate have on the inequality gap between

the rich and poor?

(2)

An increase in the income tax rate typically reduces the inequality gap between the rich and poor. By taxing higher incomes at higher rates, governments can redistribute wealth through social programs and services that benefit lower-income individuals and families. This helps to mitigate income disparities and promote a more equitable distribution of wealth within society.

4.1.5 How can the government reduce inequality in income distribution?

(4)

The government can reduce inequality in income distribution through various policies and interventions. Firstly, progressive taxation can be implemented, where higher-income earners pay proportionally more taxes, allowing the government to fund social programs and welfare initiatives for lower-income groups. Secondly, investing in education and skills development programs can enhance the earning potential of disadvantaged groups, narrowing the income gap over the long term. Thirdly, promoting inclusive economic growth through infrastructure development, job creation, and support for small businesses can provide opportunities for marginalized communities to participate and benefit from economic activities. Lastly, ensuring equitable access to healthcare, housing, and other essential services can improve living standards and reduce disparities in quality of life across different income groups.

ACTIVITY 5

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



5.1.1 Identify one growth projection from the cartoon above (1)



5.1.2 Name one example that measure the economic growth (1)

Gross Domestic Product (GDP)

5.1.3 Briefly describe the term *gross domestic product* (2)

Gross Domestic Product (GDP) is a measure of the total value of all goods and services produced within a country's borders during a specific period, typically a year or a quarter. It serves as a key indicator of the economic health and size of an economy, reflecting the aggregate output and income generated by businesses and individuals within that country.

5.1.4 Explain the impact of increase in consumer spending on the production of goods and services (2)

An increase in consumer spending typically leads to higher demand for goods and services in the economy. This increased demand can prompt businesses to increase production to meet consumer needs, resulting in higher levels of output. As production levels rise, businesses may also expand operations, invest in new equipment, and hire more workers to keep up with consumer demand, contributing to overall economic growth.

5.1.5 How successful has the South African government been in improving the quality of labour? (4)

The South African government has made strides in improving the quality of labor through various initiatives. These include investments in education and skills development programs aimed at enhancing the capabilities and employability of the workforce. Additionally, efforts to promote vocational training and apprenticeships have equipped individuals with practical skills needed in the labor market. Policies to address unemployment, particularly among youth and marginalized groups, have also contributed to improving the quality and inclusivity of the labour force, although challenges such as skills mismatches and persistent unemployment rates remain significant.

Activity 6

6.1 Answer the following questions.

6.1.1 Name any TWO South African approaches to redistribution methods. (2 x 1) (2)

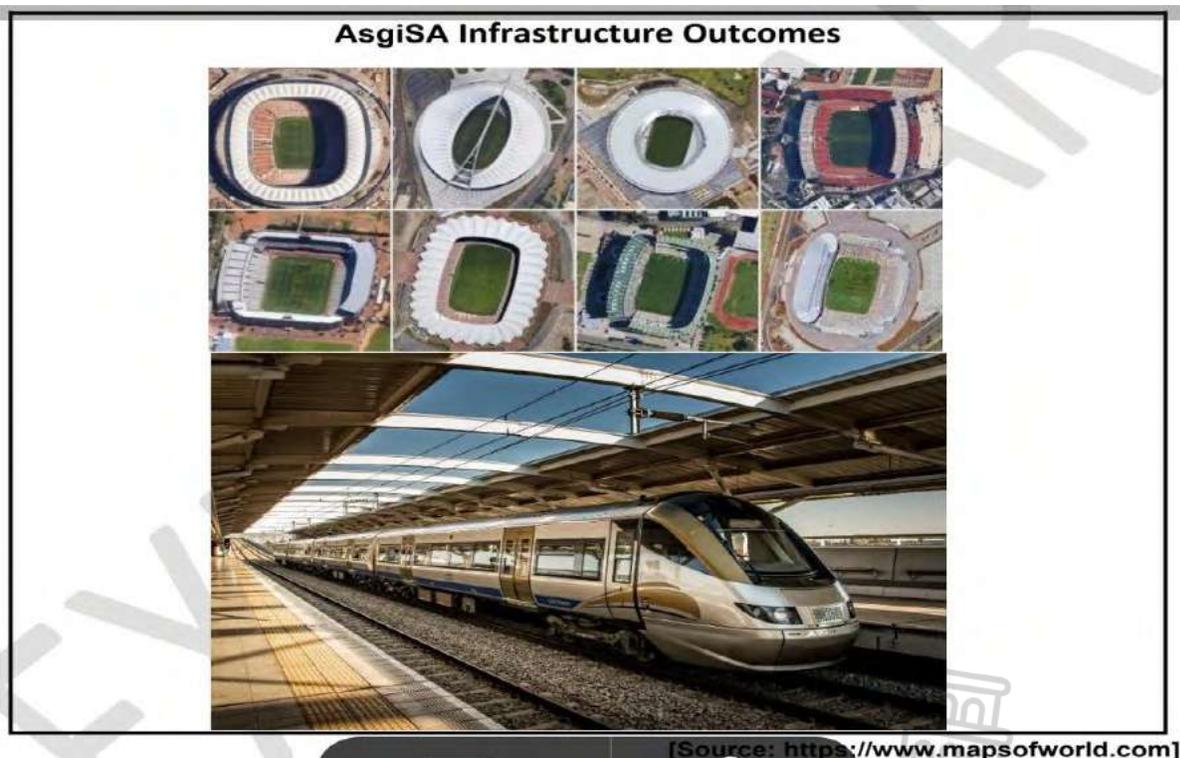
Black Economic Empowerment (BEE)

Social Grants System

6.1.2 How does wealth differ from income? (1 x 2) (2)

Wealth refers to the accumulation of assets and resources owned by an individual or entity at a specific point in time, such as savings, investments, property, and valuables. It represents the net worth or financial position of a person or entity. In contrast, income refers to the flow of money or earnings received by individuals or businesses over a period, typically from wages, salaries, profits, or investments. While wealth reflects accumulated assets, income reflects the ongoing flow of earnings and receipts.

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



[Source: <https://www.mapsofworld.com>]

6.2.1 Identify the year in which was AgiSA launched? (1)

2006

6.2.2 Name ONE infrastructure outcome of AgiSA from the images above. (1)

Stadiums

Gautrain

6.2.3 Briefly describe the term economic marginalisation (2)

Economic marginalization refers to the systematic exclusion or deprivation of individuals, groups, or communities from participating fully in economic activities and opportunities within society. It often results from structural barriers

such as discrimination, lack of access to education or resources, limited job opportunities, and unequal distribution of wealth and income. Economic marginalization can lead to persistent poverty, social inequality, and limited economic mobility for affected populations.

6.2.4 Briefly explain the objectives of the Accelerated and Shared Growth Initiative for South Africa? (4)

The Accelerated and Shared Growth Initiative for South Africa (ASGISA) was a program introduced in 2005 aimed at achieving higher economic growth rates and reducing poverty and inequality. Its objectives included promoting employment creation, especially in labor-intensive sectors; expanding infrastructure development to support economic growth; enhancing skills development and education; and improving access to basic services such as healthcare, housing, and sanitation. ASGISA sought to achieve these goals through partnerships between the government, private sector, and civil society, with a focus on sustainable economic development and inclusive growth.

6.2.5 How does JIPSA relate to AsgiSA? (2 x 2) (4)

JIPSA (Joint Initiative on Priority Skills Acquisition) was established as part of the broader Accelerated and Shared Growth Initiative for South Africa (ASGISA). JIPSA aimed to address critical skills shortages identified as barriers to economic growth and development. It focused on aligning education and training with the needs of the economy, supporting sectors crucial for growth, and ensuring a skilled workforce capable of driving South Africa's economic transformation under the ASGISA framework.

ACTIVITY 7

7.1 Differentiate between economic growth and economic development (8)

Economic growth refers to an increase in the quantity of goods and services produced in an economy over time, typically measured by changes in Gross Domestic Product (GDP). It focuses on the expansion of the economy's output and productivity.

On the other hand, economic development encompasses broader improvements in living standards, quality of life, and well-being within a society. It includes factors such as reductions in poverty, inequality, and unemployment, improvements in education and healthcare systems, infrastructure development, and sustainable use of resources. Economic development aims to achieve inclusive and sustainable growth that benefits all segments of society, not just an increase in economic output.

7.2 Discuss the reasons for unequal distribution of income (8)

The unequal distribution of income can be attributed to several factors:

1. **Education and Skills:** Disparities in education and skill levels can lead to differences in earning potential. Those with higher levels of education and specialized skills tend to earn more than those with limited education or skills.
2. **Labour Market Factors:** Factors such as discrimination, occupational segregation, and unequal access to employment opportunities can contribute to income inequality. Certain industries or professions may offer higher wages, resulting in income disparities.
3. **Wealth and Capital Ownership:** Income from wealth, such as investments, property ownership, and capital gains, contributes significantly to income inequality. Those who own assets that appreciate can accumulate more income passively.
4. **Market Forces:** Market forces, including supply and demand for labour, technological advancements, globalization, and economic policies, can influence wages and income distribution. Globalization, for example, can lead to wage disparities between countries and regions.
5. **Government Policies:** Tax policies, social welfare programs, minimum wage laws, and labour market regulations can either mitigate or exacerbate income inequality. Policies that promote progressive taxation and social safety nets tend to reduce income inequality, while policies favouring the wealthy can widen the income gap.

7.3 Evaluate reconstruction programme as a development strategy in South Africa (8)

1. **Infrastructure Development:** The reconstruction program focused on building and improving infrastructure such as roads, schools, hospitals, and housing. This has contributed to enhancing living standards, promoting economic activities, and facilitating regional development.
2. **Redistribution of Resources:** Efforts to redistribute resources and wealth have aimed to reduce inequality and poverty. Policies such as land reform and social welfare programs have sought to empower marginalized communities and improve their economic participation.
3. **Challenges and Criticisms:** Despite progress, the reconstruction program has faced challenges such as corruption, inefficiencies in project implementation, and delays in service delivery. These issues have sometimes hindered the effective distribution of resources and benefits to those in need.

4. Long-term Impact: The reconstruction program is viewed as a long-term strategy to foster sustainable development and address socio-economic disparities. Its success depends on continued political will, effective governance, and inclusive policies that promote equitable growth and development.

7.4 How should higher education inequalities be addressed to improve the standard of living in South Africa? (8)

Addressing higher education inequalities in South Africa is crucial for improving the standard of living across the country. Firstly, expanding access to quality higher education through scholarships, grants, and affirmative action programs can ensure that more students from disadvantaged backgrounds have opportunities to pursue higher education. Secondly, enhancing the quality of education by investing in infrastructure, technology, and faculty development can improve learning outcomes and prepare graduates for the workforce. Thirdly, promoting partnerships between universities, industries, and government can align educational programs with market needs, fostering employment opportunities and economic growth. Lastly, addressing socio-economic barriers such as poverty, inadequate schooling in early years, and geographic disparities can create a more equitable pathway to higher education and ultimately uplift the standard of living for all South Africans.

Activity 8

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

The IMF slightly hikes SA's growth forecast

In its World Economic Outlook (WEO) yesterday, the IMF said though the ongoing energy crisis would drag economic growth lower this year, avoiding a technical recession in the first quarter of 2023 had given the economy some hope.

South Africa's power utility, Eskom, has resumed implementing heightened levels of power cuts during peak hours as the current electricity generation struggles to meet rising demand after lower stages of loadshedding in June.

"In South Africa, growth is expected to decline to 0,3% in 2023, with the decline reflecting power shortages, although the forecast has been revised upward by 0,2 percentage point since the April 2023 WEO, on account of resilience in services activity in the first quarter," the IMF said.

For 2024, the IMF said gross domestic product (GDP) would rebound to 1,7%, slightly lower than the 1,8% forecast in April.

Extract date: Wednesday, 26 July 2023

[Source: <https://www.iol.co.za/business-report/economy/imf-slightly-hikes-sa-growth-forecast-39b1bdf6-158a-4371-95e7-0e3c8ecc1310>]

8.1.1 Identify the institution that hiked SA's growth rate in the extract above. (1)

IMF

8.1.2 What is the constraint to growth in South Africa according to the extract above? (1)

Power shortage

8.1.3 Briefly describe the term economic growth. (2)

Economic growth refers to the increase in the production of goods and services within an economy over time. It is typically measured by changes in Gross Domestic Product (GDP), reflecting the expansion of an economy's output, productivity, and income generation. Economic growth is essential for improving living standards, creating jobs, reducing poverty, and supporting overall economic development.

8.1.4 How does "avoiding a technical recession" give hope to the economy? (2)

Avoiding a technical recession, which is defined as two consecutive quarters of negative economic growth, gives hope to the economy because it signals that the economy is still expanding, albeit slowly. It reassures businesses and investors that the downturn may be temporary, and that the economy has resilience. This can boost confidence, encourage investment, and support consumer spending, potentially leading to a recovery and sustained economic growth in the future.

8.1.5 Explain the importance of the view of the IMF on economic growth in South Africa. (2 x 2) (4)

The view of the International Monetary Fund (IMF) on economic growth in South Africa is important for several reasons. Firstly, it provides an external, objective assessment of the country's economic performance and prospects, which can influence investor confidence and market perceptions. Secondly, the IMF's recommendations and assessments often carry weight with policymakers, shaping economic policies and reforms that can impact growth, stability, and fiscal health. Thirdly, the IMF's support through loans and technical assistance can provide financial and technical resources to help South Africa navigate economic challenges and promote sustainable growth. Finally, alignment with IMF recommendations can enhance South Africa's credibility in global financial markets and among international stakeholders.

8.2 Discuss the advantages of economic integration and cooperation between countries. (8)

Economic integration and cooperation between countries offer several advantages. Firstly, it promotes trade facilitation and reduces barriers such as tariffs and quotas, leading to increased efficiency and lower prices for consumers. Secondly, it encourages specialization and economies of scale, allowing businesses to produce goods and services more competitively. Thirdly, integration fosters foreign direct investment (FDI) flows by creating larger markets and improving investment climates. Fourthly, it enhances geopolitical stability and

strengthens diplomatic ties between nations. Lastly, economic integration can lead to shared prosperity through improved infrastructure, technology transfer, and collaborative efforts in areas like research and development.

8.2 Why are indigenous knowledge systems important for local communities? (8)

Indigenous knowledge systems are crucial for local communities for several reasons. Firstly, they embody centuries of accumulated wisdom and expertise in areas such as agriculture, medicine, and natural resource management, offering sustainable and context-specific solutions to local challenges. Secondly, these systems promote cultural identity and preservation, strengthening community cohesion and pride. Thirdly, they contribute to resilience and adaptation in the face of environmental changes and natural disasters, providing valuable insights into traditional practices that are often aligned with ecological balance. Fourthly, indigenous knowledge fosters self-reliance by empowering communities to independently address their needs and improve their livelihoods. Lastly, recognizing and integrating indigenous knowledge into development strategies can lead to more inclusive and equitable outcomes, respecting and valuing diverse ways of knowing and living.

Activity 9

9.1 Answer the following questions.

9.1.1 Name any TWO industries in the primary sector. (2 x 1) (2)

Agriculture

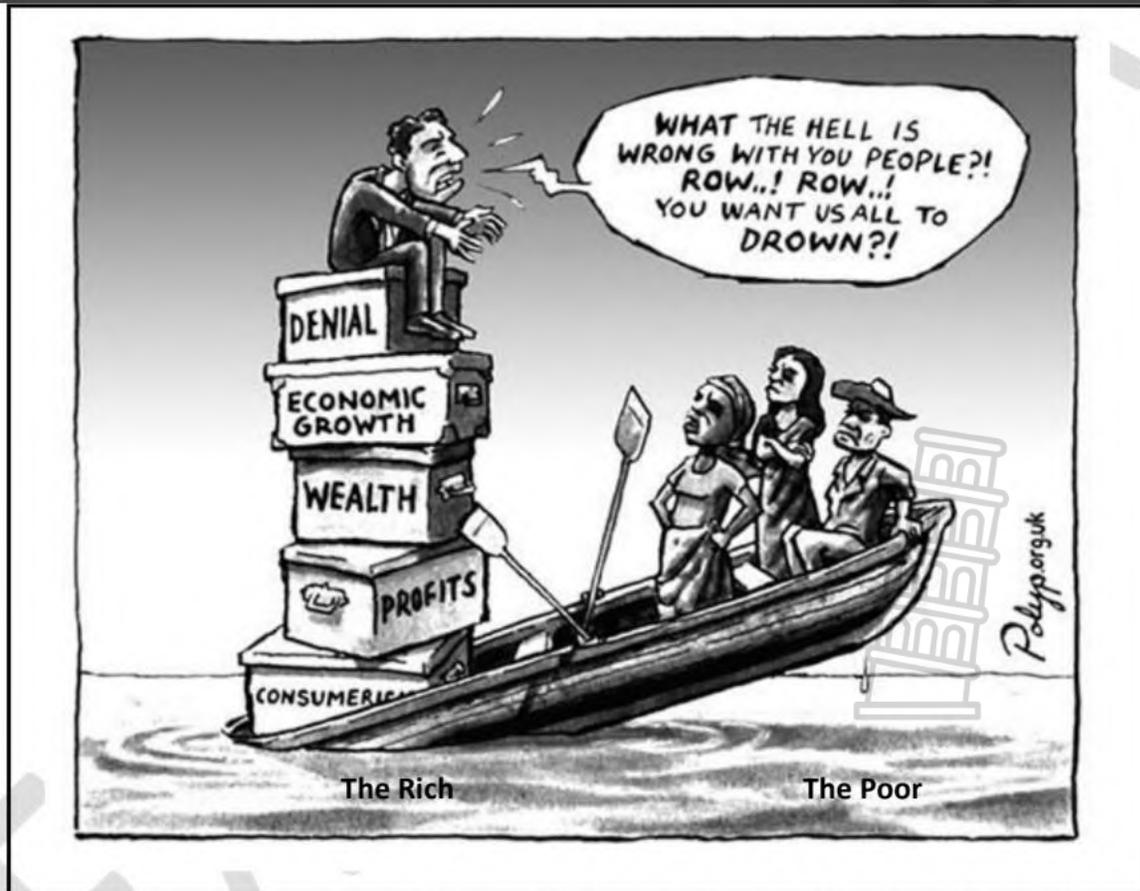
Mining

9.1.2 Why do free goods have value? (1 x 2) (2)

Free goods have value because their availability is limited relative to the demand for them. Despite being free in terms of monetary cost, they often require resources such as time, effort, or natural materials to obtain or produce. Additionally, free goods may hold intrinsic value to individuals or communities based on their utility, cultural significance, or contribution to quality of life.



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



[Source: <http://www.polyp.org.uk/cartoons/consumerism>]

9.2.1 Identify the group referred to as 'people' in the cartoon above. (1)

The poor

9.2.2 Name any factor which enriches the rich in the cartoon above. (1)

Profits

9.2.3 Briefly describe the term Gini coefficient. (2)

The Gini coefficient is a statistical measure used to quantify income or wealth inequality within a population. It is represented as a number between 0 and 1, where 0 indicates perfect equality (everyone has the same income or wealth), and 1 indicates perfect inequality (one person has all the income or wealth). A higher Gini coefficient signifies greater inequality within a society or economy.

9.2.4 Why is redistribution of income and wealth important? (2)

Redistribution of income and wealth is important because it helps to reduce economic inequality within society, ensuring a more equitable distribution of resources and opportunities. By narrowing the gap between the affluent and the less affluent, redistribution can enhance social cohesion, reduce social tensions, and promote a sense of fairness and justice. It also supports economic stability by increasing consumer spending among lower-income groups, which can stimulate overall economic growth.

9.2.5 How can a progressive income tax system achieve redistribution of income? (2 x 2) (4)

A progressive income tax system achieves redistribution of income by imposing higher tax rates on higher-income individuals and lower rates on lower-income individuals. This system collects more tax revenue from those with greater ability to pay, redistributing resources to fund social welfare programs, education, healthcare, and infrastructure that benefit lower-income groups. By reducing disposable income disparities, progressive taxation helps mitigate inequality and promotes a more equitable distribution of wealth and opportunity within society. Additionally, it can stimulate economic activity by ensuring that resources are allocated more efficiently and sustainably.

Activity 10

10.1 Answer the following questions.

10.1.1 Name any TWO components of the monetary system in South Africa. (2 x 1) (2)

The South African Reserve Bank (SARB)

The South African Rand (ZAR)

10.1.2 How does wealth differ from income? (1 x 2) (2)

Wealth reflects the value of assets and resources accumulated over time, whereas income represents the ongoing flow of earnings or revenue generated from economic activities. While wealth is a stock concept (measured at a point in time), income is a flow concept (measured over a period). Both wealth and income are important indicators of economic well-being and financial stability for individuals and societies.

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

GINI COEFFICIENT IN SOUTH AFRICA 2006–2015

The Gini coefficient in South Africa was 0,65 points in 2015; with lesser inequality in income within the rural areas of the most southern country of Africa. An ideal situation is one in which incomes are perfectly distributed with the equal zero.

South Africa had the world's highest inequality in income distribution.

[Source: StatsSA]

- 10.2.1 Name the index that describes the percentage of the population living below the poverty-line income. (1)
Gini coefficient
- 10.2.2 Indicate what a Gini coefficient of one means. (1)
Perfect inequality
- 10.2.3 Briefly describe the term Gini co-efficient. (2)
The Gini coefficient is a statistical measure used to quantify income or wealth inequality within a population. It is represented by a number between 0 and 1, where 0 represents perfect equality (everyone has the same income or wealth), and 1 represents perfect inequality (one person has all the income or wealth). The Gini coefficient is calculated based on the Lorenz curve, which plots the cumulative share of income or wealth received by the population against the cumulative share of the population ranked by income or wealth. A higher Gini coefficient indicates greater inequality within a society or economy.
- 10.2.4 Explain the relationship between the Lorenz curve and the Gini coefficient. (2)
The Lorenz curve is a graphical representation that illustrates income or wealth distribution within a population. It plots the cumulative percentage of income or wealth received against the cumulative percentage of the population ranked by income or wealth. The Gini coefficient is derived from the Lorenz curve and quantifies income or wealth inequality. It is calculated as the area between the Lorenz

curve and the line of perfect equality (diagonal line) divided by the total area under the line of perfect equality. A more concave Lorenz curve indicates greater income or wealth inequality, corresponding to a higher Gini coefficient.

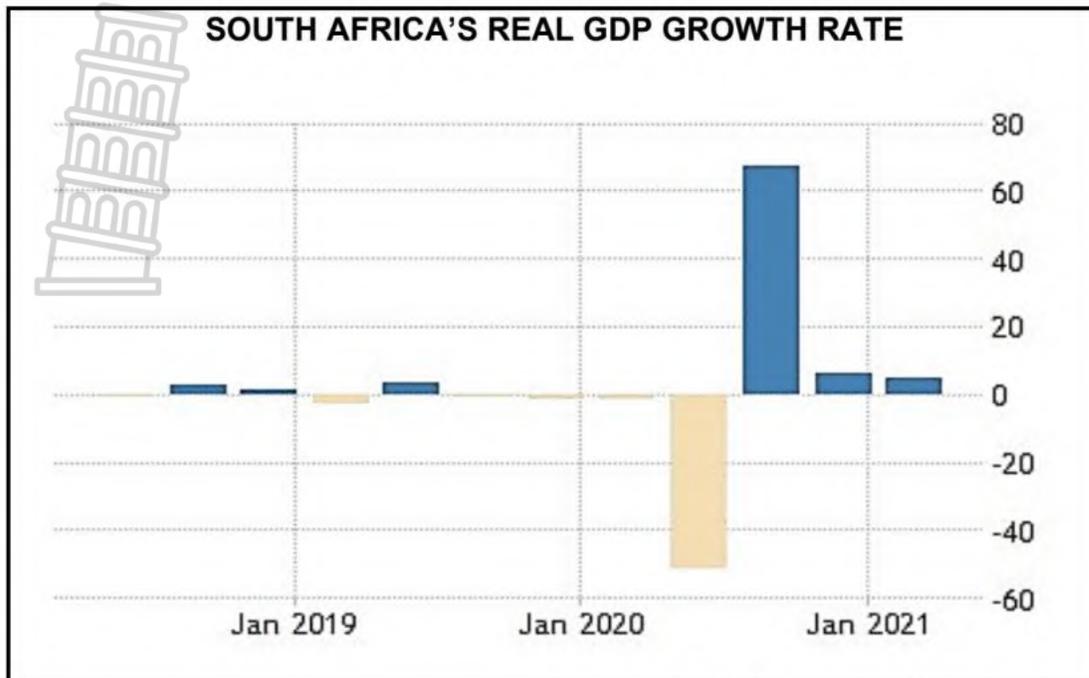
10.2.5 How can the government reduce inequality in income distribution? (4)

The government can reduce inequality in income distribution through various policies and interventions. Firstly, implementing progressive taxation, where higher-income individuals are taxed at higher rates, can help redistribute wealth from the affluent to the less affluent. Secondly, investing in education and skills development programs can improve opportunities for lower-income individuals to access better-paying jobs and increase their earning potential. Lastly, social welfare programs such as unemployment benefits, healthcare subsidies, and housing assistance can provide a safety net for those in need and alleviate financial burdens, contributing to a more equitable income distribution.

Activity 11

11.1 Study the graph and answer the questions that follow.





[Adapted from tradingeconomics.com]

11.1.1 Identify the period in which growth in real GDP is the lowest. (1)

January 2020

11.1.2 Name an economic indicator that is used to measure economic growth. (1)

Gross Domestic Product (GDP)

11.1.3 Briefly describe the term economic growth. (2)

Economic growth refers to the increase in the production of goods and services within an economy over time. It is typically measured by changes in Gross Domestic Product (GDP), which reflects the total value of all goods and services produced within a country's borders. Economic growth signifies an expansion in the economy's capacity to produce goods and services, leading to higher incomes, improved living standards, and overall economic development.

11.1.4 Explain factors that can lead to increased economic growth. (2)

1. **Investment in Physical Capital:** Increased investment in infrastructure, machinery, and technology can enhance productivity and efficiency, leading to higher output and economic growth.

2. **Human Capital Development:** Improvements in education, training, and healthcare can enhance the skills and productivity of the workforce, leading to higher levels of innovation and economic performance.

3. **Technological Progress:** Advances in technology and innovation can spur economic growth by enabling new industries, improving production processes, and creating new products and services.

4. **Natural Resources:** Access to and efficient utilization of natural resources such as minerals, energy, and agricultural land can contribute to economic growth through increased production and export revenues.
5. **Macroeconomic Stability:** Sound monetary and fiscal policies that maintain price stability, control inflation, and ensure fiscal discipline can create a conducive environment for investment and growth.
6. **Trade and Globalization:** Increased trade openness and integration into the global economy can provide opportunities for expanding markets, attracting foreign investment, and accessing new technologies and knowledge.
7. **Institutional Factors:** Strong institutions, including secure property rights, rule of law, and effective governance, can create a stable environment for business investment, entrepreneurship, and economic growth.
8. **Infrastructure Development:** Adequate infrastructure, such as transportation networks, telecommunications, and utilities, facilitates business operations, trade, and connectivity, supporting economic growth.

11.1.5 Why is South Africa experiencing low economic growth rate levels? (2 x 2) (4)

South Africa is experiencing low economic growth rates due to several factors. Structural challenges such as high unemployment, particularly among youth, and skills mismatches in the labor market have constrained productivity and output. Persistent policy uncertainty, regulatory burdens, and corruption have undermined investor confidence and discouraged both domestic and foreign investment. Moreover, external factors such as global economic slowdowns, commodity price fluctuations, and geopolitical tensions have also impacted South Africa's export-oriented sectors and overall economic performance. Addressing these challenges requires comprehensive reforms and targeted policies to stimulate investment, enhance competitiveness, and foster inclusive growth.

11.2 Discuss credit cards and electronic fund transfers as means to make payments. (8)

1. **Credit Cards:** Credit cards allow consumers to make purchases on credit, with the issuer (usually a bank) extending a line of credit to the cardholder. Payments made with credit cards are convenient and can be used for both in-person and online transactions. Cardholders can pay off their balances over time, but interest is charged on unpaid balances.
2. **Electronic Fund Transfers (EFTs):** EFTs involve the electronic transfer of funds from one bank account to another. This can include payments such as direct deposits, bill payments, and online transfers between individuals or businesses. EFTs are typically initiated through online banking platforms or mobile apps, providing a secure and efficient way to transfer money without the need for physical cash or checks.

Both credit cards and EFTs offer convenience, speed, and security in making payments. However, credit cards involve borrowing and may incur interest charges if balances are not paid off in full each month, while EFTs involve direct transfer of funds between accounts without incurring debt. Each method has its advantages and considerations, depending on individual financial needs and preferences.

11.3 Evaluate the South African's government efficiency in delivering socio- economic services (8)

The government has made strides in providing basic services such as healthcare, education, housing, and social welfare, aiming to uplift disadvantaged communities and promote inclusive growth. However, inefficiencies, bureaucratic delays, and corruption have hampered service delivery in some areas, impacting the quality and accessibility of services, particularly in rural and underserved areas. Addressing these challenges requires improving governance, transparency, and accountability, while also enhancing public-private partnerships and leveraging technology to streamline service delivery and ensure equitable access across the country.

ACTIVITY 12

Discuss the methods used by the government to redistribute income and wealth (26)

Introduction:

Redistribution refers to the process of reallocating resources, income, or wealth from one group or entity to another within a society or economy. The goal of redistribution is often to promote greater economic equality and social justice by transferring resources from those who have more to those who have less. Redistribution can occur through various means such as taxation, social welfare programs, minimum wage laws, land reform, inheritance taxes, and public investments aimed at reducing disparities and improving overall societal well-being.

Main Part:

1. **Progressive Taxation:** Progressive taxation is one of the most common methods governments use to redistribute income. This involves imposing higher tax rates on higher-income individuals and lower rates on lower-income individuals. Through progressive income taxes, governments collect more revenue from those with higher incomes and use these funds to finance social welfare programs and services that benefit lower-income groups.

2. **Social Welfare Programs:** Governments implement social welfare programs to provide financial assistance and support to individuals and families in need. These programs include unemployment benefits, social security, housing subsidies, food assistance, and healthcare services. By redistributing wealth through social welfare, governments aim to reduce poverty and improve the standard of living for vulnerable populations.

3. **Minimum Wage Laws:** Establishing minimum wage laws ensures that workers receive a baseline level of income deemed sufficient to meet their basic needs. By setting minimum wage standards, governments aim to reduce income inequality and improve the earning capacity of low-wage workers.

4. **Education and Training Programs:** Investing in education and skills development programs helps to enhance human capital and improve the earning potential of individuals from lower-income backgrounds. By providing access to quality education, vocational training, and adult education programs, governments empower individuals to secure higher-paying jobs and contribute more effectively to the economy.

5. **Land Reform and Redistribution:** In countries with significant land inequalities, governments may implement land reform policies to redistribute land ownership to disadvantaged communities. Land redistribution programs aim to promote agricultural productivity, alleviate poverty, and empower rural communities by providing them with access to productive assets.

6. **Inheritance and Wealth Taxes:** Some governments levy taxes on inheritances and accumulated wealth to reduce wealth concentration among affluent individuals and families. By imposing estate taxes or wealth taxes, governments can generate revenue to fund public services and infrastructure while curbing intergenerational wealth disparities.

7. **Public Investments and Infrastructure Development:** Governments allocate resources towards public investments and infrastructure development projects that benefit society as a whole. By improving infrastructure such as transportation, healthcare facilities, and utilities, governments enhance economic opportunities, promote regional development, and support inclusive growth.

8. **Redistribution through Regulation and Policies:** Governments may also use regulations and policies to promote fair competition, prevent monopolistic practices, and ensure equitable access to economic opportunities. By enforcing labor laws, consumer protections, and anti-discrimination policies, governments aim to create a level playing field that supports income equality and social mobility.

Conclusion:

Overall, effective income and wealth redistribution policies require a balanced approach that addresses both the immediate needs of vulnerable populations and the long-term structural factors contributing to inequality. By

implementing these methods, governments can foster a more inclusive and equitable society while promoting sustainable economic growth.

Additional Part:

Analyze the causes of uneven distribution of income in South Africa (10)

The uneven distribution of income in South Africa is influenced by several historical, social, and economic factors. Firstly, the legacy of apartheid policies, which systematically disadvantaged non-white populations, created enduring inequalities in access to education, employment, and wealth accumulation. Secondly, the structure of the economy, which is characterized by high levels of unemployment, informal employment, and a concentration of wealth in certain sectors, exacerbates income disparities. Thirdly, persistent challenges such as skills mismatches in the labor market and geographical disparities contribute to uneven income distribution across urban and rural areas. Fourthly, the global economic environment, including fluctuations in commodity prices and external economic shocks, impacts income levels and distribution within the country. Fifthly, structural barriers to economic mobility and limited opportunities for social mobility further perpetuate income inequality. Lastly, issues related to governance, corruption, and inefficiencies in public service delivery hinder inclusive growth and exacerbate income disparities among different socioeconomic groups in South Africa. Addressing these complex causes requires comprehensive policies aimed at promoting equitable access to education, employment, and economic opportunities while fostering inclusive economic growth and development.

Activity 13

• Discuss in detail the economic importance of the primary sector. (26)

Introduction:

The primary sector refers to the part of the economy that involves the extraction and harvesting of natural resources. It encompasses activities such as agriculture, forestry, fishing, mining, and extraction of raw materials. The primary sector is fundamental because it provides the raw materials needed for industrial production and supports livelihoods in rural and resource-rich areas.

Main Part:

- 1. Food Security and Nutrition:** Agriculture is essential for producing food and ensuring food security for the population. A strong primary sector ensures a stable and sufficient food supply, which is critical for the health and well-being of the population.
- 2. Contribution to GDP and Employment:** The primary sector contributes significantly to Gross Domestic Product (GDP) and provides employment opportunities, especially in rural areas where other job opportunities may be limited. In many developing countries, agriculture remains a primary source of livelihood for a large portion of the population.
- 3. Raw Material Supply:** Agriculture provides raw materials for various industries, including textiles, food processing, pharmaceuticals, and biofuels. These industries depend on agricultural products such as crops, livestock, and fibers as inputs for production.
- 4. Export Revenue:** Agriculture generates export revenue through the sale of agricultural products in international markets. Countries with competitive agricultural sectors can earn foreign exchange, improve their trade balance, and stimulate economic growth.
- 5. Rural Development:** Investment in the primary sector supports rural development by improving infrastructure, access to markets, and social services in rural communities. This contributes to reducing rural-urban disparities and promoting inclusive growth.
- 6. Environmental Sustainability:** Sustainable agricultural practices contribute to environmental conservation and ecosystem preservation. Agriculture can play a role in carbon sequestration, soil conservation, and biodiversity preservation, contributing to overall environmental sustainability.
- 7. Technology and Innovation:** The primary sector drives innovation in agricultural technologies, including improved seeds, mechanization, precision farming techniques, and biotechnology. These innovations enhance productivity, efficiency, and resilience to climate change and other challenges.

Conclusion:

In conclusion, the primary sector is vital for ensuring food security, providing livelihoods, contributing to economic growth, promoting rural development, and fostering environmental sustainability. Policies that support the development and modernization of the primary sector are essential for achieving sustainable economic development and improving the quality of life for rural populations worldwide.

- Analyze the negative impact of the global pandemic (Covid-19) on the economic structure in South Africa.

(10)

The global pandemic (Covid-19) has had a profound negative impact on South Africa's economic structure across several dimensions. Firstly, the country's economy contracted significantly due to lockdown measures and disruptions in global supply chains, particularly affecting industries such as tourism, hospitality, and retail. Secondly, high levels of unemployment worsened as businesses, especially small and medium enterprises, struggled to survive amid reduced consumer demand and operational restrictions. Thirdly, fiscal pressures increased as government spending rose to support healthcare systems and provide economic relief, leading to higher public debt levels and budget deficits. Fourthly, inequalities deepened as vulnerable populations faced heightened socioeconomic challenges, exacerbating existing disparities in access to healthcare, education, and employment opportunities. Fifthly, the pandemic highlighted structural weaknesses in the healthcare system and social safety nets, underscoring the need for reforms to enhance resilience and preparedness for future crises. Lastly, the economic fallout from Covid-19 underscored the importance of diversifying the economy and implementing policies to promote inclusive growth, sustainable development, and resilience to external shocks in South Africa.

TOPIC 9: ECONOMIC DEVELOPMENT

ACTIVITY 1

1.1 Various options are provided as answers to the following questions. Choose the answer and write only the letter (A–D) next to the question numbers (1.1.1–1.1.5) in the ANSWER BOOK, for example 1.1.7 D

- 1.1.1 Purpose built Industrial estates in South-Africa, which are exempted from import duties known as a/an ...
- A. Spatial Development Initiatives
 - B. Integrated Manufacturing Strategy
 - C. New Growth Path
 - D. Industrial Development Zones

1.1.2 The nationwide government intervention plan to create employment for the poor and vulnerable is called the ...

- A. Industrial Policy Action Plan
- B. Affirmative Action.
- C. Expanded Public Works Programme (EPWP).
- D. Black Economic Empowerment (BEE).

1.1.3 ... measures the standard of living in a country.

- A. per capita income
- B. inflation level
- C. Real GDP
- D. circular flow

1.1.4 Knowledge that is unique to a given culture or society is called...

- A. Intellectual property
- B. Indigenous Knowledge System
- C. Cultural diversity
- D. Entrepreneurship

1.1.5 A policy aimed to increase the ownership of agricultural land to black people in the economy.

- A. Land restitution
- B. Black Economic Empowerment
- C. land redistribution
- D. Broad Based Black Economic Empowerment



(5x2)(10)

1.2	Choose a description in COLUMN B that matches an item in COLUMN A. Write only the letter (A–E) next to the question number (1.2.1–1.2.4) in the ANSWER BOOK, for example 1.2.5 D.	
	COLUMN A	COLUMN B

1.2.1	Human Development Index	A	Focus is on skills development, especially through the SETAS.
1.2.2	productivity	B	Focuses on land for residential and production farm for previously disadvantaged groups.
1.2.3	Economic growth	C	It measures the standard of living
1.2.4	Joint initiative for priority skills acquisition	D	Focuses in the increasing of production of goods and services
		E	Relationship between the quantity of output and quantity of input

(4x1) 4

ACTIVITY 2

2.1 Answer the following questions

2.1.1 Name any two strategies used to improve economic development. (2)

Investment in Education and Training

Infrastructure Development

2.1.2 How can technology accelerate economic development in South Africa? (2)

Technology can accelerate economic development in South Africa by improving productivity, efficiency, and innovation across various sectors. It can enable access to new markets, enhance digital connectivity, and facilitate the adoption of advanced manufacturing processes, ultimately driving economic growth and competitiveness in the global economy.

2.2 Study the extract below and answer questions that follow.

Government's great plans disappeared

"Since 1994 great plans have been mooted, but their implementation has never seen the light of day," he said. He said the GEAR plan was progressive but disappeared "like dew in the morning sun". "The same fate befell AsgiSA. In similar fashion, the youth wage subsidy also walked the plank"

SOURCE: <https://www.iol.co.za/news/politics/governments-great-plans-have-disappeared-1766794>

2.2.1 Identify the policy in the extract that was implemented in 1996. (1)

GEAR

2.2.2 Name the policy that was introduced 1994 in South Africa? (1)

Reconstruction and Development Program

2.2.3 Briefly describe the term *infrastructure*. (2)

Infrastructure refers to the fundamental physical and organizational structures and facilities needed for the operation of a society or enterprise. It includes essential public utilities such as transportation networks (roads, bridges, railways, airports), communication systems (telecommunications, internet), water supply, sewage systems, energy supply (electricity, gas), and public services (schools, hospitals). Infrastructure supports economic activity, social well-being, and sustainable development within communities and nations.

2.2.4 Explain the role that government can play in improving the quality of labour. (2)

Governments can play a crucial role in improving the quality of labor by investing in education and vocational training programs that equip workers with relevant skills demanded by the market. Additionally, implementing labor market policies that promote fair wages, safe working conditions, and employment rights can enhance job satisfaction and productivity. Furthermore, fostering a supportive regulatory environment that encourages innovation, entrepreneurship, and continuous learning can contribute to a more dynamic and skilled workforce.

2.2.5 How can economic growth lead to economic development? (4)

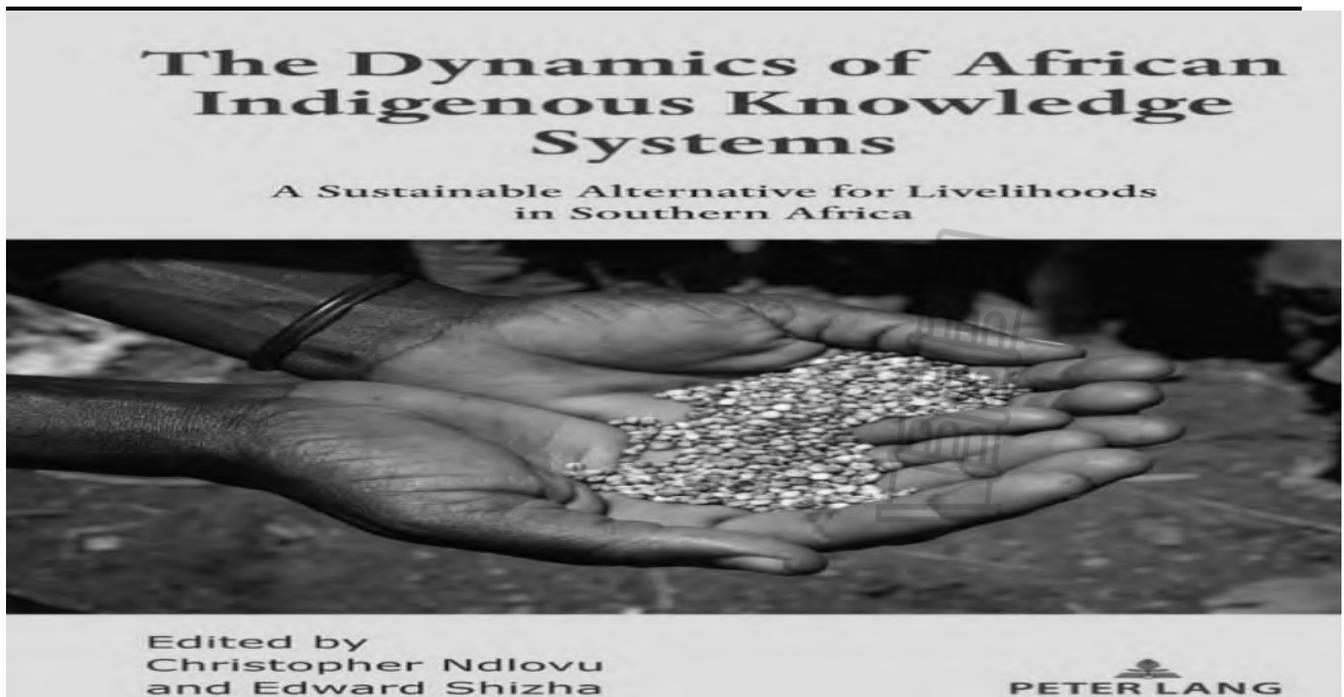
Economic growth can lead to economic development by increasing the overall wealth and standard of living within a society. As economies grow, they generate more income and employment opportunities,

reducing poverty and improving living conditions. This sustained growth allows for investments in infrastructure, education, healthcare, and technology, fostering long-term development and improving the quality of life for citizens.



ACTIVITY 3

3.1 Study the picture below and answer questions that follow.



source: google.com

3.1.1 Identify the group of people which are mostly benefitting from the IKS. (1)

Blacks

3.1.2 Name any type of indigenous knowledge that exists in South Africa. (1)

Traditional Medicine

Agricultural Practices

3.1.3 Briefly describe the term *indigenous knowledge system*. (2)

Indigenous knowledge systems refer to the unique, traditional knowledge, practices, and beliefs developed and passed down over generations within specific cultural or ethnic groups. This knowledge often pertains to local ecosystems, agriculture, medicine, spirituality, and governance, embodying a deep understanding of the environment and sustainable practices. Indigenous knowledge systems are crucial for cultural identity, community resilience, and often offer valuable insights for contemporary issues such as environmental conservation and sustainable development.

3.1.4 Why does the government implement policies to protect and promote indigenous knowledge systems? (2)

Governments implement policies to protect and promote indigenous knowledge systems because they recognize their cultural significance and the rights of indigenous communities to their heritage. These policies aim to preserve traditional knowledge from exploitation and misuse, ensuring fair compensation and recognition for its holders. Additionally, promoting indigenous knowledge can contribute to sustainable development, offering valuable insights into environmental management, healthcare, and other fields.

3.1.5 How important are indigenous people in the country's economy? (4)

Indigenous people play a crucial role in a country's economy by often possessing unique knowledge of local ecosystems, resources, and traditional practices that contribute to sustainable resource management and biodiversity conservation. Their cultural practices in agriculture, fishing, and forestry often emphasize sustainability, making them valuable partners in environmental stewardship. Economically, indigenous communities can contribute through tourism, showcasing cultural heritage and traditional craftsmanship. Additionally, their participation in modern sectors such as education and governance help ensure policies and initiatives are inclusive and respectful of diverse perspectives and needs.



Activity 4

4.1. Study the picture below and answer the question that follow.



- 4.1.1. Give any type of marginalized group who do not form part of economic mainstream (1)
- Disabled
- Women
- Blacks
- 4.1.2. Name the largest job creation initiative by government (1)
- Expanded Public Works Programme (EPWP)
- 4.1.3. Briefly describe the term empowerment (2)

Empowerment refers to the process of giving individuals or groups the authority, power, and autonomy to make decisions and act in their own lives or within their organizations. It involves enabling individuals to develop the confidence, skills, and resources they need to assert themselves and achieve their goals effectively. Empowerment often involves overcoming barriers to participation and promoting equality and social justice.

- 4.1.4. Explain the impact of human resources development agency on the economy. (2)

Human Resources Development Agencies (HRDAs) play a pivotal role in bolstering economic growth by equipping the workforce with essential skills through training and education programs. By reducing skill gaps and enhancing employability, HRDAs increase labor productivity and competitiveness across industries. They also contribute to lowering unemployment rates by preparing individuals for the evolving demands of the job market, thereby fostering a more resilient and adaptable economy. Ultimately, HRDAs facilitate sustainable economic development by ensuring that human capital remains a vital driver of innovation, efficiency, and overall prosperity.

- 4.1.5. How the government uses its procurement system to improve the situation of the economically marginalized?

(2x2) (4)

Governments can leverage their procurement systems to benefit economically marginalized groups by implementing policies that prioritize contracting opportunities for minority-owned businesses, small enterprises, and disadvantaged communities. By setting aside a percentage of contracts or projects specifically for these groups, governments create avenues for economic inclusion and empowerment. Additionally, providing training, technical assistance, and access to resources through procurement initiatives helps build capacity within marginalized communities, enabling them to compete more effectively in the marketplace. These efforts not only stimulate local economies but also contribute to broader social equity and sustainable development goals.

Activity 5

- 5.1 Study the extract below and answer the questions that follow.



‘Developing countries risk being left behind...’

In its flagship Technology and Innovation Report 2023, UNCTAD said the economic inequalities that exist between developing and developed countries look set to worsen in years to come because the former will find it harder to tap into the market opportunities that exist around green technologies.

During a press conference to discuss the contents of its 236-page report, UNCTAD director Shamika Sirimanne said there was “enormous potential” for developing countries to benefit from the “green technological revolution” but there was a high risk that this opportunity could be squandered.

“There is enormous potential for developing countries ... and I say potential because at the moment it remains at that level,” she said.

[Source: <https://www.computerweekly.com/news/>]

- 5.1.1 Identify a possible trend in economic inequalities from the extract above. (1)
Worsen in years
- 5.1.2 List ONE characteristic of developing country. (1)
Low Per Capita Income
High Population Growth Rate
Limited Industrialization
Poor Healthcare and Education Systems
- 5.1.3 Briefly describe the term economic development (2)
Economic development refers to the sustained, deliberate efforts of policymakers and communities to improve the economic well-being and quality of life for a region's inhabitants. It involves fostering growth in key economic indicators such as income levels, employment opportunities, infrastructure development, technological advancement, and overall standards of living. Economic development aims to create a more prosperous and equitable society through strategies that stimulate business activity, attract investment, enhance productivity, and promote sustainable use of resources.
- 5.1.4 Why do economic inequalities exist between developing and developed countries? (2)
Economic inequalities between developing and developed countries primarily arise due to historical, structural, and institutional factors. Developed countries often possess advanced infrastructure, technology, education systems, and governance that facilitate higher productivity, innovation, and access to global markets, while developing countries may face challenges such as limited infrastructure, lower educational attainment, weaker institutions, and historical legacies of colonialism or resource exploitation.

5.1.5 How can unemployment be best measured in developing countries? (2 x 2) (4)

In developing countries, measuring unemployment effectively requires a multifaceted approach due to the prevalence of informal and underemployment. Firstly, conducting regular labor force surveys that capture both formal and informal employment statuses is crucial. Secondly, integrating measures of underemployment, including part-time work and insufficient job quality, provides a more comprehensive view of labor market conditions. Lastly, considering demographic factors such as youth unemployment and gender disparities enhances the accuracy and relevance of unemployment data for policy formulation and intervention.

5.2 Discuss efficiency and freedom of action and ownership as advantages of a market economy (4 x 2) (8)

In a market economy, efficiency is promoted as businesses and individuals compete to maximize profits and minimize costs. This competitive environment encourages innovation, optimal resource allocation, and the production of goods and services that meet consumer demands effectively. Freedom of action and ownership are also advantages, as individuals have the liberty to start businesses, invest, and make economic decisions based on their own interests and preferences, fostering entrepreneurship and economic dynamism.

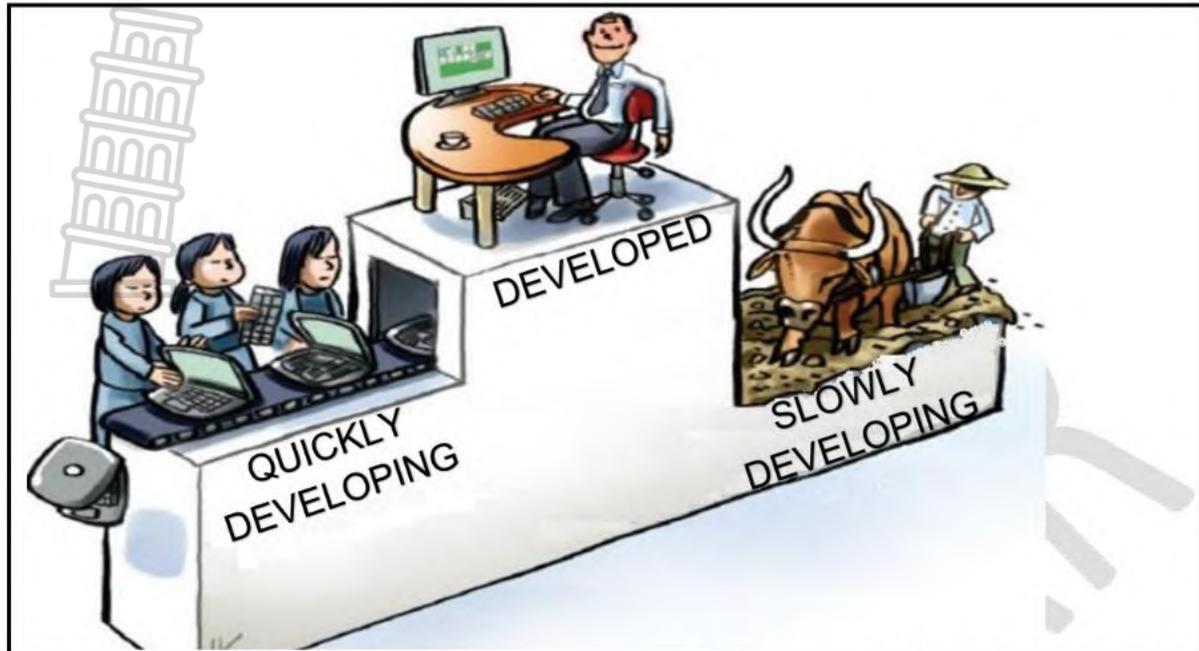
5.3 Evaluate government's involvement in increasing access to economic opportunities. (8)

Government involvement in increasing access to economic opportunities can be highly beneficial when implemented effectively. Firstly, policies that promote education and vocational training can equip individuals with the skills needed for better job prospects and entrepreneurship. Secondly, initiatives that support infrastructure development, including transportation and communication networks, can connect remote areas to economic hubs, expanding employment and business opportunities. Thirdly, targeted subsidies and incentives can encourage investment in marginalized regions or industries, stimulating local economies and creating jobs. However, government intervention must be balanced to avoid inefficiencies or distortions in the market, and it should prioritize transparency, accountability, and equitable distribution of opportunities to ensure sustainable economic growth and inclusive development.

Activity 6

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





[Source: googleimages]

- 6.1.1 Identify the type of economy in which the primary sector will contribute the most to GDP. (1)
Slowly developing
- 6.1.2 Name any ONE fast developing country in Africa. (1)
South Africa
Nigeria
- 6.1.3 Briefly describe the term North/South divide. (2)
The term "North/South divide" refers to the global economic and developmental disparity between the more economically advanced and industrialized countries of the Northern Hemisphere (often referred to as the "Global North") and the less developed or developing countries of the Southern Hemisphere (referred to as the "Global South"). This divide encompasses differences in income levels, technological advancement, infrastructure, education, healthcare, and overall standards of living between these two broad geographical regions.
- 6.1.4 How does access to safe drinking water influence life expectancy? (2)
Access to safe drinking water significantly influences life expectancy by reducing the incidence of waterborne diseases such as cholera, typhoid, and diarrhea. Clean water improves overall health outcomes, reduces mortality rates, and enhances nutrition as it supports proper hygiene and sanitation practices. Communities with reliable access to safe drinking water experience improved public health conditions, contributing to longer and healthier lives.
- 6.1.5 Compare the characteristics of rich (North) and poor (South) countries. (2 x 2) (4)

Rich countries (North) generally exhibit higher levels of economic development, characterized by advanced infrastructure, technology, and industrialization. They typically have higher per capita income levels, greater access to education and healthcare, and stronger governance institutions. In contrast, poor countries (South) often face challenges such as lower income levels, limited infrastructure, higher rates of poverty and unemployment, inadequate access to healthcare and education, and less developed governance structures. They may also experience higher incidences of food insecurity, political instability, and reliance on primary industries for economic output.

ACTIVITY 7

- 7.1 Briefly explain *dependence on primary sector and deficient infrastructure* as the characteristics of developing country. (8)

Dependence on the primary sector refers to an economy's heavy reliance on agriculture, forestry, fishing, and mining as primary sources of economic activity and employment. Developing countries often exhibit this characteristic due to historical factors, limited industrialization, and challenges in diversifying their economies. This dependence can lead to vulnerabilities such as fluctuating commodity prices and vulnerability to environmental factors.

Deficient infrastructure in developing countries refers to inadequate physical structures and facilities such as roads, transportation networks, electricity, water supply, and communication systems. Poor infrastructure hinders economic growth by impeding productivity, trade, and investment. It also limits access to basic services such as healthcare and education, perpetuating economic disparities and hindering overall development. Addressing infrastructure deficits is crucial for fostering economic diversification, improving living standards, and achieving sustainable development goals.

- 7.2 How successful has RDP been in achieving its goals? (8)

The Reconstruction and Development Programme (RDP) in South Africa, implemented after apartheid, achieved notable success in several key areas. Firstly, it facilitated the provision of basic services such as housing, water, and electricity to millions of previously marginalized citizens, significantly improving living conditions. Secondly, RDP initiatives focused on promoting economic growth and job creation through infrastructure development, social services expansion, and support for small businesses. Thirdly, it contributed to social cohesion and reconciliation by addressing historical inequalities and

promoting inclusive development. However, challenges remain, including the need for sustained efforts to reduce poverty, inequality, and unemployment over the long term.

ACTIVITY 8

Discuss characteristics of developing countries

(26)

Introduction

Developing countries exhibit a range of characteristics that distinguish them from developed nations. These characteristics can vary widely due to factors such as geography, history, culture, and economic structure.

Main Part

1. **Low Income Levels**: One of the most defining characteristics of developing countries is their relatively low per capita income compared to developed nations. This low income often translates into widespread poverty, limited access to basic services, and reduced standards of living for a significant portion of the population.
2. **Economic Dependence on Primary Sectors**: Developing countries typically rely heavily on primary sectors such as agriculture, forestry, fishing, and mining for economic output and employment. This dependence can make these economies vulnerable to fluctuations in commodity prices, environmental factors, and market dynamics.
3. **Limited Industrialization**: Developing countries often have less developed industrial sectors compared to developed nations. Industrialization tends to be concentrated in specific regions or sectors, and manufacturing activities may be characterized by low productivity, outdated technology, and reliance on imported inputs.
4. **High Population Growth Rates**: Many developing countries experience rapid population growth due to factors such as high fertility rates, declining mortality rates, and youthful age demographics. This demographic trend can strain resources, exacerbate unemployment, and pose challenges for social services provision and infrastructure development.
5. **Inadequate Infrastructure**: Developing countries often face significant deficiencies in infrastructure, including transportation networks, electricity, water supply, sanitation, and communication systems. Poor

infrastructure hinders economic growth, limits access to essential services, and contributes to disparities between urban and rural areas.

6. ****Limited Access to Education and Healthcare****: Access to quality education and healthcare is often limited in developing countries due to factors such as inadequate funding, poor infrastructure, and insufficient human resources. This can perpetuate cycles of poverty, hinder social mobility, and undermine human capital development.

7. ****High Levels of Poverty and Inequality****: Developing countries typically experience higher levels of poverty and income inequality compared to developed nations. Poverty manifests in various forms, including inadequate nutrition, lack of access to clean water and sanitation, and inadequate shelter. Economic inequality exacerbates social tensions, undermines social cohesion, and impedes inclusive development.

8. ****Vulnerability to External Shocks****: Developing countries are often more vulnerable to external shocks such as economic downturns, natural disasters, and global crises due to their limited capacity to absorb and mitigate risks. These shocks can disrupt economic activity, undermine social stability, and exacerbate existing vulnerabilities.

9. ****Institutional Weaknesses****: Many developing countries face challenges related to governance, rule of law, corruption, and political instability. Weak institutions can impede economic development, undermine investor confidence, and hinder effective policymaking and implementation.

10. ****Environmental Degradation****: Rapid industrialization, urbanization, and natural resource exploitation in developing countries can lead to environmental degradation, including deforestation, pollution, soil erosion, and loss of biodiversity. Environmental degradation poses risks to public health, agricultural productivity, and sustainable development efforts.

Conclusion:

Overall, while developing countries are diverse and heterogeneous, these characteristics collectively shape their economic, social, and environmental realities and pose challenges for sustainable development and

poverty reduction efforts. Addressing these challenges requires comprehensive and context-specific strategies that prioritize inclusive growth, human development, and environmental sustainability.

Additional Part

How have basic services, such as health and welfare, improved in South Africa? (10)

Since the end of apartheid, South Africa has made significant strides in improving basic services such as health and welfare. Initiatives like the Reconstruction and Development Programme (RDP) and subsequent government policies focused on expanding healthcare infrastructure, increasing access to essential medicines, and combating major diseases like HIV/AIDS. Social welfare programs have been expanded to provide financial assistance to vulnerable populations, including children, elderly, and disabled individuals. Despite challenges such as disparities in service delivery between urban and rural areas, these efforts have contributed to improved life expectancy, reduced infant mortality rates, and increased access to social safety nets for millions of South Africans. Ongoing efforts continue to address remaining gaps and improve the overall quality and accessibility of basic services across the country.

TOPIC 10: MONEY AND BANKING

ACTIVITY 1

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 – 1.1.5) in the ANSWER BOOK. e.g. 1.1.6.D

- 1.1.1 The price at which the South African Reserve Bank lends money to other banks is known as ...
- A. prime rate
 - B. repo rate
 - C. interest rate
 - D. flat rate

1.1.2 Coins and banknotes in the circulation plus cheque account is known as ...



- A. M1
- B. M2
- C. M3
- D. M4

1.1.3 An exchange rate system in which the price of a currency is determined by the demand and supply is called ...

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

1.1.4 The industry that lends small amount to those who are unable to borrow from normal banks is known as ...

- A. micro- finance
- B. micro- lenders
- C. markets
- D. macro- finance

1.1.5 A situation when a bank is unable to meet its obligations to its depositors or other creditors is called...

- A. bank finance
- B. bank loan
- C. bank failure
- D. bank fraud



(5×2) 10

1.2 Choose a description from the column B that matches the item in column A . Write only the letter to the question number (1.2.1- 1.2.8.) in the answer book.

COLUMN A	COLUMN B
1.2.1 Central bank	A. Used by the SARB to convince banks to act in a way that is desirable in the current economic conditions.
1.2.2 Micro- lending	

1.2.3 Deflation	B. The central banks use of changes in the quantity of money or the interest rates to stabilize the economy.
1.2.4 Loan sharks	
1.2.5 Moral persuasion	C. The rate at which the commercial banks charge creditworthy customers.
1.2.6 Prime rate	D. An institution that manages a state currency, money supply and interest rate
1.2.7 Money	E. Generally accepted by law as a means of payments
1.2.8 Monetary policy	F. The general decrease in the value of money over a period of time
	G. Provides small amount of credit to low income earners at high interest rate
	H. A financial innovation made possible by technology and peer to peer economy
	I. The rate at which banks borrow funds at Reserve Bank

(8×1) 8

1.3 Give ONE term for each of the following descriptions, Write only the term next to the question number (1.3.1 – 1.3.4) in the answer book. Abbreviation, Examples and Acronyms will not be accepted.

- 1.3.1 The price of one currency in terms of another country's currency
- 1.3.2 Money used in a specific country
- 1.3.3 The number of times the available money supply in the economy changes hands.
- 1.3.4 Percentage of deposits at banks that must be kept on hand to meet short-term and emergency funding needs.
- 1.3.5 A process of giving to many loans to micro-lenders, while increasing the risks of loans not being paid.
- 1.3.6 A general rise in the prices of goods and services which leads to a decline in the buying power.

(6×1) 6

ACTIVITY 2

2.1 Answer the following questions

2.1.1 Name two money associated instruments.

Bonds

Derivatives

2.1.2 How do credit cards contribute positively to the economy?

(2)

(2)



Credit cards stimulate economic growth by increasing consumer spending and enabling businesses to expand their sales and services. And they provide consumers with convenient access to credit, which can help smooth out consumption over time and support financial stability.

2.2 Study the picture below and the questions that follow.



2.2.1 Name the institution that issues bank notes in South Africa. (1)

South African Reserve Bank

2.2.2 Mention any one secondary instrument used as a payment method in South Africa (1)

Electronic Fund Transfer

2.2.3 Briefly describe the term *open market transaction*. (2)

An open market transaction refers to the buying or selling of government securities, such as Treasury bonds, by a central bank in the open market to regulate the money supply and influence interest rates. These transactions are a key tool in monetary policy used to manage economic growth and control inflation.

2.2.4 Explain the basic function of financial intermediary (2)

A financial intermediary is an entity that facilitates the flow of funds between savers and borrowers, helping to allocate capital efficiently within the economy. They collect funds from individuals or institutions with excess capital and lend them to those needing capital for investment, consumption, or business activities. By doing so, financial intermediaries help diversify risk, provide liquidity, and reduce transaction costs. Common examples include banks, insurance companies, and investment funds.

2.2.5 How does inflation affect value of money over time? (4)

Inflation erodes the purchasing power of money over time, meaning that as the general price level of goods and services rises, each unit of currency buys fewer goods and services than it did before. This decrease in purchasing power reduces the real value of money, making it necessary to have more money to maintain the same standard of living. Consequently, long-term savings and fixed incomes lose value unless they grow at a rate equal to or higher than the rate of inflation.

ACTIVITY 3

3.1 Briefly discuss money as medium of exchange and unit of account as a function of money. (8)

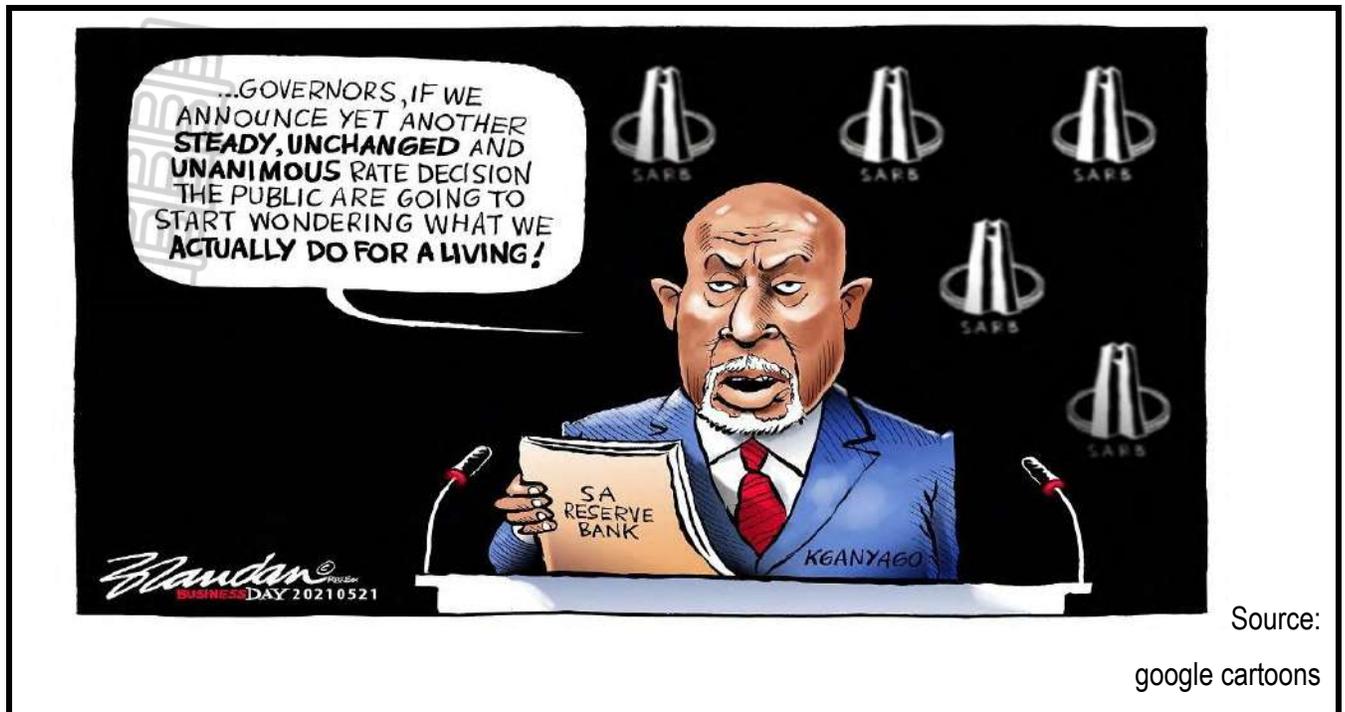
Money as a medium of exchange facilitates transactions by eliminating the inefficiencies of barter systems, allowing goods and services to be traded easily and widely without needing a direct exchange of commodities. Money provides a standard measure of value, enabling individuals and businesses to price goods and services, keep financial records, and make economic comparisons with consistency and clarity. These functions are essential for the smooth operation of modern economies, supporting trade, economic planning, and financial stability.

3.2 Analyze the benefit of microfinance in the economy. (8)

Microfinance significantly boosts economic growth by enabling small businesses to access capital, which leads to job creation and increased productivity. It plays a crucial role in poverty alleviation by providing financial resources to low-income individuals, improving their living standards. Financial inclusion is another major benefit, as microfinance offers banking services to those traditionally excluded, enhancing financial security and resilience. Empowering women is a key outcome, as a large proportion of microfinance clients are women, fostering greater financial independence and social status. And microfinance supports better education and health outcomes, as families with financial access are more likely to invest in these areas. Lastly, it reduces reliance on informal lending sources, protecting borrowers from exploitative practices and financial instability.

ACTIVITY 4

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



4.1.1 Name the central bank in South Africa . (1)

South African Reserve Bank

4.1.2 Mention any instruments used in monetary policy. (1)

Open Market Operations (OMOs)

Interest Rates

Reserve Requirements

4.1.3 Briefly describe the term *repo rate*. (2)

The repo rate, short for repurchase rate, is the interest rate at which a central bank lends money to commercial banks, typically against government securities as collateral. It is a tool used by central banks to control liquidity, inflation, and economic stability. When the repo rate is high, borrowing from the central bank becomes more expensive for commercial banks, which can lead to higher interest rates on loans for consumers and businesses, thereby slowing down economic activity.

4.1.4 Explain government's banker as a function of the central bank. (2)

The central bank manages the government's accounts, processes its transactions, and facilitates payments, ensuring efficient financial operations. And it handles the issuance and redemption of government securities, supports the management of public debt, and provides financial advice and services to the government.

4.1.5 How will cut in interest bank rates influence consumer spending? (4)

A cut in interest rates typically lowers the cost of borrowing for consumers, making loans cheaper for mortgages, car loans, and personal loans. This reduction in borrowing costs incentivizes consumers to increase their spending on big-ticket items and investments, such as homes and durable goods. Lower interest rates also reduce the cost of credit card debt, potentially freeing up disposable income that consumers can redirect towards discretionary spending, thereby stimulating overall consumer demand in the economy.

ACTIVITY 5

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



5.1.1 Name any functions of the South African Reserve Bank. (1)

5.1.2 State the inflation targeting range in South Africa. (1)

5.1.3 Briefly describe the term prime rate. (2)

The prime rate is the interest rate that commercial banks charge their most creditworthy customers, such as large corporations with strong credit histories. It serves as a benchmark for determining interest rates on many types of loans and credit products offered by banks to businesses and consumers. The prime rate is often based on the Repo rate set by the central bank and can fluctuate in response to changes in economic conditions and monetary policy.

5.1.4 Explain the role of the SARB when bank failure occurs. (2)



The South African Reserve Bank (SARB) plays a critical role when a bank failure occurs. Firstly, it monitors and supervises banks to ensure they operate soundly and in accordance with regulations to prevent failures. In the event of a bank failure, SARB acts swiftly to maintain financial stability and protect depositors' interests. This may involve taking over the management of the failed bank, implementing resolution measures, or facilitating the bank's acquisition by another institution. SARB may provide liquidity support to stabilize the bank or mitigate systemic risks in the financial system. It also collaborates with regulatory authorities and stakeholders to manage the fallout and restore confidence in the banking sector. Finally, SARB's role during a bank failure is crucial in safeguarding the economy from financial contagion and ensuring the orderly resolution of the failed institution.

5.1.5 How can South Africa's monetary policy contribute to higher economic growth rate? (4)

South Africa's monetary policy can contribute to higher economic growth rates by implementing policies that aim to lower interest rates. Lower interest rates reduce the cost of borrowing, stimulating investment in businesses and infrastructure projects. This, in turn, can boost productivity and economic output. Additionally, a stable and predictable monetary policy environment can encourage consumer spending and confidence, further supporting economic growth. However, the effectiveness of monetary policy also depends on other factors such as fiscal policy, external economic conditions, and structural reforms within the economy.



ACTIVITY 6

6.1 Study the table below and answer the question that follows.

SOUTH AFRICAN BANKS THAT HAVE FAILED		
Bank	Year of curatorship	Reason
VBS Mutual bank	2018	Poor management and liquidity problems
African Bank	2014	Poor management and liquidity problems, particularly around unsecured lending
Sambou Bank	2002	Poor management and liquidity problems
New Republic bank	2002	Poor management and liquidity problems

Source: Google

6.1.1 Which institution intervene in the event of bank failure (1)

South African Reserve Bank

6.1.2 Give ONE reason for the failure of VBS (1)

Corruption and Mismanagement

Poor Governance and Oversight:

6.1.3 Briefly describe the term bank failure. (2)

Bank failure occurs when a bank becomes insolvent and is unable to meet its financial obligations to depositors and creditors. This can happen due to a range of factors such as risky lending practices, inadequate capital reserves, or economic downturns.

6.1.4 Why would the Reserve Bank increase the repo rate? (2)

The Reserve Bank might increase the repo rate to control inflation by making borrowing more expensive for commercial banks. This action aims to curb excessive spending and investment, thereby reducing aggregate demand in the economy. Increasing the repo rate can also stabilize the currency and attract foreign investment by making domestic assets more attractive due to higher interest rates.

6.1.5 How will a cut in the repo rate influence producers? (4)

A cut in the repo rate reduces the cost of borrowing for commercial banks, making loans cheaper for businesses. This encourages producers to invest in expansion, equipment, and technology upgrades, boosting production capacity. Lower borrowing costs can also enhance profitability for producers, stimulating economic growth and potentially increasing employment opportunities.

Activity 7

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



CENTRAL BANKING IN SOUTH AFRICA

The Central Bank uses the monetary policy instruments to influence the level of inflation. Changes in the repo rate affect the broader economy.

National Treasury, in consultation with the central bank, sets the inflation target, which acts as a benchmark against which price stability is measured.

[Adapted from resbank.co.za]

7.1.1 Name any function of the South African Reserve Bank. (1)

Monetary Policy Formulation and Implementation

Banking Supervision and Regulation:

Issuance and Management of Currency

7.1.2 State the inflation targeting range in South Africa. (1)

3-6%

7.1.3 Briefly describe the term repurchase(repo) rate. (2)

The repurchase rate (repo rate) is the interest rate at which commercial banks borrow money from the central bank by selling securities, usually government bonds, with an agreement to repurchase them at a future date. It serves as a key tool in monetary policy, influencing the cost of borrowing and lending in the economy. Changes in the repo rate impact interest rates across the financial system, affecting consumer spending, business investment, and overall economic activity.

7.1.4 Explain the role of the SARB when bank failure occurs. (2)

When bank failure occurs in South Africa, the South African Reserve Bank (SARB) plays a critical role in maintaining financial stability. SARB oversees the orderly resolution of the failed bank, ensuring depositors' interests are protected and systemic risks are minimized. It may intervene by providing liquidity support, facilitating mergers or acquisitions, or implementing resolution measures to mitigate the impact on the broader financial system.

7.1.5 How can South Africa's monetary policy contribute to a higher economic growth rate? (2 x 2) (4)

South Africa's monetary policy can promote higher economic growth by strategically adjusting interest rates to stimulate investment and consumer spending. By lowering interest rates, borrowing costs for businesses and consumers decrease, encouraging increased expenditure on capital projects, infrastructure, and durable goods. This increased spending can boost aggregate demand and production, leading to higher economic output and job creation. Moreover, a well-managed monetary policy that maintains price stability can enhance investor confidence, attracting domestic and foreign investments essential for sustained economic expansion.

7.2 Briefly discuss medium of exchange and unit of account as functions of money. (4 x 2) (8)

Money serves as a medium of exchange by facilitating transactions, allowing goods and services to be exchanged without the need for barter. It simplifies trade by providing a universally accepted means of payment, overcoming the inefficiencies of direct exchange.

Money provides a standardized measure for expressing the value of goods, services, and assets. It allows for easy comparison of prices and enables economic actors to make informed decisions about production, consumption, and investment.

Together, these functions ensure that money plays a crucial role in modern economies by facilitating efficient allocation of resources, supporting specialization and trade, and fostering economic growth. Moreover, as a medium of exchange, money enhances convenience, reduces transaction costs, and promotes economic efficiency by enabling seamless exchange and specialization.

Activity 8

• Discuss, in detail, the functions of the South African Reserve Bank. (26)

Introduction

The South African Reserve Bank (SARB) performs several critical functions that are essential for maintaining monetary stability, promoting economic growth, and ensuring financial stability in South Africa.

Main Part

1. Monetary Policy Formulation and Implementation

The primary function of the SARB is to formulate and implement monetary policy to achieve price stability and support sustainable economic growth. It sets the repo rate, which is the interest rate at which commercial banks borrow from the central bank. Changes in the repo rate influence interest rates throughout the economy, affecting borrowing costs, investment decisions, and inflationary pressures.

2. Banking Supervision and Regulation

The SARB oversees and regulates banks and financial institutions operating in South Africa. It aims to maintain a stable and sound financial system by enforcing prudential regulations, capital adequacy requirements, and risk management standards. This supervision helps mitigate systemic risks and ensures the safety of depositors' funds.

3. Currency Issuance and Management:

The SARB is responsible for issuing South African banknotes and coins. It ensures an adequate supply of currency in circulation to meet the needs of the economy while safeguarding the integrity and security of the currency. The SARB also manages the foreign exchange reserves of the country to support exchange rate stability and manage external financial obligations.

4. Financial Stability Oversight:

The SARB monitors and assesses risks to financial stability in South Africa. It conducts macroprudential oversight to identify and address systemic risks that could disrupt the functioning of the financial system. This includes monitoring developments in financial markets, assessing the resilience of financial institutions, and implementing measures to enhance stability.

5. Promotion of Financial Inclusion:

The SARB promotes financial inclusion by advocating for policies and initiatives that aim to increase access to financial services for all South Africans. It collaborates with government agencies, banks, and other stakeholders to expand financial literacy, improve access to banking services, and foster inclusive economic growth.

6. Advisory Role to Government:

The SARB provides advice and expertise to the government on matters related to monetary policy, financial stability, and economic development. It contributes to policy discussions and decision-making processes to ensure coherence between fiscal and monetary policies and promote sustainable economic outcomes.

7. Research and Economic Analysis:

The SARB conducts research and economic analysis to support its policy decisions and enhance understanding of economic trends and developments. It publishes reports, economic indicators, and research papers that contribute to public discourse and inform stakeholders about the state of the economy.

8. Payment and Settlement Systems Oversight:

The SARB oversees payment and settlement systems to ensure efficient, safe, and reliable clearing and settlement of financial transactions. It sets standards for payment systems and plays a role in the development of innovative payment technologies to enhance efficiency and inclusivity.

9. Conclusion

The South African Reserve Bank plays a pivotal role in the economy through its functions in monetary policy formulation, banking supervision, currency management, financial stability oversight, promotion of financial inclusion, advisory role to government, research and economic analysis, and oversight of payment systems. These functions collectively contribute to maintaining monetary stability, fostering financial sector resilience, supporting economic growth, and enhancing the well-being of South Africans.

- How can monetary policy be used to slow down an overheating economy? (10)

Monetary policy can be employed to cool down an overheating economy by increasing interest rates. When the central bank raises the benchmark interest rate, it becomes more expensive for businesses and consumers to borrow money, thereby reducing spending on investment and consumption. This decrease in borrowing and spending helps to dampen aggregate demand and inflationary pressures. Additionally, higher interest rates attract foreign capital seeking better returns, which can appreciate the currency and reduce export competitiveness, further moderating economic activity. Through these measures, monetary policy aims to achieve price stability and sustainable economic growth by adjusting the cost and availability of credit in the economy.

[40]

TOPIC 11: GLOBALISATION

ACTIVITY 1

1.2 Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A–D) next to the question number.

- 1.2.1 Purchase of financial assets where an investor is only interested in financial returns of his investment is called ...
- A. direct investment
 - B. financial derivative.
 - C. other investments
 - D. portfolio investment
- 1.1.2 An arrangement among nations that includes the reduction of trade barriers and the coordination of monetary and fiscal policies is known as...
- A. economic union
 - B. economic policy
 - C. economic integration
 - D. world economics
- 1.2.2 A currency of one country expressed in terms of a currency of another country is known as...
- A. exchange rates
 - B. monetary value
 - C. fiat money
 - D. modern money
- 1.1.4 The ratio of the index export prices and import prices is known as ...
- A terms of trade
 - B exchange rate
 - C balance of trade
 - D current account

(4x2) 8

1.2 Choose a description from COLUMN B that matches the item in COLUMN A. Write only the letter (A-I) next to the question number (1.2.1 – 1.2.5) in the ANSWER BOOK.

COLUMN A	COLUMN B
1.2.1 Foreign direct investment	A. The worldwide interfacing and interaction of economies with trade as an important element and making it possible
1.2.2 Multinational Enterprise	B. When foreign company invest in a business in another country by investing in building/.
1.2.3 Absolute advantage	C. The socio-economic and political division between the wealthy developed countries and the poor developing countries also known as the developing gap.
1.2.4 Globalisation	D. Occurs when a country can produce a given good at a lower opportunity cost than any other country
1.2.5 North-South Divide	E. An intergovernmental political forum that consists of eight major industrial economies of the world.
	F. enterprise producing goods or delivering services in more than one country.

(5X1) 5

1.3 Provide the economic term/concept for each of the following descriptions. Write only the term/concept next to the question number.

1.3.1 Developing countries that succeed in attracting fixed and portfolio investment from developed countries

1.3.2 The trading of goods and services between countries with less restrictions.

1.3.3 A limit on the supply of good or a service.

(3x1) 3

ACTIVITY 2

2.1 Answer the following questions.

2.1.1 Name any two causes of globalization.

Advancements in Technology

Liberalization of Trade and Investment Policies

2.1.2 What is the impact of international trade in country's economy?

(2)

(2)

International trade impacts a country's economy by expanding market access for goods and services, fostering specialization and efficiency in production, and promoting economic growth. It also exposes the economy to global demand fluctuations and competitive pressures, influencing employment, wages, and overall economic performance.



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

FROM HYPER-GLOBALISATION TO SLOWBALISATION

Over recent years, a notable shift has been observed in the global economic and cultural exchange trajectory, marking a departure from the rapid pace of globalisation towards what is increasingly termed 'slowbalisation' in economic literature.

Slowbalisation is the perceived trend away from the rapid globalisation that characterised much of the late 20th and early 21st centuries towards a slower, more localised, and even regressive approach to economic and cultural exchange. This concept suggests weakening political support for open trade amid increasing geopolitical tensions – a shift from the intense interconnectedness and interdependence of global economies and societies towards a more measured, cautious, or localised approach.

Google.com

2.2.1 Identify the term given to recent shift of globalization. (1)

2.2.2 Name one reason towards localized approach. (1)

Preservation of Cultural Identity and Heritage

2.2.3 Briefly describe the term *trade liberalization*. (2)

Trade liberalization refers to the reduction or elimination of barriers to trade between countries, such as tariffs, quotas, and other restrictions. It aims to promote free trade by facilitating the flow of goods, services, and investments across borders, thereby enhancing economic efficiency and growth.

2.2.4 Briefly explain the negative impact of globalization in developing countries. (2)



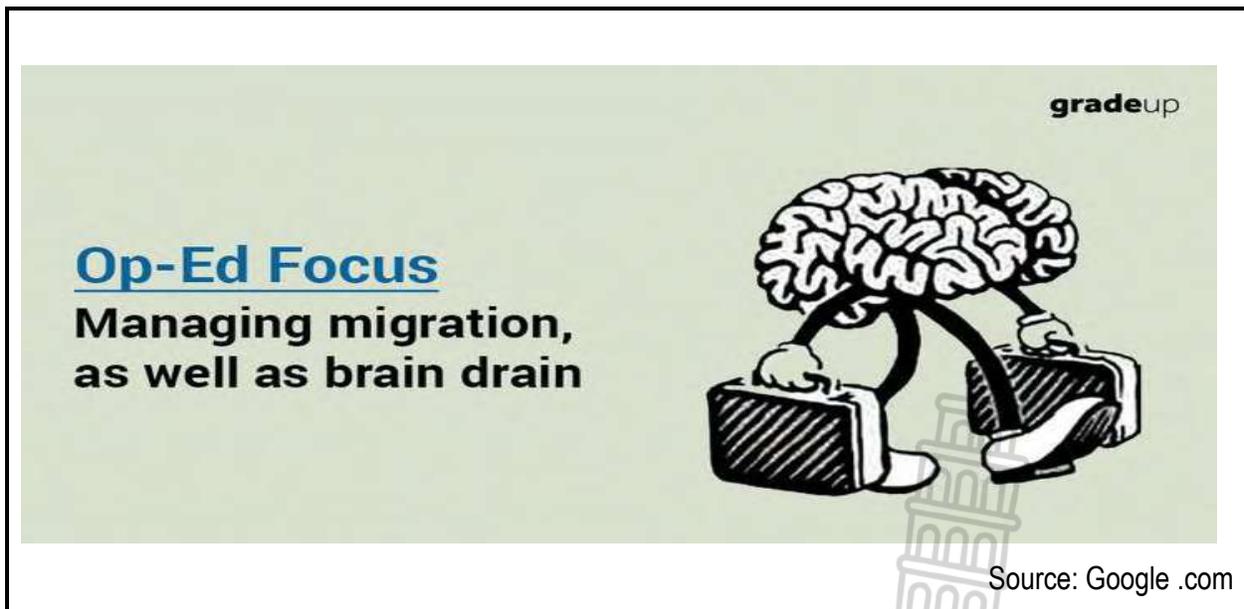
Globalization can have negative impacts on developing countries by exposing them to economic volatility and financial crises due to their integration into global markets. Additionally, it can lead to cultural homogenization and the erosion of local traditions and practices in favor of more dominant global norms.

2.2.5 How is improved communication system contributed to globalization. (4)

Improved communication systems, such as the internet, mobile phones, and satellite technology, have significantly contributed to globalization by facilitating instant communication and information exchange across the globe. This has reduced the barriers of distance and time, enabling businesses, governments, and individuals to connect and collaborate more easily. Enhanced communication has accelerated the flow of ideas, knowledge, and innovation, fostering cross-border trade, investment, and cultural exchange, thereby deepening the interconnectedness of economies and societies worldwide.

ACTIVITY 3

3.1 Study the cartoon below and answer questions that follow.



3.1.1 Identify the concept used for loss of skills in the cartoon above. (1)

Brain-drain

3.1.2 Give a term used for people leaving their own country. (1)

Migration

3.1.3 Briefly describe the concept *internationalization*. (2)

Internationalization refers to the process by which businesses, organizations, or institutions expand their operations beyond domestic borders to engage in international activities. It involves strategies such as exporting goods, establishing foreign subsidiaries, or entering partnerships with international firms to access new markets and opportunities.

3.1.4 What causes workers from developing countries move to developed countries? (2)

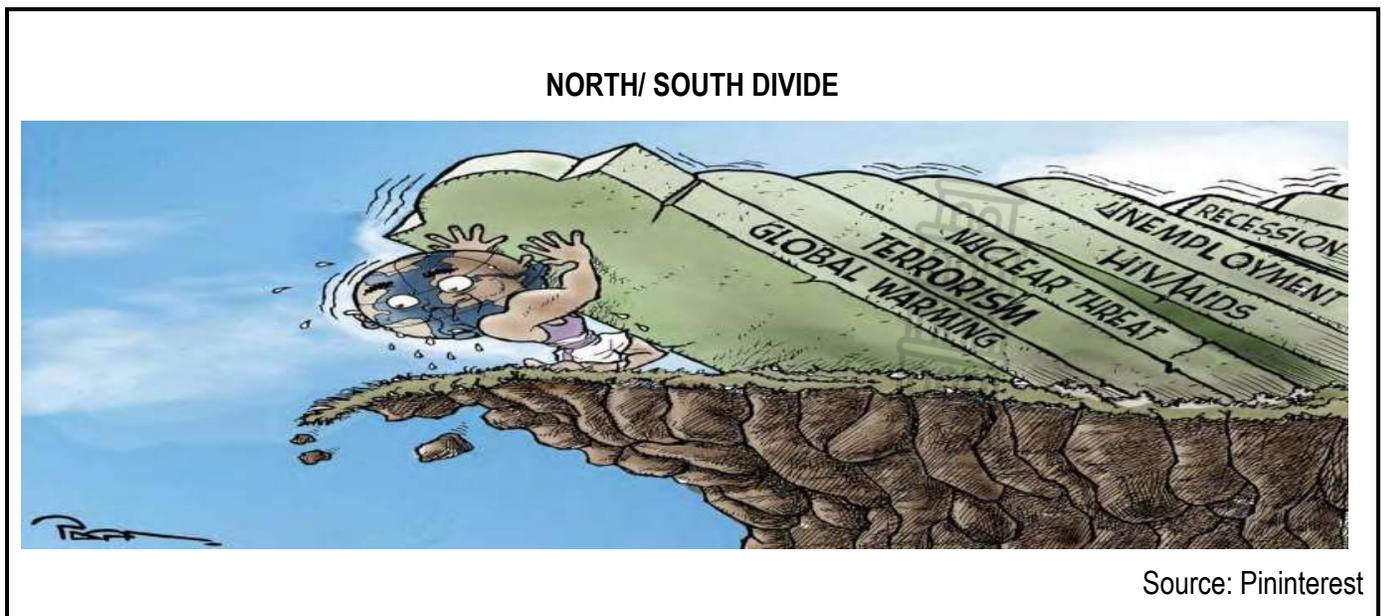
Workers from developing countries often move to developed countries in search of better employment opportunities, higher wages, and improved living standards that may not be available in their home countries. This migration is driven by economic disparities, political instability, lack of job opportunities, and sometimes by family reunification motives.

3.1.5 How can a country avoid emigration of skilled workers? (4)

A country can avoid emigration of skilled workers by implementing policies that improve domestic opportunities and conditions. This includes investing in education and vocational training to enhance skills and create attractive career prospects locally. Additionally, providing competitive salaries, benefits, and working conditions can incentivize skilled professionals to stay and contribute to the country's development rather than seeking opportunities abroad.

ACTIVITY 4

4.1 Study the cartoon below and answer questions that follow.



4.1.1 Identify the economic concept that depicted in above cartoon? (1)

Economic development

4.1.2 Name one problem identified in the above cartoon. (1)

4.1.3 Briefly describe the term *capitalism*. (2)

Capitalism is an economic system characterized by private ownership of the means of production and the pursuit of profit through competitive markets. It emphasizes individual initiative, entrepreneurship, and market forces to allocate resources and determine prices.

4.1.4 What could be the cause of lower standard of living in Southern economies? (2)

Lower standards of living in Southern economies can be attributed to factors such as limited access to education, healthcare, and infrastructure; political instability and governance issues; and economic dependence on volatile commodity prices or industries. These factors often contribute to higher poverty rates, income inequality, and reduced overall quality of life compared to more developed regions.

4.1.5 To what extent have Northern countries pose environmental threat to Southern countries? (4)

Northern countries, often characterized by higher levels of industrialization and consumption, can pose significant environmental threats to Southern countries through several channels. These include pollution from industrial activities and emissions that contribute to global climate change, which disproportionately affects vulnerable regions in the Global South. Additionally, demands for natural resources and agricultural products from Southern countries can lead to deforestation, habitat loss, and degradation of ecosystems. Lastly, unequal global trade dynamics and exploitation of natural resources in Southern countries can exacerbate environmental degradation and impact local communities and biodiversity.

Activity 5

5.1 Answer the following questions.

5.1.1 Name any TWO modes of transport involved globally. (2 x 1) (2)

Maritime Transport

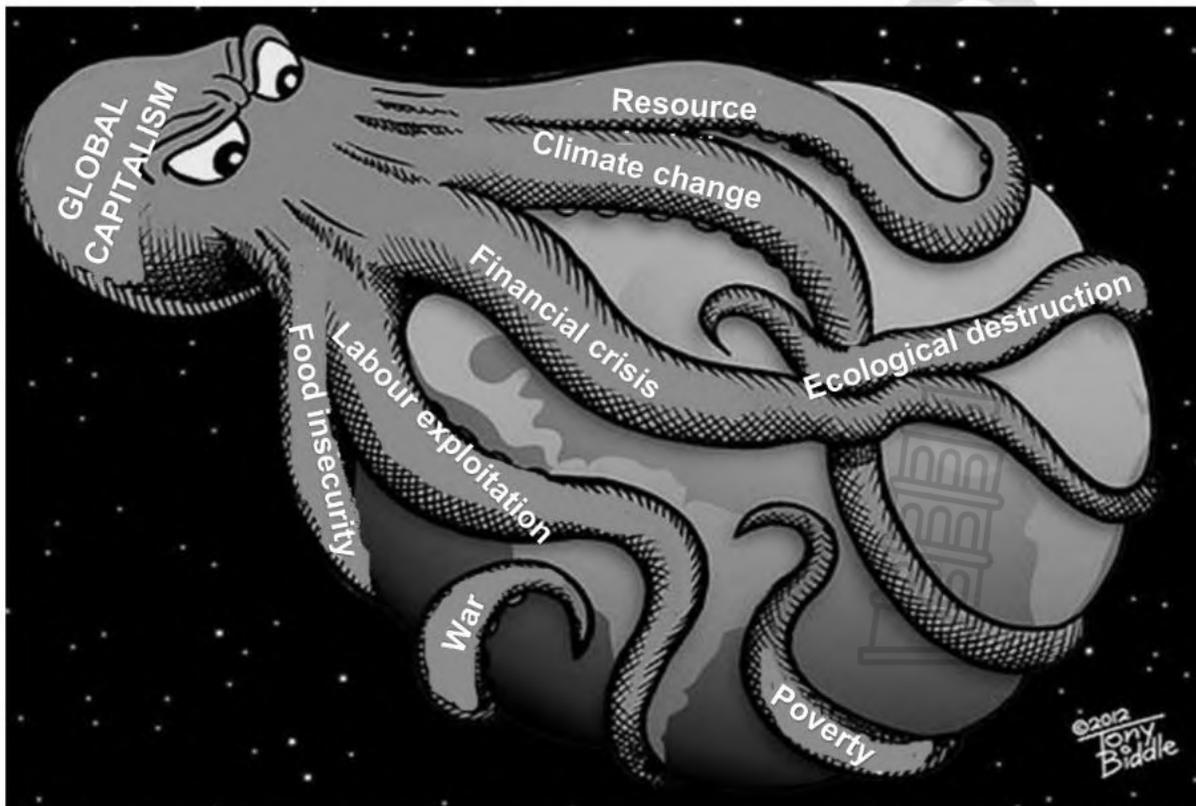
Air Transport

5.1.2 How can the government successfully use command and control measures to ensure environmental sustainability? (1 x 2) (2)

Command and control measures involve regulatory approaches where the government sets specific standards, regulations, and enforcement mechanisms to achieve environmental sustainability. This includes imposing emission limits, mandating pollution control technologies, and establishing protected

areas. Successful implementation requires strong enforcement, monitoring, and penalties for non-compliance to ensure that businesses and individuals adhere to environmental standards. Additionally, government-led initiatives such as subsidies for clean technologies or incentives for renewable energy can complement command and control measures to encourage sustainable practices.

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



[Source: googleimages]

5.2.1 Identify ONE consequence of globalization from the information above.

(1)

War

Poverty

Labor exploitation

IMF

5.2.2 Which global institution assists countries in financial crisis? (1)

5.2.3 Briefly describe the term globalization (2)

Globalization refers to the process of increased interconnectedness and interdependence among countries, economies, and societies worldwide. It involves the integration of markets, cultures, technologies, and governance on a global scale.

5.2.4 What are the effects of globalization on developing countries? (2)

Globalization has both positive and negative effects on developing countries. On one hand, it can lead to increased foreign investment, access to technology, and economic growth opportunities through expanded trade. However, it may also increase income inequality, cultural homogenization, and environmental degradation due to increased competition, reliance on volatile global markets, and uneven distribution of benefits within these countries. Therefore, managing the impacts of globalization is crucial for maximizing its benefits while mitigating its drawbacks in developing nations.

5.2.5 Explain the effects of economic integration within the globe. (2 x 2) (4)

Economic integration within the globe refers to the increasing interconnectedness of economies through trade, investment, and financial flows. This integration has several effects: it promotes economic growth by expanding markets and fostering specialization; it enhances efficiency through the allocation of resources to their most productive uses across borders; it increases competition, which can lead to lower prices and improved quality of goods and services; and it can contribute to political cooperation and stability by fostering interdependence among countries. However, economic integration also poses challenges such as potential vulnerability to global economic shocks and pressures to harmonize regulatory standards across diverse economies.



ACTIVITY 6

6.1 Study the picture and answer the questions.



6.1 Briefly discuss any TWO characteristics of globalization.

(8)

Increased Interconnectedness:

Globalization has significantly enhanced connectivity among countries and regions through advancements in communication, transportation, and digital technology. This interconnectedness has facilitated faster and more extensive trade, investment flows, and cultural exchange across borders. It allows businesses to operate on a global scale, accessing new markets and resources, while individuals can communicate and collaborate with people worldwide more easily than ever before.

1. Cultural Homogenization:

Globalization has led to the spread of cultural norms, values, and practices across different societies, resulting in a certain level of cultural homogenization. Western cultural influences, including music, fashion, and entertainment, have become widely adopted around the world. While this can promote cultural understanding and diversity in some cases, it also raises concerns about the erosion of local traditions and identities as globalized media and consumer culture dominate local markets.

6.2 Evaluate the impact of foreign direct investment in a country's economy? (8)

Foreign direct investment (FDI) can have significant positive impacts on a country's economy. Firstly, it brings in capital that can be used for infrastructure development, technology upgrades, and job creation, stimulating economic growth. Secondly, FDI often transfers advanced technologies, management skills, and best practices to the host country, enhancing productivity and competitiveness in local industries. Thirdly, it can diversify the economy by introducing new sectors and industries, reducing dependency on traditional sectors. Additionally, FDI can improve trade balances by boosting exports and integrating the host country into global value chains. However, FDI also poses challenges, including potential risks of economic dependency, exploitation of natural resources, and concerns about sovereignty and local market dominance by foreign firms. Therefore, effective policies are essential to maximize the benefits of FDI while mitigating its drawbacks.

ACTIVITY 6

Discuss in detail the causes of globalization.

Introduction

Globalization is driven by several interconnected factors that have progressively intensified over the past century. Here are the main causes of globalization:

Main Part

1. Technological Advances:

Advances in transportation (like containerization and air travel) and communication (such as the internet and satellite technology) have dramatically reduced the cost and time required to move goods, services, and information across borders. This has facilitated global trade, investment, and cultural exchange.

2. Liberalization of Trade and Investment:

The gradual dismantling of trade barriers, such as tariffs and quotas, through international agreements like the General Agreement on Tariffs and Trade (GATT) and later the World Trade Organization (WTO), has promoted freer movement of goods and services across borders. Similarly, policies that encourage foreign direct investment (FDI) and multinational corporations (MNCs) to operate globally have fostered economic integration.

3. Market Forces and Economic Policies:

Market-driven forces, including the pursuit of profit and access to new markets, incentivize businesses to expand internationally. Economic policies that prioritize export-oriented growth strategies and attract foreign investment also contribute to globalization by integrating economies into the global marketplace.

4. Political Factors:

Political decisions and geopolitical shifts, such as the end of the Cold War and the establishment of regional trade blocs (like the European Union), have encouraged countries to engage more closely with each other economically and politically. Political stability and cooperation are crucial for creating an environment conducive to globalization.

5. Cultural and Social Factors:

The spread of ideas, values, and cultural products (such as movies, music, and fashion) through mass media and digital platforms has led to cultural convergence and increased awareness of global issues. Migration and global mobility have also contributed to cultural exchange and integration.

6. Globalization of Finance:

The integration of financial markets and the ease of capital movement across borders have accelerated globalization. Financial liberalization, technological advancements in banking and finance, and the growth of multinational financial institutions have facilitated cross-border investment, lending, and portfolio diversification.

7. Environmental Factors:

Global environmental challenges, such as climate change and resource depletion, have necessitated international cooperation and agreements. This has led to global initiatives and regulations aimed at addressing environmental issues, highlighting the interconnectedness of economies and ecosystems worldwide.

8. Conclusion

Overall, globalization is a complex phenomenon shaped by a combination of technological, economic, political, cultural, and environmental factors. These causes interact and reinforce each other, creating a dynamic global landscape characterized by increased interconnectedness and interdependence among countries and societies.

How does globalization negatively affect developing countries?

(10)

Globalization can negatively affect developing countries in several ways. Firstly, increased competition from global markets can undermine local industries that are unable to compete with lower-cost imports or multinational corporations. Secondly, foreign direct investment (FDI) may lead to resource extraction or exploitation without adequate benefits to local communities, exacerbating income inequality. Thirdly, globalization can contribute to environmental degradation as industrialization and resource extraction intensify, often without sufficient regulatory oversight. Fourthly, developing countries may face volatility in capital flows and financial markets, leading to economic instability and vulnerability to external shocks. Lastly, cultural homogenization and the dominance of Western cultural norms and values through global media and consumerism can erode local traditions and identities.

TOPIC 12: ENVIRONMENTAL DETERIORATION

ACTIVITY 1

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

1.1.1. Identify the economic concept represented in the cartoon above.

(1)

1.1.2 Name the legislation that governs South Africa's biodiversity resources. (1)

1.2.3 Briefly describe the term *environmental sustainability* (2)

Environmental sustainability refers to the responsible use of natural resources and the protection of ecosystems to ensure they can support current and future generations. It involves maintaining ecological balance, conserving biodiversity, minimizing pollution, and promoting practices that do not deplete resources or harm the environment.

1.2.4 Why do markets fail to ensure sustainability? (2)

Markets often fail to ensure sustainability because they typically prioritize short-term profit maximization over long-term environmental considerations. Externalities, such as pollution or depletion of natural resources, are not always accounted for in market transactions, leading to overexploitation or degradation of environmental resources. Additionally, the inability to accurately price environmental goods and services can result in undervaluation and insufficient investment in sustainable practices or technologies.

1.2.5 How can the government ensure sustainable use of the environment? (4)

The government can ensure sustainable use of the environment through regulatory policies and enforcement mechanisms that incentivize environmentally friendly practices and penalize harmful activities. This includes implementing laws and regulations to manage pollution, conserve natural resources, and protect biodiversity. Additionally, promoting sustainable development through economic incentives, public awareness campaigns, and international cooperation can foster a holistic approach to environmental conservation and management.

ACTIVITY 2

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

THE FUTURE GENERATION IS AT RISK



2.1.1 Identify the environmental problem in the cartoon above. (1)

Air pollution

Emission

2.1.2 Name the environmental legislation that protect ecological areas in South Africa. (1)

National Environmental Management Act (NEMA)

2.1.3 Briefly describe the term *conservation*. (2)

Conservation refers to the careful management and preservation of natural resources, ecosystems, and biodiversity to ensure their sustainable use and protection for future generations. It involves sustainable practices that aim to maintain ecological balance, prevent environmental degradation, and minimize human impact on the natural world.

2.1.4 Explain the importance of education in dealing with environmental degradation. (2)

Education plays a crucial role in addressing environmental degradation by raising awareness about environmental issues, fostering a sense of responsibility, and promoting sustainable behaviors. Through education, individuals and communities are empowered to make informed decisions, adopt eco-friendly practices, and advocate for policies that protect the environment for present and future generations.

2.1.5 How does climate change negatively impact the economy? (4)

Climate change negatively impacts the economy through several channels. Firstly, it can lead to increased costs and losses from extreme weather events such as hurricanes, floods, and droughts, which damage infrastructure, disrupt supply chains, and reduce agricultural yields. Secondly, rising sea levels threaten coastal communities and infrastructure, leading to displacement and relocation costs.

Thirdly, climate-related shifts in ecosystems can affect industries dependent on natural resources, such as fisheries and tourism, impacting local economies and livelihoods.

ACTIVITY 3

3.1 Study the extract below and answer the question that follows.

WHAT IS HAZARDOUS WASTE?

Hazardous waste is a waste that contains organic or inorganic elements or compounds that may, owing to the inherent physical, chemical or toxicological properties of that waste that has a detrimental impact on health or the environment causing death or infertility. Hazardous waste may be generated from household, agricultural sector, mining, manufacturing processes, medical facilities, educational institutions, research institutions, and many other sectors. Hazardous waste must be handled with precaution and must be disposed at authorized hazardous waste management facilities.

<https://sawic.environment.gov.za>

- 3.1.1 Identify the danger that is poised by hazardous waste on human life. (1)
- 3.1.2 Name the international agreement that deals with hazardous waste. (1)
- 3.1.3 Briefly describe the term *biodiversity loss*. (2)

Biodiversity loss refers to the decline in the variety and abundance of species within a specific habitat or ecosystem over time. It is primarily caused by human activities such as habitat destruction, pollution, climate change, and overexploitation of natural resources, leading to a reduction in genetic diversity and ecosystem stability.

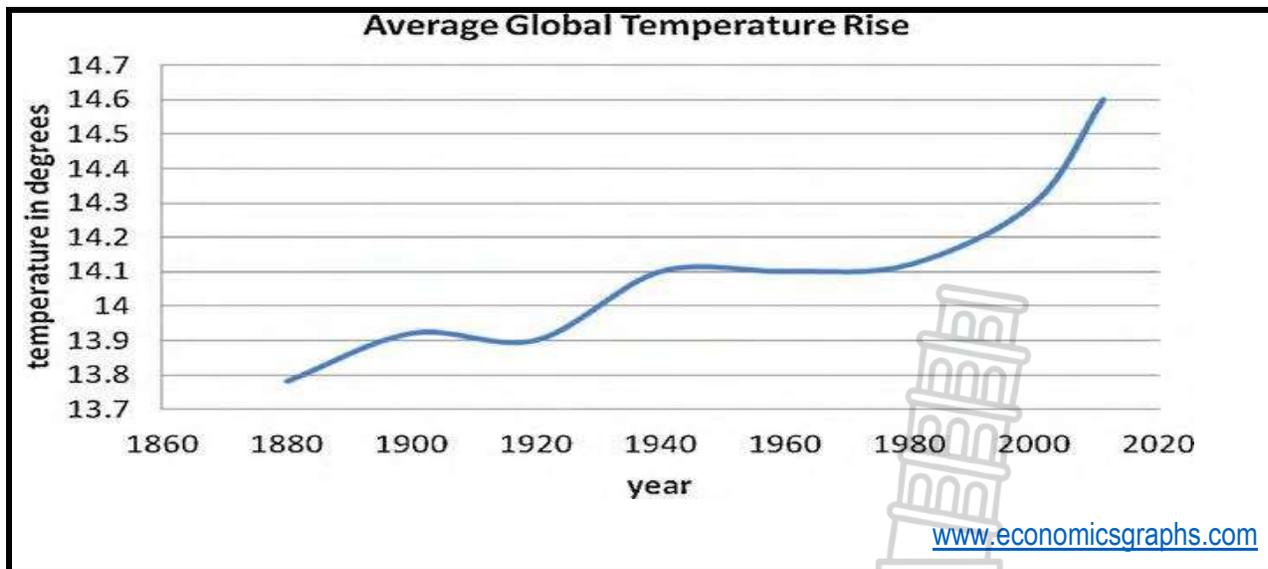
- 3.1.4 Why is the indigenous knowledge system important in ensuring environmental sustainability? (2)
- Indigenous knowledge systems are crucial for ensuring environmental sustainability because they often contain valuable insights and practices developed over generations for managing local ecosystems and resources sustainably. This knowledge includes traditional methods of agriculture, resource management, and conservation that are adapted to local conditions and promote resilience to environmental changes. Incorporating indigenous knowledge into environmental policies and practices can enhance biodiversity conservation, promote sustainable land use, and foster community stewardship of natural resources.
- 3.1.5 How successful has the Paris agreement been in dealing climate change? (4)

The Paris Agreement represents a significant international effort to combat climate change by setting ambitious goals for reducing greenhouse gas emissions and limiting global temperature rise. It has successfully mobilized global awareness and action on climate issues, encouraging countries to submit nationally determined contributions (NDCs) and engage in collaborative efforts. However, its effectiveness has been hampered by challenges such as varying levels of commitment among nations, limited progress in emission reductions, and geopolitical tensions that affect international cooperation.

The agreement continues to evolve as countries strive to strengthen their climate policies and accelerate efforts towards a sustainable, low-carbon future.

ACTIVITY 4

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



- 4.1.1 Identify the temperature in degrees for the year 2000. (1)
- 4.1.2 Name the international agreement that deals with biodiversity loss. (1)
- 4.1.3 Briefly describe the term *pollution* (2)

Pollution refers to the introduction of harmful substances or contaminants into the natural environment, causing adverse effects to ecosystems, human health, and biodiversity. It can originate from various sources such as industrial activities, transportation, agriculture, and improper waste disposal, leading to environmental degradation and public health risks.

4.1.4 Why is it important for the government to promote the use of renewable resources? (2)

It is important for the government to promote the use of renewable resources because they offer sustainable alternatives to finite fossil fuels, reducing dependence on non-renewable energy sources that contribute to environmental degradation and climate change. By investing in renewable energy technologies such as solar, wind, and hydroelectric power, governments can mitigate greenhouse gas emissions, improve air quality, and enhance energy security. Promoting renewables also stimulates innovation and economic growth in the clean energy sector, creating jobs and fostering a transition towards a more sustainable energy future.

4.1.5 How can greenhouse taxes be used to curb pollution? (4)

Greenhouse gas taxes can be used effectively to curb pollution by imposing a price on emissions, incentivizing industries and consumers to reduce their carbon footprint. By increasing the cost of emitting greenhouse gases, such taxes encourage businesses to invest in cleaner technologies and practices that lower emissions. This economic incentive not only discourages pollution but also generates revenue that can be reinvested into renewable energy projects, energy efficiency programs, and environmental conservation efforts. Moreover, greenhouse gas taxes can drive innovation in sustainable solutions and contribute to achieving climate targets more effectively than regulatory measures alone.

ACTIVITY 5

5.1 Differentiate between conservation and preservation. (8)

Conservation and preservation are two approaches to managing natural resources and ecosystems, but they have distinct goals and methods. Conservation aims to sustainably use and manage natural resources while ensuring their availability for future generations. This approach typically involves practices like sustainable forestry, wildlife management, and habitat restoration, balancing human needs with environmental protection.

Preservation, on the other hand, focuses on maintaining ecosystems and habitats in their original state without significant alteration. It prioritizes strict protection of natural areas to preserve biodiversity, natural processes, and wilderness character. Preservation areas often restrict human activities to minimal impact or none at all, aiming to maintain ecological integrity and the intrinsic value of nature.

Conservation emphasizes sustainable use and management of natural resources, whereas preservation prioritizes strict protection of ecosystems and wilderness areas to maintain their natural state and ecological values.

5.2 How is the environment as a general resource responsible for market failure? (8)

The environment as a general resource can lead to market failure due to several reasons. Firstly, environmental resources often exhibit characteristics of public goods, meaning they are non-excludable and non-rivalrous, making it difficult for markets to allocate them efficiently. Secondly, the impact of environmental degradation, such as pollution or depletion of natural resources, imposes external costs on society that are not accounted for in market transactions, leading to market inefficiencies. Thirdly, the long-term nature of environmental degradation and resource depletion may result in short-sighted decision-making by market participants, prioritizing immediate gains over sustainable practices.

5.3 Evaluate the impact of *soil erosion* and *deforestation* on the economy. (8)

Soil erosion and deforestation have significant negative impacts on the economy. Firstly, soil erosion reduces agricultural productivity by depleting fertile topsoil, leading to lower crop yields and increased costs for farmers due to the need for fertilizers and soil amendments. Secondly, deforestation diminishes ecosystem services such as water regulation, carbon sequestration, and biodiversity maintenance, which can disrupt local economies dependent on these resources for tourism, agriculture, and forestry. Thirdly, both soil erosion and deforestation contribute to increased costs related to flood damage, landslides, and infrastructure maintenance, placing a burden on government budgets and affecting overall economic stability and development. Addressing these environmental challenges is crucial for sustainable economic growth and resilience.

5.4 How do consumers as key market role-players fail to protect the environment? (8)

Consumers often fail to adequately protect the environment due to several reasons. Firstly, they may prioritize lower prices and convenience over environmental considerations when making purchasing decisions, leading to increased demand for products with higher environmental impacts. Secondly, lack of awareness or information about the environmental consequences of their consumption choices can

result in uninformed decisions that contribute to resource depletion, pollution, and waste generation.

Thirdly, consumer behaviors such as overconsumption, disposable lifestyles, and reliance on environmentally harmful products contribute to negative environmental impacts despite growing awareness of sustainability issues. Addressing these consumer behaviors requires education, awareness campaigns, and incentives to encourage more environmentally responsible choices.

5.5 How effective are pollution control measures in South Africa? (8)

Pollution control measures in South Africa have shown varying degrees of effectiveness. The country has implemented regulatory frameworks and standards aimed at controlling emissions and pollutants from industries, vehicles, and mining activities. However, challenges such as inadequate enforcement, limited capacity in regulatory agencies, and delays in implementing stricter controls have hindered the full effectiveness of these measures. Efforts are ongoing to strengthen monitoring, enforcement, and public participation to improve air and water quality and mitigate environmental impacts across various sectors of the economy.

5.6 What are the benefits of using technology in sustaining the environment? (8)

Using technology can bring several benefits in sustaining the environment. Firstly, advanced technologies like renewable energy sources (such as solar and wind power) and energy-efficient technologies reduce reliance on fossil fuels and lower greenhouse gas emissions, mitigating climate change impacts. Secondly, technologies for waste management, recycling, and water treatment improve resource efficiency and reduce pollution, promoting a cleaner environment. Thirdly, innovations in monitoring and data analytics enable better environmental assessment and management, helping governments and organizations make informed decisions to protect ecosystems and biodiversity. Overall, technology plays a crucial role in promoting sustainable practices and addressing environmental challenges globally.

5.7 Why have the international measures (agreements) been ineffective in reducing the effects of climate change? (8)

International measures and agreements aimed at reducing the effects of climate change have faced challenges that have limited their effectiveness. Firstly, voluntary commitments and varying levels of ambition among countries have resulted in uneven implementation of emission reduction targets, leading to insufficient global action. Secondly, geopolitical tensions and divergent national interests have complicated negotiations and hindered consensus-building on comprehensive climate policies. Thirdly, enforcement mechanisms and accountability frameworks within international agreements have

often been weak, allowing countries to backslide on commitments without significant consequences. Lastly, the complexity of climate science, uncertainties about future impacts, and the long-term nature of climate change have made it difficult to mobilize urgent and coordinated global responses. Addressing these challenges requires strengthened international cooperation, enhanced transparency, and renewed commitments to ambitious climate action across all sectors and countries.



Activity 6

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





[Source: com/south-africa/pictures-pikitup-workers-strike-turns-joburg-city-dirt]

6.1.1 Identify the brown environmental issue illustrated above. (1)

Land pollution

6.1.2 Which areas are often highly polluted in a country? (1)

Urban areas

6.1.3 Briefly describe the term environmental sustainability. (2)

Environmental sustainability refers to the responsible use of natural resources and the protection of ecosystems to ensure they can meet the needs of present and future generations, maintaining ecological balance and biodiversity without compromising the ability of future generations to meet their own needs.

6.1.4 Explain environmental taxes to sustain the environment. (2)

Environmental taxes are levied on activities that cause pollution, resource depletion, or environmental degradation, aiming to internalize the external costs associated with these activities. By imposing higher taxes on polluting industries or activities, governments incentivize businesses and individuals to reduce

their environmental impact and adopt cleaner technologies and practices. The revenue generated from environmental taxes can be used to fund environmental protection and conservation efforts, promoting sustainable development, and ensuring the long-term health of ecosystems.

6.1.5 Why are industries often blamed for contributing to environmental and air pollution? (2 x 2) (4)

Industries are often blamed for contributing to environmental and air pollution because they release significant amounts of pollutants into the air, water, and soil as a byproduct of manufacturing processes and energy production. These emissions include greenhouse gases, particulate matter, sulfur dioxide, nitrogen oxides, and volatile organic compounds, which can have harmful effects on human health and the environment, contributing to climate change, smog formation, acid rain, and habitat degradation.

6.2 Explain the main objectives of the Millennium Development Goals (MDGs). (4 x 2) (8)

The Millennium Development Goals (MDGs), established by the United Nations in 2000, aimed to address global poverty and improve living conditions worldwide by 2015. The main objectives included eradicating extreme poverty and hunger, achieving universal primary education, promoting gender equality and empowering women, reducing child mortality rates, improving maternal health, combating HIV/AIDS, malaria, and other diseases, ensuring environmental sustainability, and developing global partnerships for development. The MDGs provided a framework for international cooperation and targeted efforts to address pressing social, economic, and environmental challenges facing developing countries.

6.3 How can floods negatively affect the economy? (8)

Floods can have significant negative effects on the economy in several ways. Firstly, they can cause extensive damage to infrastructure such as roads, bridges, buildings, and utilities, leading to costly repairs and disruptions to economic activities. Secondly, floods can destroy crops, livestock, and agricultural land, resulting in reduced agricultural productivity and food shortages, which can impact food prices and food security. Thirdly, businesses may suffer losses due to flood damage to inventory, equipment, and facilities, leading to decreased production and revenue. Moreover, floods can displace communities, disrupt transportation networks, and strain emergency response resources, further affecting local economies and livelihoods. Lastly, the long-term economic impact of repeated flooding includes increased insurance premiums, reduced property values, and potential decline in tourism and investment in flood-prone areas, exacerbating economic vulnerability.

Activity 7

- Examine, in detail, the problems threatening the environment.

(26)

Introduction

The environment faces a myriad of interconnected problems that threaten its health and sustainability. These issues can broadly be categorized into several key areas:

Climate Change:

Perhaps the most pressing environmental challenge of our time, climate change is driven by greenhouse gas emissions from human activities such as burning fossil fuels, deforestation, and industrial processes. It leads to rising global temperatures, sea-level rise, altered precipitation patterns, and more frequent and severe weather events like hurricanes, droughts, and heatwaves. Climate change poses significant risks to ecosystems, biodiversity, agriculture, water resources, and human health.

Loss of Biodiversity:

Human activities such as habitat destruction, deforestation, overexploitation of natural resources, pollution, and climate change are causing a rapid loss of biodiversity worldwide. This loss threatens the stability and resilience of ecosystems, reducing their ability to provide essential services such as pollination, water purification, and carbon sequestration. It also diminishes genetic diversity, weakening the resilience of species to environmental changes and increasing their risk of extinction.

Pollution:

Pollution in its various forms—air pollution, water pollution, and soil contamination—remains a significant environmental threat. Air pollution from industrial emissions, vehicle exhaust, and agricultural practices contributes to respiratory diseases, smog formation, and climate change. Water pollution from untreated sewage, industrial discharge, and agricultural runoff contaminates water bodies, affecting aquatic ecosystems, drinking water quality, and human health. Soil contamination from industrial waste, pesticides, and heavy metals reduces soil fertility and can pose health risks to plants, animals, and humans.

Deforestation and Habitat Loss:

Deforestation, primarily driven by agriculture, logging, infrastructure development, and urban expansion, leads to the loss of critical habitats for wildlife and reduces the planet's capacity to absorb carbon dioxide from the

atmosphere. It disrupts ecosystems, threatens endangered species, and contributes to soil erosion and climate change.

Resource Depletion:

Unsustainable consumption and exploitation of natural resources such as freshwater, forests, fisheries, and minerals are depleting these finite resources faster than they can regenerate. Overfishing, water scarcity, soil degradation, and depletion of aquifers are examples of resource depletion that threaten ecosystem health, food security, and economic stability.

Waste Management: Improper waste management practices, including inadequate recycling, landfill overflow, and plastic pollution, contribute to environmental degradation and harm ecosystems. Plastic waste, in particular, poses a significant threat to marine life, with vast areas of ocean accumulating plastic debris and microplastics.

Conclusion

Addressing these environmental problems requires comprehensive and coordinated efforts at local, national, and international levels. Solutions include transitioning to renewable energy sources, adopting sustainable land-use practices, protecting, and restoring natural habitats, implementing stringent pollution controls, promoting circular economies, enhancing environmental education and awareness, and fostering international cooperation to tackle global challenges like climate change and biodiversity loss.

- Evaluate the implementation of the goals of the World Summit on Sustainable

Development in South Africa.

(10)

The World Summit on Sustainable Development (WSSD) held in Johannesburg, South Africa in 2002 aimed to address global challenges related to sustainable development, poverty eradication, environmental protection, and social equity. South Africa, as the host country, made efforts to implement the summit's goals through various initiatives and policies. These included commitments to promote renewable energy sources, improve water and sanitation services, enhance biodiversity conservation, and strengthen environmental governance frameworks.

However, the implementation of WSSD goals in South Africa has faced challenges. These include limited financial resources, capacity constraints in government institutions, competing priorities, and socioeconomic inequalities. Progress has been uneven across different sectors and regions, with urban areas generally benefiting more than

rural communities. Despite these challenges, South Africa has made strides in areas such as renewable energy expansion, biodiversity conservation efforts like the establishment of protected areas, and integrating sustainable development principles into national policies and strategies.

Moving forward, addressing these challenges will require continued political commitment, investment in sustainable development initiatives, strengthening of institutional capacities, and fostering partnerships with civil society, private sector, and international organizations. Evaluating the impact of WSSD goals in South Africa underscores the need for sustained efforts to achieve inclusive and sustainable development that benefits all segments of society.

[40]

