



LIMPOPO
PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA



DEPARTMENT OF
EDUCATION

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

ECONOMICS - P1

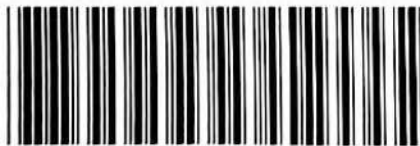
JUNE 2023

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MARKS: 150

DURATION: 2 HOURS



MEECONP1



This question paper consists of 13 pages.

Please turn over

INSTRUCTIONS AND INFORMATION

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

- SECTION A: COMPULSORY
- SECTION B: Answer TWO of the THREE questions.
- SECTION C: Answer ONE of the TWO questions.

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

3. Write the number of the question above each answer.

4. Read the questions carefully and start each question on a NEW page.

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

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

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

8. Use only black or blue ink.

9. Non-programmable pocket calculators may be used.

10. Write neatly and legibly.



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

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



1.1.1 Double counting is a problem that occurs when the ... method is used to calculate GDP.

- A production
- B income
- C spending
- D domestic

1.1.2. An open economy is best described as a ... -sector economy.

- A four
- B three
- C two
- D one

1.1.3. Economy where injections overcome leaks, the ...

- A production of goods and services falls.
- B National income falls.
- C National income rises.
- D gross value-added during production, falls.

1.1.4 The point where economic expansion is at its highest is called a ...

- A trough.
- B trendline.
- C equilibrium.
- D peak.

1.1.5 The new economic paradigm associated with smoothing business cycles is captured in ... -side policies.

- A demand only
- B supply and demand
- C supply only
- D fiscal



1.1.6.

South African military services are provided by the ... government.

- A district
- B local
- C provincial
- D central

1.1.7

Which ONE of the following is presented in October to inform parliament of changes in the budget since February?

- A Main budget
- B Medium-term Expenditure Framework
- C Medium-term Budget Policy Statement
- D National budget

1.1.8

The total value of the compensation that the owners of factors of production receive for their share in the production process for a specific period.

- A GDP
- B GNI
- C GNP
- D GDE



(8 x 2) (16)



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

COLUMN A	COLUMN B
1.2.1 Monetary policy	A the interest rate at which the Reserve Bank lends money to other banks
1.2.2 Disposable income	B money that enters the circular flow
1.2.3 New economic paradigm	C allows for all errors and omissions in GDP calculations
1.2.4 Repo rate	D factors that affect a system from the inside
1.2.5 Residual item	E measures taken by SARB to influence the supply of money and interest rates
1.2.6 Market price <i>B</i>	F is embedded in demand-side and Supply-side policies
1.2.7 prime lending rate	G final prices paid by consumers
1.2.8 Injection	H the average interest rate that commercial bank charge customers
	I income earned after the deduction of taxes

(8 x 1) (8)



1.3 Give **ONE** term for each of the following descriptions. Write only the term next to the question numbers (1.3.1 – 1.3.6.) in the answer book. Abbreviations, acronyms and examples will not be accepted.

1.3.1 Goods that are harmful to society.

1.3.2 The proportion of an extra rand income that is spent rather than saved.

1.3.3 A form of credit from the International Monetary Fund (IMF) which can be used when balance of payments difficulties is experienced.

1.3.4 Limit the quantity of a goods that may be imported.

1.3.5 Government sells more that 50% of the shares of state-owned enterprises.

1.3.6 The total value of spending by the government within the borders of a country.

(6 x 1) (6)

TOTAL SECTION A: [3]



SECTION B: (ANSWER TWO OF THE THREE QUESTIONS)

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

QUESTION 2: MACROECONOMICS

40 MARKS – 30 MINUTES

2.1 Answer the following questions:

2.1.1 List any **TWO** leakages which may occur in a circular flow model. (2 x 1) (2)

2.1.2 What is the relationship between investment and the multiplier? (1 x 2) (2)

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

South Africa's GDP for fourth quarter 2022 (constant prices)		
		R Millions
Consumption spending by households	C	3 076 029
Investment spending by firms	I	1 157 032
Government expenditure	G	896 814
Exports of goods and services	X	1 245 371
Imports of goods and services	M	1 346 876

[Source: South African Reserve Bank]

2.2.1 Identify the method that was used to calculate the Gross Domestic Product as depicted by the above table. (1)

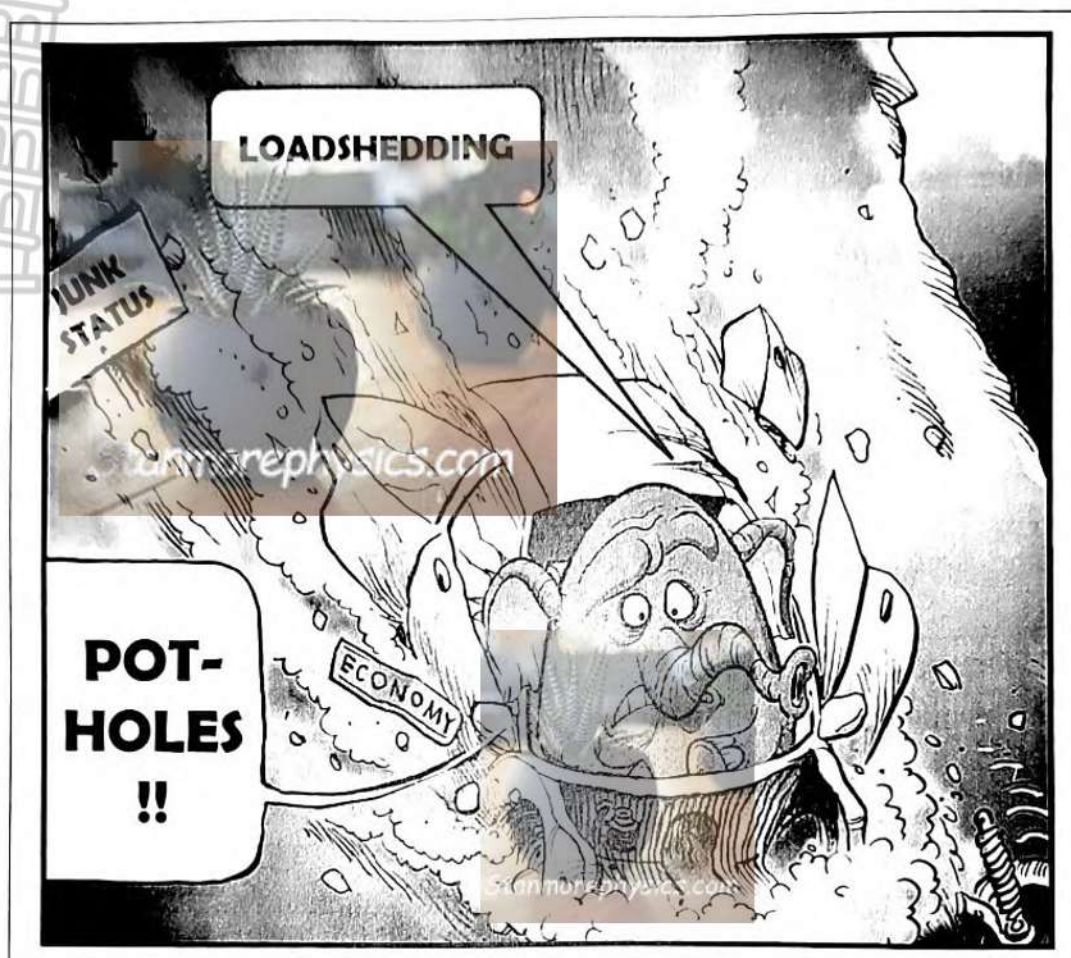
2.2.2 Why is GDP always calculated at constant prices and not current prices? (1)

2.2.3 Briefly explain the term *Gross National Product*. (2)

2.2.4 Use the data in the table above to calculate the value of aggregated income for the fourth quarter of 2022. (2)

2.2.5 Explain why the government is a very important participant in the business cycle. (4)

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



[Source: Times Live]

- 2.3.1 Which period do the South African economy find itself as depicted by the above cartoon? (1)
- 2.3.2 When is an economy officially in recession? (1)
- 2.3.3 Briefly describe the term *leading indicator*. (2)
- 2.3.4 Explain how interest rate changes can affect the demand for a product. (2)
- 2.3.5 How did the Keynesian (endogenous) school of thought affect the business cycle? (2 x 2) (4)
- 2.4 How will businesses respond to the different phases in the business cycle? (4 x 2) (8)
- 2.5 Explain, without the use of a graph, the effect of the multiplier on the goods and factor market. (2 x 4) (8)

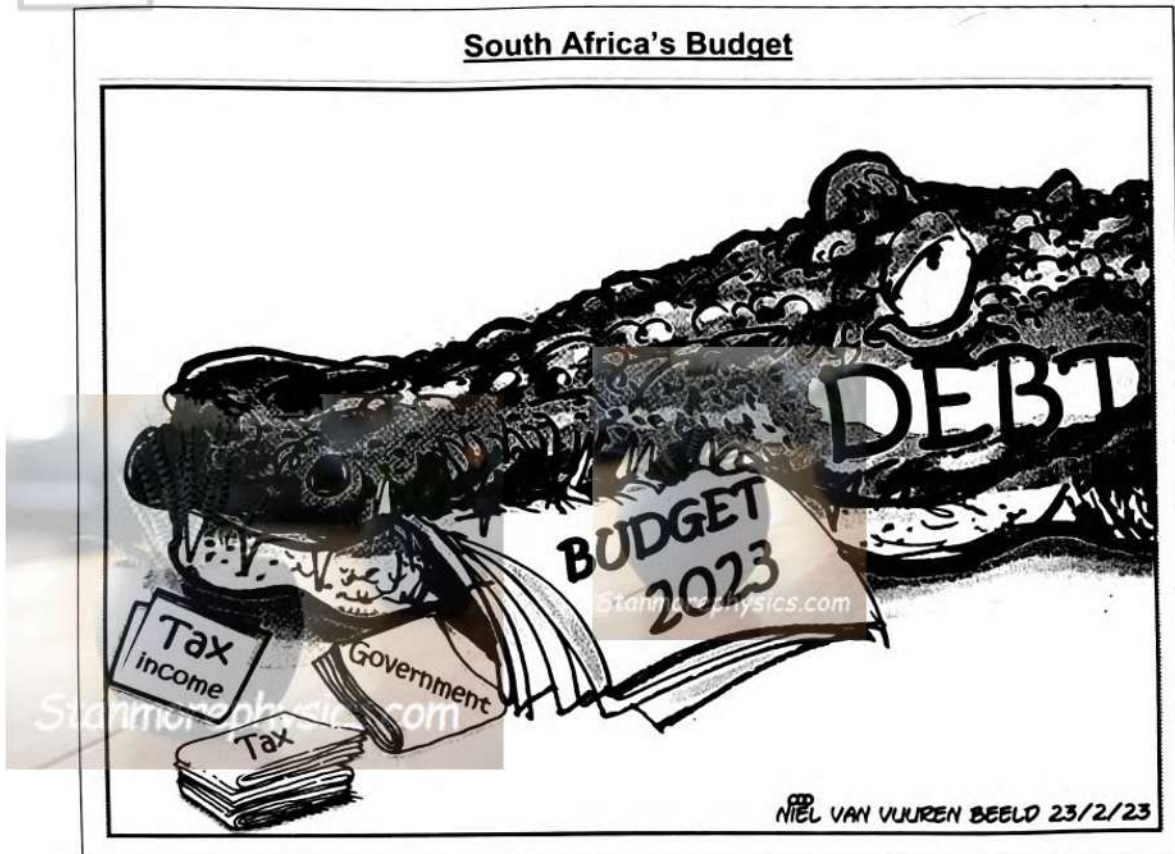
QUESTION 3: MACROECONOMICS**40 MARKS – 30 MINUTES**

3.1 Answer the following questions:

3.1.1 Name any **TWO** monetary policy instruments. (2 x 1) (2)

3.1.2 Why does the level of economic activity usually vary? (1 x 2) (2)

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



[Source: Beeld, 23 February 2023]

- 3.2.1 Name **ONE** variable of the budget. (1)
- 3.2.2 When does the financial year of the South African government ends? (1)
- 3.2.3 Briefly describe the term *budget*. (2)
- 3.2.4 How does the public debt affect the Gross Domestic Product? (2)
- 3.2.5 How will corruption negatively affect the socio-economic rights of people? (4)

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

BALANCE OF PAYMENTS - CURRENT ACCOUNT 2023

South Africa's Current Account Recorded a deficit of 2,5 USD bn in December 2022, compared with a surplus of 44,9 USD mn in the previous quarter.

[Adapted from: SAMP Quarterly Bulletin, 2022]

- 3.3.1 Name ONE sub-account of the current account. (1)
- 3.3.2 Which item in the Balance of payment account records transactions relating to people who immigrate? (1)
- 3.3.3 Briefly describe the term trade balance. (2)
- 3.3.4 How does loadshedding contribute to a deficit on the current account? (2)
- 3.3.5 Why will a too-strong exchange rate have a negative effect on the current account balance? (2 x 2) (4)
- 3.4 Discuss how a deficit on the balance of payments account can be corrected. (4 x 2) (8)
- 3.5 Use a well labelled graph to explain the Laffer-curve. (8)



QUESTION 4: MACROECONOMICS**40 MARKS – 30 MINUTES**

4.1 Answer the following questions:

- 4.1.1 List **TWO** examples of the product market. (2 x 1) (2)
- 4.1.2 Why is the amplitude of a business cycle important? (1 x 2) (2)

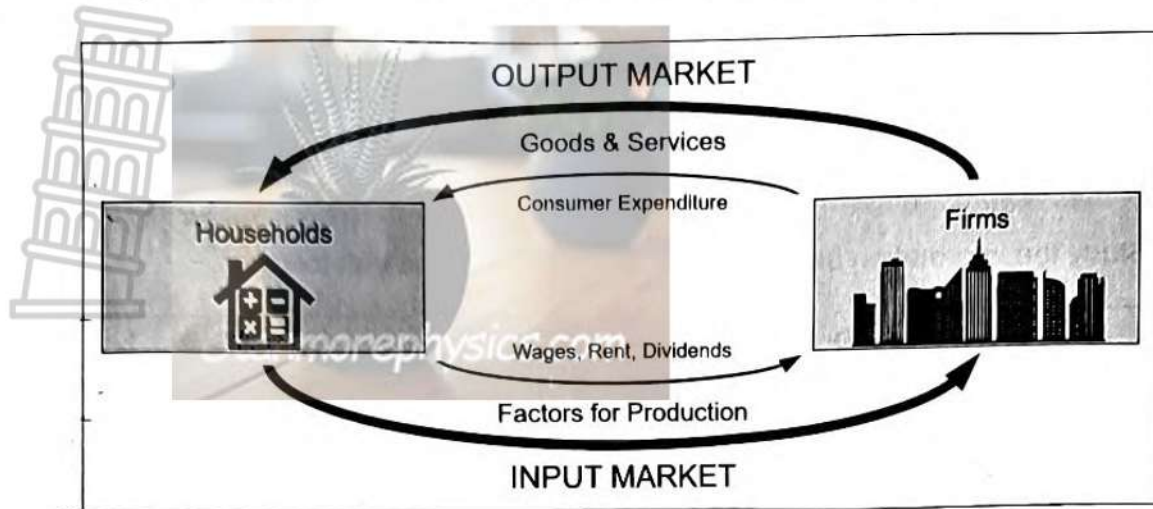
4.2 Study the information below and answer the questions that follow.

Economic Forecasting								
Year	2015	2016	2017	2018	2019	2020	2021	2022
GDP (R million)	5	8	9	11	4	6	10	11

- 4.2.1 Name any other economic indicator that can be used for forecasting. (1)
- 4.2.2 What impact will a downgrading of South Africa's credit rating have on its economy? (1)
- 4.2.3 Briefly describe the term *extrapolation*. (2)
- 4.2.4 List **TWO** economic features that are associated with the depression phase of a business cycle. (2)
- 4.2.5 Calculate the five-year moving average from the above information. (4)



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



- 4.3.1 Name the missing sector in the diagram above to make the economy closed. (1)
- 4.3.2 List **ONE** example of money flow in the diagram. (1)
- 4.3.3 Briefly describe the term *current transfers*. (2)
- 4.3.4 What contributions can firms make to improve the functioning of the economy? (2)
- 4.3.5 Explain the purpose of the System of National Accounts as set out by the United Nations. (2 x 2) (4)
- 4.4 With the aid of a well labelled graph explain the Phillips curve as an instrument of the demand-side policy. (8)
- 4.5 An international company invests R 5 million in a South African business. Calculate the multiplier effect of this investment on our economy if the marginal propensity to save (mps) is 0,2. Show ALL calculations. (8)

TOTAL SECTION B: [40]

SECTION C

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

Your answer will be assessed as follows:

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

QUESTION 5: MACROECONOMICS

40 MARKS – 40 MINUTES

- Discuss in detail the main objectives of the public sector in the South African economy. (26 marks)
- How can the South African government improve the efficiency of service delivery? (10 marks)

[40]

QUESTION 6: MACROECONOMICS

40 MARKS – 40 MINUTES

- Discuss in detail the reasons for international trade. (26 marks)
- Evaluate the impact of surplus on the balance of payments on the South African economy. (10 marks)

[40]

TOTAL SECTION C: [40]

GRAND TOTAL: [150]



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GRADE 12

ECONOMICS - P1

JUNE 2023

MARKING GUIDELINE

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MARKS: 150

This marking guideline consists of 18 pages.

Please turn over

SECTION A (COMPULSORY)

QUESTION 1

1.1 MULTIPLE-CHOICE QUESTIONS

- 1.1.1 A – production ✓✓
- 1.1.2 A – four. ✓✓
- 1.1.3 C – National income rises. ✓✓
- 1.1.4 D – peak. ✓✓
- 1.1.5 B – supply and demand ✓✓
- 1.1.6 D – central ✓✓
- 1.1.7 C – Medium-term Budget Policy Statement ✓✓
- 1.1.8 B – GNI. ✓✓

(8 x 2) (16)

1.2 MATCHING ITEMS

- 1.2.1 E - measures taken by SARB to influence the supply of money and interest rates ✓
- 1.2.2 I - income earned after the deduction of taxes ✓
- 1.2.3 F - is embedded in demand-side and Supply-side policies ✓
- 1.2.4 A - the interest rate at which the Reserve Bank lends money to other banks ✓
- 1.2.5 C - allows for all errors and omissions in GDP calculations ✓
- 1.2.6 G - final prices paid by consumers ✓
- 1.2.7 H - the average interest rate that commercial bank charge customers ✓
- 1.2.8 B - money that enters the circular flow ✓

(8 x 1) (8)

1.3 GIVE ONE TERM

- 1.3.1 Non-merit goods / Demerit goods ✓
- 1.3.2 Marginal propensity to consume ✓
- 1.3.3 Special drawing Rights ✓
- 1.3.4 Quotas / Import tax / Tariffs ✓
- 1.3.5 Privatisation ✓
- 1.3.6 Government spending ✓

(6 x 1) (6)



TOTAL SECTION A: [30]

SECTION B: (ANSWER TWO OF THE THREE QUESTIONS)

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

QUESTION 2: MACROECONOMICS

40 MARKS – 30 MINUTES

2.1 Answer the following questions:

2.1.1 List any TWO leakages which may occur in a circular flow model.

- Savings (S) ✓
 - Tax (T) ✓
 - Imports (M) ✓ (2 x 1) (2)
- (Accept any other correct relevant answer)

2.1.2 What is the relationship between investment and the multiplier?

- Positive relationship – The more people or businesses invest, the bigger the multiplier become. ✓✓
 - A small change in expenditure will lead to a big difference in income. ✓✓ (1 x 2) (2)
- (Accept any other correct relevant answer)

2.2 DATA RESPONSE

2.2.1 Identify the method that was used to calculate the Gross Domestic Product as depicted by the above table.

Expenditure method ✓ (1)

2.2.2 Why is GDP always calculated at constant prices and not current prices?

Current prices include inflation figures which increase the GDP figures unnaturally and do not give a real version of the economic growth. ✓ (1)

2.2.3 Briefly describe the term *Gross National Product*.

All goods and services produced by citizens of our country, even if they do not currently live in South Africa. ✓✓ (2)

(Accept any other correct relevant answer)

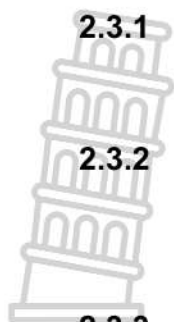
2.2.4 Use the data in the table above to calculate the value of aggregated income for the fourth quarter of 2022.

$$\begin{aligned} & C + I + G + (X - M) \\ &= 3\,076\,029 + 1\,157\,032 + 896\,814 + (1\,245\,371 - 1\,346\,876) \\ &= R\,6\,375\,246. \quad \checkmark\checkmark \end{aligned} \quad (2)$$

2.2.5 Explain why the government is a very important participant in the business cycle.

- Provide public goods and services. ✓✓
 - Manage the economy. ✓✓
 - Take care of the environment. ✓✓
 - Collect taxes and care for the poor. ✓✓ (2 x 2) (4)
- (Accept any other correct relevant answer)

2.3 DATA RESPONSE



2.3.1 Which period do the South African economy find itself as depicted by the above cartoon?
Downswing period ✓ (1)

2.3.2 When is an economy officially in recession?
When the economy experience two consecutive quarters of negative growth. ✓ (1)
(Accept any other correct relevant answer)

2.3.3 Briefly describe the term *leading indicator*.
Leading indicator always reaches its turning point before the economy reaches it's turning point, e.g., gold price. ✓✓ (2)
(Accept any other correct relevant answer)

2.3.4 Explain how interest rate changes can affect the demand for a product.
• When interest rates rise, consumers will buy less and save more. ✓✓
• Lower interest rates mean that the consumer will buy more and save less. ✓✓ (2)
(Accept any other correct relevant answer)

2.3.5 How did the Keynesian (endogenous) school of thought affect the business cycle?
• Through direct links and mismatches. ✓✓
• They believe that markets are inherently unstable. ✓✓
• The government must intervene to correct this instability because the market does not regulate itself. ✓✓
• Interest rates must increase if investment is more than savings and vice versa. ✓✓ (2 x 2) (4)

2.4 How wil businesses respond to the different phases in the business cycle?

Prosperity phase

- All skilled workers are employed. ✓✓
- Production increases to maximum. ✓✓
- Income of employees increases. ✓✓
- Producers are buying new machines and productivity is high. ✓✓

Recession

- Employment of skilled workers is declining. ✓✓
- Layoffs happen sporadically as production declines. ✓✓
- Incomes of workers decrease due to a high debt burden of producers and increased interest rates that make repayments difficult. ✓✓

Depression

- Further layoffs of employees are taking place. ✓✓
- Production decreases to a minimum due to decreasing consumer demand. ✓✓
- Producers employ skilled workers to perform unskilled work. ✓✓
- Producers repossess capital goods from consumers due to default. ✓✓

Recovery phase

- Producers become positive and slowly start producing more. ✓✓
 - Machines are serviced and new stock is produced. ✓✓ (4 x 2) (8)
- (Accept any other correct relevant answer)

2.5 Explain, without the use of a graph, the effect of the multiplier on the goods and factor market.

- A small change in spending leads to a proportionately large change in income. ✓✓
 - Change in spending leads to greater production on the goods and services market. ✓✓
 - A small change in spending by each participant will result in more workers being employed in the factor of production market. ✓✓
 - Labor will increase to answer the increased production. ✓✓
 - Higher employment will lead to higher income and spending. ✓✓ (2 x 4) (8)
- (Accept any other correct relevant answer)



QUESTION 3: MACROECONOMICS

40 MARKS – 30 MINUTES

3.1 Answer the following questions:



3.1.1 Name any TWO monetary policy instruments.

- Repo rate ✓
- Open market transactions ✓
- Cash reserve ✓
- Moral persuasion ✓
- Current stability ✓

(2 x 1) (2)

3.1.2 Why does the level of economic activity usually vary?

- Economic activities such as, buying and selling, do not always remain the same. When income changes – the level of buying and selling also changes. ✓✓
 - Economic activities are also affected by many other factors such as, the repo rate, decrease, buying will increase again. ✓✓ (1 x 2) (2)
- (Accept any other correct relevant answer)

3.2 DATA RESPOSE

3.2.1 Name ONE variable of the budget.

- Debt ✓
 - Tax income ✓
- (Accept any other correct relevant answer)



(1)

3.2.2 When does the financial year of the South African government end?

31 March ✓

(1)

3.2.3 Briefly describe the term *budget*.

- A budget is a document showing anticipated revenue and estimated expenditure. ✓✓
 - A budget is a calculation plan, usually but not always financial, for a defined period, whether one year or a month. ✓✓ (2)
- (Accept any other correct relevant answer)

3.2.4 How does the public debt affect the Gross Domestic Product?

- Economic growth decreases as public debt increases. ✓✓
 - Debt affects GDP negatively. ✓✓ (2)
- (Accept any other correct relevant answer)

3.2.5 How will corruption negatively affect the socio-economic rights of people?

- Less taxes are collected to help the poor. ✓✓
 - Corruption prevents money from being used for what it was budgeted for. ✓✓
 - When people enrich themselves, public goods and services are not provided efficiently. ✓✓
 - Basic rights such as education and health are neglected because there is not enough money left to provide goods and services needed even though the government has budgeted for it. ✓✓ (4)
- (Accept any other correct relevant answer)

3.3 DATA RESPONSE



3.3.1 Name ONE sub-account of the current account.

- Goods ✓
- Gold ✓
- Services ✓
- Income ✓
- Current transfers ✓

(Accept any other correct relevant answer)

(1)

3.3.2 Which item in the Balance of payment account records transactions relating to people who immigrate?

Capital transfer account ✓

(1)

3.3.3 Briefly describe the term *trade balance*.

The value of exports minus imports. ✓✓

(Accept any other correct relevant answer)

(2)

3.3.4 How does loadshedding contribute to a deficit on the current account?

- Loadshedding causes less production to take place domestically. ✓✓
- Imports increase, causing a deficit on the current account. ✓✓

(Accept any other correct relevant answer)

(2)

3.3.5 Why will a too strong exchange rate have a negative effect on the current account balance?

- Exchange rates are calculated by dividing export prices by import prices. ✓✓
 - A strong terms of trade means that export prices are much higher than import prices - when products become more expensive, foreign countries will buy less of them, which will cause incomes to fall. ✓✓
- (2 x 2)

(4)

3.4 Discuss how a deficit on the balance of payments account can be corrected.

- Under a floating exchange rate regime, the current account balance will self-correct. ✓✓

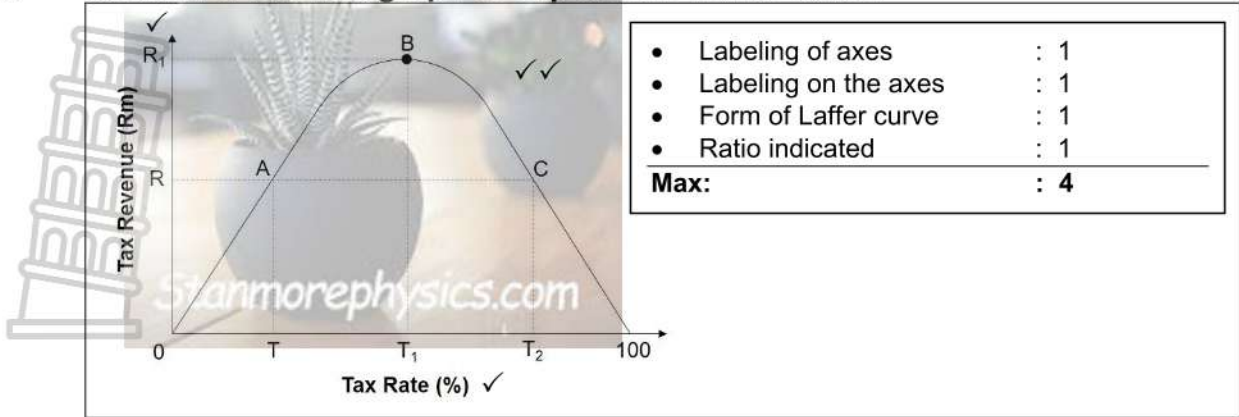
When the deficit is large and persistent, the following policies can be used to reduce the deficit:

- Exports can be promoted through higher productivity and increased export volumes. ✓✓
- Expenditure-reducing policies such as, increasing taxes or interest rates can be adopted to curb the income of citizens so that less is spent on imports. ✓✓
- Imports can be reduced through selected trade restrictions. ✓✓
- Foreign exchange controls can be implemented to retain the flow of foreign exchange. ✓✓
- Currency can be devalued to make imports more expensive for domestic consumers. ✓✓
- International assistance can be obtained from institutions such as the World Bank and the IMF, to reduce BOP through aid, grants and loans. ✓✓ (4 x 2)

(Accept any other correct relevant answer)

(8)

3.5 Use a well labelled graph to explain the Laffer-curve.

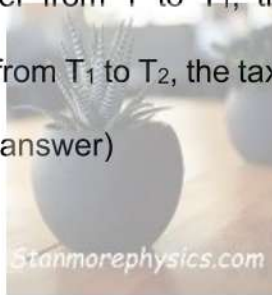


- The vertical axis depicts the tax revenue while the horizontal axis depicts the tax rate. ✓✓
- When the tax rate is 0%, the revenue is also 0. ✓✓
- When the tax rate increases from 0% to T, the tax revenue earned will increase from 0 to R. ✓✓
- If the tax rate increases further from T to T₁, the tax revenue earned will increase from R to R₁. ✓✓
- If the tax rate increases further from T₁ to T₂, the tax revenue will decrease from R₁ to R. ✓✓

(Max 4)

(8)

(Accept any other correct relevant answer)



QUESTION 4: MACROECONOMICS

40 MARKS – 30 MINUTES

4.1 Answer the following questions:



4.1.1 List TWO examples of the product market.

- Non-durable goods ✓
- Goods and services ✓
- Semi-durable goods ✓
- Services (invisible goods) ✓

(Any 2 x 1) (2)

(Accept any other correct relevant answer)

4.1.2 Why is the amplitude of a business cycle important?

Amplitude is the difference in the value of total output between a peak and a trough. ✓✓

(1 x 2) (2)

(Accept any other correct relevant answer)

4.2 DATA RESPONSE

4.2.1 Name any other economic indicator that can be used for forecasting.

- Indicators ✓
- Length of the business cycle ✓
- Amplitude ✓
- Trendline ✓
- Extrapolation ✓
- Moving average ✓



(1)

4.2.2 What impact will a downgrading of South Africa's credit rating have on its economy?

- The cost of borrowing and servicing of debt will increase. ✓
- The government will either have to cut back on social spending or tax more. ✓
- Reduction in disposable income for many. ✓

(1)

4.2.3 Briefly describe the term extrapolation.

- Estimate something unknown from facts or information that is known. ✓✓
- Known information is used to calculate the unknown. ✓✓

(2)

4.2.4 List TWO economic features that are associated with the depression phase of a business cycle.

- Unemployment ✓
- Spending declines ✓
- Firms earn less revenue ✓
- Interest rates increase ✓

(Any 2 x 1) (2)



4.2.5 Calculate the five-year moving average from the above information.

$5 + 8 + 9 + 11 + 4 = 37 \div 5 = 7,4 \checkmark$ $7,4 \checkmark, 7,6 \checkmark, 8 \checkmark, 8,4 \checkmark$

$8 + 9 + 11 + 4 + 6 = 38 \div 5 = 7,6 \checkmark$ **OR**

$9 + 11 + 4 + 6 + 10 = 40 \div 5 = 8 \checkmark$

$11 + 4 + 6 + 10 + 11 = 42 \div 5 = 8,4 \checkmark$

(4)

4.3 DATA RESPONSE



4.3.1 Name the missing sector in the diagram above to make the economy closed.
Government / State / Public sector ✓ (1)

4.3.2 List ONE example of money flow in the diagram.
• Wages ✓
• Rent ✓
• Dividends ✓ (1)

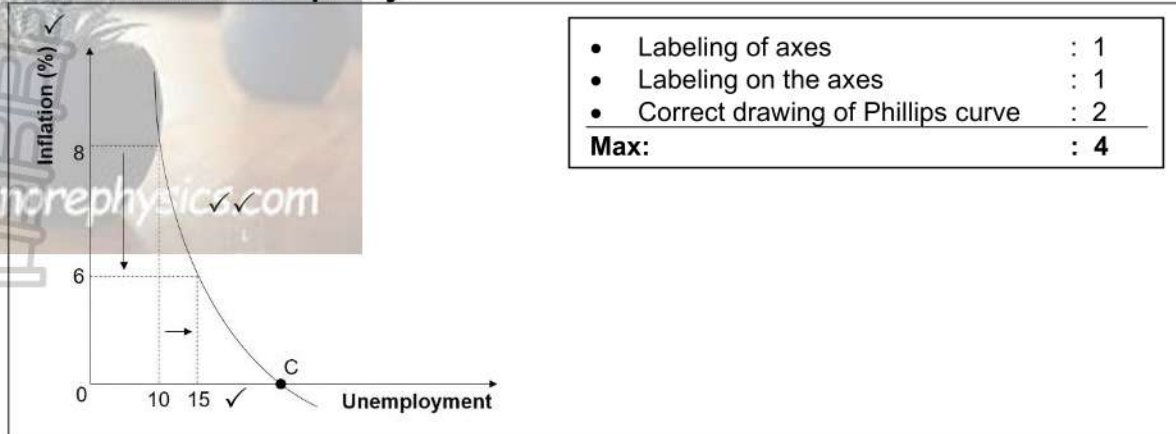
4.3.3 Briefly describe the term *current transfers*.
Money received without any consideration e.g., pension funds. ✓✓ (2)
(Accept any other correct relevant answer)

4.3.4 What contributions can firms make to improve the functioning of the economy?
• Produce goods and services to satisfy the consumer's needs. ✓✓
• Buys factors of production from households and compensates them for enabling households to participate in the economy again. ✓✓
• Paying taxes to the government with which the poor can be cared for and economically empowered them by doing so. ✓✓ (2)
(Accept any other correct relevant answer)

4.3.5 Explain the purpose of the System of National Accounts as set out by the United Nations.
• To prove that the real flow will always be equal to the money flow. ✓✓
• Money flow is calculated by equating the national income or expenditure account with the production account. ✓✓
• These three accounts are calculated separately, but their final totals balance. ✓✓ (2 x 2) (4)
(Accept any other correct relevant answer)



4.4 With the aid of a well labelled graph explain the Phillips curve as an instrument of the demand-side policy.



- Phillips curve shows the relationship between inflation and unemployment (negative relationship). ✓✓
- Suppose the inflation rate is 8%, then the unemployment rate is 10%. ✓✓
- Suppose the inflation rate lower to 6%, then the unemployment rate will increase to 15%. ✓✓
- C = natural unemployment rate of a country. ✓✓ (Max 4) (8)

4.5 An international company invests R 5 million in a South African business. Calculate the multiplier effect of this investment on our economy if the marginal propensity to save (mps) is 0,2. Show ALL calculations.

Step 1:

$$\frac{1}{mps} = x \text{ (multiplier)} \checkmark$$

$$= \frac{1}{0,2} \checkmark$$

$$= 5 \checkmark \checkmark$$

Step 2:

$$5 \checkmark \times R 5 \text{ million} \checkmark$$

$$= R 25 \text{ million} \checkmark \checkmark$$

∴ An investment of R 5 million will result in an income of R 25 million. (8)

TOTAL SECTION B: [80]

SECTION C

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

Your answer will be assessed as follows:

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

QUESTION 5: MACROECONOMICS

40 MARKS – 40 MINUTES

- **Discuss in detail the main objectives of the public sector in the South African economy.** (26 marks)
- **How can the South African government improve the efficiency of service delivery?** (10 marks)

[40]

INTRODUCTION:

- The government responds to market failure by establishing and maintaining state-owned enterprises to provide public goods and services. ✓✓

(Accept any other correct relevant introduction)

(Max. 2)

BODY: MAIN PART:

Economic Growth ✓

- An increase in the production of goods and services by the economy. ✓✓
- It is measured in terms of an increase in the real gross domestic product. ✓✓
- Real GDP is the value of goods produced in the country after the effects of inflation have been taken into account. ✓✓
- For economic development to occur, the economic growth rate must be higher than the population growth rate. ✓✓
- A high economic growth rate also means there will be fewer people who are dependent on the state to satisfy their basic needs. ✓✓
- The state tries to ensure that there is continual growth in this capacity because it leads to an improvement in the standard of living. ✓✓

Full Employment ✓

- Attaining high levels of employment is one of the most important economic objectives for all governments. ✓✓
- Full employment means that all persons who would like to work and who are looking for work, should be able to find work or create work for themselves. ✓✓
- The unemployment rate increased over the past few years and above 30% after Covid-19 pandemic. ✓✓
- Informal sector activities must be promoted because it is an area where employment increases. ✓✓
- In the short-run, the state accelerates employment creation through direct employment schemes, targeted subsidies and expansionary macroeconomic packages. ✓✓
- Over the medium term the state support labour-intensive activities in the agricultural and light manufacturing sectors. ✓✓
- Over the longer run, as full employment is achieved, the state supports knowledge-intensive and capital-intensive sectors to remain competitive. ✓✓

Exchange Rate Stability / Balance of Payments (BoP) Equilibrium ✓

- Depreciation and appreciation of a currency create uncertainty for producers and traders and should therefore be limited. ✓✓
- Government uses its monetary and fiscal policies to ensure that the exchange rate remains relatively stable for as long as possible. ✓✓
- BoP equilibrium influences the flow of goods, services and capital in a country. ✓✓
- Exchange rate stability has a strong impact on the inflation rate and other macroeconomic variables. ✓✓
- The choice and management of an exchange rate system forms a critical aspect of economic management to protect and encourage competitiveness, macroeconomic stability and growth. ✓✓
- More money inflows into a country result in a surplus on the Balance of Payments account. ✓✓
- The SARB changed the Exchange rate from a Managed floating to a Free- floating exchange rate. ✓✓
- Promoting domestic production will increase exports. ✓✓

Price Stability ✓

- Market economies produce better results in terms of economic growth and employment when prices are relatively stable. ✓✓
- In South Africa relative price stability means that the inflation rate remains within the inflation target of 3 – 6%. ✓✓
- Interest Rates, based on the Repo Rate are the main instruments used to achieve price stability. ✓✓
- The benefit of the inflation target is a greater degree of transparency in monetary policy. ✓✓
- If inflation exceeds the upper limit of the range, the Reserve Bank must consider increasing the interest rate to cool down the heated economy. ✓✓

Economic Equity ✓

- A redistribution of income and wealth is essential in market economies. ✓✓
- There are sections of society that earn a large amount of money while others earn very little. ✓✓
- Progressive income tax and tax on profits, wealth and expenditure are used to finance free social services. ✓✓
- Basic education, primary healthcare, basic economic services and cash grants to poor and other vulnerable people, will enhance economic equity. ✓✓

(Accept any other correct relevant answer)

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

ADDITIONAL PART:

How can the South African government improve the efficiency of service delivery?

- Goods and services should be provided in the desired quantity and quality. ✓✓
- Public goods can be efficiently provided if pareto efficiency is achieved. ✓✓
- Minimising red tape/avoid bureaucracy rules and procedures should be streamlined to minimize the negative impact on the delivery of services. ✓✓
- Increase training effective training must be provided for government official e.g., in-service training, reskilling. ✓✓
- Improve motivation by providing awards to productive workers, financially or payment in kind. ✓✓
- Eliminate corruption put effective monitoring measures in place. ✓✓

(Accept any other correct relevant answer)

(A maximum of 4 marks may be allocated for mere listing of facts) **(Max. 10)**

CONCLUSION:

The state plays a significant role in achieving the macroeconomic objectives by guiding the economy through the national budget. ✓✓

(Accept any other correct higher order conclusion / view) **(Max. 2)**

[40]

- Discuss in detail the reasons for international trade. (26 marks)
- Evaluate the impact of surplus on the balance of payments on the South African economy. (10 marks)

[40]

INTRODUCTION:

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

(Accept any other correct relevant introduction)

(Max. 2)

BODY: MAIN PART:

Demands reasons for international trade ✓

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

Supply reasons for international trade ✓

- Natural resources are unevenly distributed ✓
 - Natural resources are unevenly distributed across the world. ✓✓
 - Each country has its own mix of natural resources that makes it possible to produce certain goods and services more efficiently and at a relatively lower price. ✓✓
 - This makes it possible for some countries to produce certain goods. ✓✓
 - For example, South Africa can export sea food to land locked countries like Zimbabwe because these countries have no direct access to the sea. ✓✓
 - Saudi Arabia is one of the biggest exporters of oil in the world because oil is a natural resource which is unevenly distributed. ✓✓
- Climatic conditions differ ✓
 - Differences in climatic conditions between countries make it possible for some countries to produce certain goods at a lower price than other countries. ✓✓
 - In a water-scarce country like South Africa it is sometimes necessary to import food. ✓✓
 - Many crops can only be grown in certain specific climatic conditions. ✓✓
 - Production of products such as timber, coffee, fruit, meat, maize depends on climatic conditions. ✓✓
 - For example, Brazil is the biggest exporter of coffee in the world because Brazil's climatic conditions are conducive for the production of coffee. ✓✓
- Labour resources are unevenly distributed ✓
 - The quality, quantity and cost of labour differ from country to country. In certain countries labour is cheap and in some it is expensive. ✓✓
 - Some individuals have greater ability and aptitude for certain tasks. ✓✓
 - Some countries have developed and perfected a particular skill and aptitude for the production of a certain commodity, therefore their skills will be imported. ✓✓
 - Some countries have highly skilled labour with high level of productivity and some have semi-skilled labour. ✓✓
 - Countries with skilled labour are able to produce certain goods than those with semi-skilled labour. ✓✓
 - For example, China is the world's biggest exporter. ✓✓
 - It exports electrical machinery, data processing equipment, apparel, textiles, iron, steel, optical and medical equipment. ✓✓
 - These goods require highly skilled labour and high level of productivity. ✓✓
- Technology differs from country to country ✓
 - Some countries have access to technological resources that enable them to produce certain goods and services at a low unit cost. ✓✓
 - Developing countries import capital from development countries. ✓✓
 - The availability of equipment and machinery, and other technological factors all influence the supply of goods and services and thereby contribute to cost differences between countries. ✓✓
 - For example, Japan, USA, South Korea, Germany, England, Russia, Singapore and UAE are some of the world's leading countries in technology. ✓✓
- Specialisation ✓
 - Specialisation results from the division of labour. Given that each worker, or each producer, is given a specialist role, they are likely to become efficient contributors to the overall process of production, and at the finished product. ✓✓

- Hence, specialisation can generate further benefits in term of efficiency and productivity. ✓✓
 - Specialisation can be applied to individuals, firms, machinery and technology, and to whole countries. International specialisation is increased when countries use their scarce resources to produce just a small range of products in high volume. ✓✓
 - Mass production allows a surplus of a good to be produced, which can then be exported. ✓✓
 - This means that goods and resources must be imported from other countries that have also specialised, and produced surpluses of their own. ✓✓
 - When countries specialise, they are likely to become more efficient over time. ✓✓
 - This is partly because a country's producers will become larger and exploit economies of scale. ✓✓
 - For example, South Africa specialises on the production of gold and then export to other countries and then import goods that we don't specialise in. ✓✓
- Capital ✓
 - Capital is expensive and therefore cannot be easily obtained in certain countries. ✓✓
 - Certain machinery may not be mobile or easy to move. ✓✓
 - Capital is not always easily obtained in every country. ✓✓
 - Developed countries have an advantage over developing countries. ✓✓
 - Due to lack of capital, some countries cannot produce certain goods they require. ✓✓
 - The principle of absolute advantage applies ✓
 - In many instances the above factors cause a country to have an absolute advantage in the production of a good or service. ✓✓
 - This means the country can produce that good or service better than anyone else. ✓✓
 - A basis for trade exists since it makes sense for this country to specialise in the production of this good and then trade it for goods that other countries have an absolute advantage in. ✓✓
 - Even if a country has absolute advantage in the production of everything, it doesn't necessarily have to produce everything and be self-sufficient because of the principle of comparative advantages. ✓✓
 - The principle of comparative advantage applies ✓
 - The law states that under certain conditions, two countries can gain from trade if one of them is more efficient than the other in producing everything. ✓✓

(Accept any other correct relevant answer)

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

(Max. 26)



ADDITIONAL PART:

Evaluate the impact of surplus on the balance of payments on the South African economy.

- A positive balance on the balance of payments means that a country's income is more than its expenditure. ✓✓
- Exports bring income to a country, when exports are more than imports it can give a positive balance to the current account. ✓✓
- A positive balance on the current account (balance of payments) can also mean that the exports are more expensive than the imports, although the quantity is not necessarily more. ✓✓
- This means that a country lives within its financial means and does not buy what it cannot afford. ✓✓
- When the balance of payments is positive, it also means that a country does not have to borrow from other countries. – Less money flows out of the country and more can be spent domestically. ✓✓
- A positive balance of payments can also mean that the country's currency is overvalued. ✓✓

(Accept any other correct relevant answer)

(A maximum of 4 marks may be allocated for mere listing of facts)

(Max. 10)

CONCLUSION:

By developing and exploring their domestic scarce resources, countries can produce a surplus, and trade this for the resources they need. ✓✓

(Accept any other correct higher order conclusion / view)

(Max. 2)

[40]

TOTAL SECTION C: [40]

GRAND TOTAL: [150]

