



Province of the
EASTERN CAPE
EDUCATION

**NATIONAL
SENIOR CERTIFICATE**

GRADE 11

NOVEMBER 2020

**ECONOMICS P1
(EXEMPLAR)**

MARKS: 150

TIME: 2 hours



This question paper consists of 12 pages.

INSTRUCTIONS AND INFORMATION

1. Answer FOUR questions as follows in the ANSWER BOOK:
SECTION A: COMPULSORY
SECTION B: Answer any TWO of the three questions
SECTION C: Answer ONE of the two questions
2. Answer only the required number of questions. Answers in excess of the required number will NOT be marked.
3. Number the answers correctly according to the numbering system used in this question paper.
4. Write the question number above each answer.
5. Read the questions carefully.
6. Start EACH question on a NEW page.
7. Leave 2 – 3 lines between subsections of questions.
8. Answer the questions in full sentences and ensure that the format, content and context of your responses comply with the cognitive requirements of the questions.
9. Use only black or blue ink.
10. You may use a non-programmable pocket calculator.
11. Write neatly and legibly.

SECTION A: (COMPULSORY)**30 MARKS – 20 MINUTES****QUESTION 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 (1.1.11–1.1.8) in the ANSWER BOOK, for example 1.1.9 D.

1.1.1 Resources are called ... in the production process.

- A inputs
- B outputs
- C intermediate goods
- D final goods

1.1.2 When Walmart invested in Massmart it was called ...

- A capital widening.
- B capital deepening.
- C foreign direct investment.
- D economic growth.

1.1.3 An advantage of the centrally controlled economy is ...

- A choice.
- B innovation.
- C risk.
- D full employment.

1.1.4 In comparing the GDP of one year with that of another year, the ... is used.

- A GDP at current prices
- B GDP at market prices
- C GDP at constant prices
- D GDP at fixed cost

1.1.5 The ... is used to measure the standard of living in a country.

- A level of per capita income
- B inflation level
- C balance of payments
- D circular flow

1.1.6 Food security renders ... a vital industry.

- A energy
- B agriculture
- C water
- D retail

1.1.7 A company that generates fuel from coal is.

- A Caltex
- B Shell
- C Engen
- D Sasol

1.1.8 The ... is the price at which the South African Reserve Bank lends money to other banks.

- A prime lending rate
- B repurchase rate
- C profit
- D dividend

(8 x 2) (16)

1.2 Choose a description from COLUMN B that matches the item in COLUMN A. Write only the correct 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 MTEF	A Enterprises which are controlled by the authorities/state
1.2.2 Disinvestment	B State intervention to protect workers against unfair labour practices
1.2.3 Primary sector	C The relationship between input and output
1.2.4 State owned enterprises	D A policy aimed at increasing the ownership of agricultural land of black people in the economy
1.2.5 Minimum wages	E A process where foreign countries withdraw their businesses from a country
1.2.6 Land Redistribution Programme	F This document outlines how government proposes to finance its expenditure in a given period
1.2.7 Productivity	G The sum total of factor income in a country
1.2.8 National Income	H Are involved in the production or extraction of raw materials
	I Black Economic Empowerment

(8 x 1) (8)

1.3 Give ONE term/word for each of the following descriptions. Write only the term/word next to the question numbers (1.3.1–1.3.6) in the ANSWER BOOK. NO ABBREVIATIONS or acronyms will be accepted.

1.3.1 Income per member of the population of a country

1.3.2 This sector is associated with activities that include street sales and handicrafts

1.3.3 GDP at basic prices, plus taxes on products, minus subsidies on products

1.3.4 Policy that the Reserve Bank uses to influence the supply of money and interest rates

1.3.5 An economy that does not include the foreign countries

1.3.6 Movement of people from rural areas to urban areas (6 x 1) (6)

TOTAL SECTION A: 30

SECTION B**QUESTION 2: MACROECONOMICS****40 MARKS – 30 MINUTES**

2.1 Answer the following questions:

2.1.1 Name any TWO factors that influence the price of natural resources. (2 x 1) (2)

2.1.2 Why are imports not included in domestic expenditure? (1 x 2) (2)

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

TAXI RECAPITALISATION PROGRAMME (TRP)

The TRP is an intervention by Government, as part of its infrastructure development programme, to bring about safe, effective, and accessible taxi operations by introducing new taxi vehicles designed to undertake public transport functions in the taxi industry. The TRP is not only about scrapping old taxi vehicles, but also about how best to help operators to benefit constructively through empowerment. The compulsory requirements are also meant to ensure passenger comfort.

[Source: SAYearbook 2018]

2.2.1 Name any other form of transport. (1)

2.2.2 Which agency is responsible for constructing and maintaining national roads in South Africa? (1)

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

2.2.4 Explain the economic importance of transport to the economy. (2)

2.2.5 How can the South African government improve the functioning of public transport in the country? (4)

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



[Adapted from: Google images]

- 2.3.1 Name any personal characteristic of an entrepreneur. (1)
- 2.3.2 What is the remuneration that an entrepreneur receives? (1)
- 2.3.3 Briefly describe the term *entrepreneur*. (2)
- 2.3.4 Explain the role of an entrepreneur in the economy. (2)
- 2.3.5 How will government interventions in the market affect the remuneration of an entrepreneur? (4)
- 2.4 Discuss the role of households in an open circular flow. (4 x 2) (8)
- 2.5 How successful has the South African government been in delivering socio-economic services? (8)

[40]

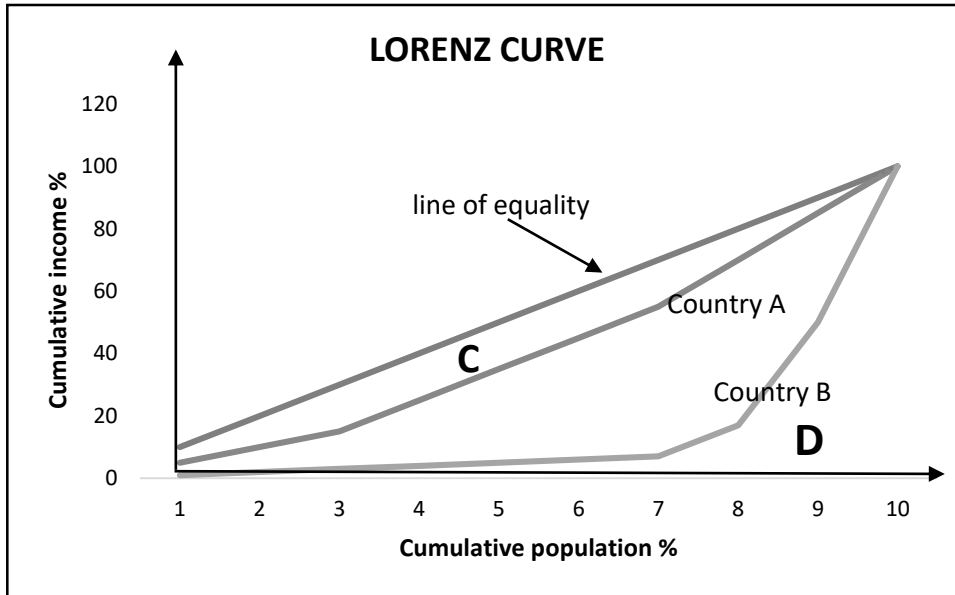
QUESTION 3: ECONOMIC PURSUITS**40 MARKS – 30 MINUTES**

3.1 Answer the following questions:

3.1.1 Name any TWO functions of the Central Bank. (2 x 1) (2)

3.1.2 Why was money introduced as a medium of exchange? (1 x 2) (2)

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



[Adapted from Focus Economics]

3.2.1 Identify a country with the most unequal distribution from the graph above. (1)

3.2.2 What does a *Gini coefficient of zero* mean? (1)3.2.3 Briefly describe the term *Lorenz curve*. (2)

3.2.4 Explain the relationship between the Lorenz curve and the Gini coefficient. (2)

3.2.5 Suppose the area between Country A and the line of equality (**C**) is 20 and the total area (**C + D**) below the line of equality is 100. Calculate the Gini coefficient. Show ALL calculations. (4)

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

SOUTH AFRICA'S HDI RANKING

South Africa boasts of a highly developed economy and advanced infrastructure. It is a significant player on the African continent.

However, development has slowed down, and the nation has one of the highest inequality rates in the world.

Global ranking:	113
Life expectancy:	63,4
GDP:	349,4 billion USD
Gross National Income Per Capita:	USD 11,923
HDI ranking in Africa:	8

[Adapted from: africanexponent.com]

- 3.3.1 Name any characteristic of developing countries. (1)
- 3.3.2 Which indicator is used in measuring HDI? (1)
- 3.3.3 Briefly describe the term *economic development*. (2)
- 3.3.4 Explain the use of per capita figures. (2)
- 3.3.5 How can the South African government improve the quality of human resource? (4)
- 3.4 Briefly discuss the importance of indigenous knowledge systems. (4 x 2) (8)
- 3.5 Evaluate the Reconstruction and Development Programme as a development strategy in South Africa. (8)
- [40]**

QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS**40 MARKS – 30 MINUTES**

4.1 Answer the following questions:

- 4.1.1 Name any TWO methods used to calculate the Gross Domestic Product. (2 x 1) (2)
- 4.1.2 Why is wealth more important than income? (1 x 2) (2)

4.2 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	4 523 580
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]

- 4.2.1 Give an example of taxes on products. (1)
- 4.2.2 What does compensation of employees consist of? (1)
- 4.2.3 Briefly describe the term *current prices*. (2)
- 4.2.4 Explain the purpose of subsidies on production. (2)
- 4.2.5 Calculate the consumption of fixed capital as a percentage of the GVA at factor cost for 2019. Show ALL calculations. (4)

4.3 Read the extract and answer the questions that follow.

A decade to achieve NDP Vision

The year 2020 marks the 26th year of democracy in South Africa and that we have only 10 years remaining to achieve a vision as outlined in the national development plan (NDP).

The plan sets out year-on-year targets to be achieved by the government. These include dismantling the structural economic elements that remain unchanged and continue to undermine economic growth endeavours, among others.

[Source: Adapted from <https://mg.co.za/article/>]

- 4.3.1 What is the main aim of the NDP? (1)
- 4.3.2 In which year is the NDP aiming to achieve its objective? (1)
- 4.3.3 Briefly describe the term *economic growth*. (2)
- 4.3.4 Explain the negative effect the NDP can have on taxpayers. (2)
- 4.3.5 How will the South African economy benefit from the implementation of the NDP? (2 x 2) (4)
- 4.4 Discuss the economic importance of the tertiary sector (4 x 2) (8)
- 4.5 Analyse South Africa's constraints to economic growth. (8)
- [40]**

TOTAL SECTION B: 80

SECTION C

Answer any ONE question of the TWO questions 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 would be to define a concept or key word that appears in the question. • 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 the body. 	Max. 2
Body: 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	Max. 26 Max. 10
Conclusion: <ul style="list-style-type: none"> • The conclusion is a wrap up of the discussion of the topic in the body and should be treated as a higher order response. • The conclusion can take the form of an own opinion, examples to support your discussion or contradictory viewpoint from what has been discussed. • No aspect from either the introduction or body should be included in the body 	Max. 2
TOTAL:	40

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

- Discuss in detail a mixed economy under the following headings:
 - Characteristics (26)
 - Disadvantages (26)
- How does a mixed economy benefit its population? (10) **[40]**

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

- Discuss in detail the monetary policy instruments. (26)
- How successful is the SARB in stabilising prices on the different markets as its main objective. (10) **[40]**

TOTAL SECTION C: 40
GRAND TOTAL: 150



Province of the
EASTERN CAPE
EDUCATION

**NATIONAL
SENIOR CERTIFICATE**

GRADE 11

NOVEMBER 2020

**ECONOMICS P1
MARKING GUIDELINE
(EXEMPLAR)**

MARKS: 150

This marking guideline consists of 15 pages.

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

1.1.1 A ✓✓ inputs

1.1.2 C ✓✓ foreign direct investment

1.1.3 D ✓✓ full employment

1.1.4 C ✓✓ GDP at constant prices

1.1.5 A ✓✓ level of per capita income

1.1.6 B ✓✓ agriculture

1.1.7 D ✓✓ Sasol

1.1.8 B ✓✓ repurchase rate (8 x 2) (16)

1.2 MATCHING ITEMS

1.2.1 F ✓ This document outlines how government proposes to finance its expenditure in a given period

1.2.2 E ✓ A process where foreign countries withdraw businesses from a country

1.2.3 H ✓ Are involved in the production or extraction of raw materials

1.2.4 A ✓ Enterprises which are controlled by the authorities/state

1.2.5 B ✓ State intervention to protect workers against unfair labour practices

1.2.6 D ✓ A policy aimed to increase the ownership of agricultural land of black people in the economy

1.2.7 C ✓ The relationship between input and output

1.2.8 G ✓ The sum total of factor income in a country (8 x 1) (8)

1.3 **GIVE ONE TERM**

1.3.1 Per capita income ✓

1.3.2 Informal sector ✓

1.3.3 Gross Domestic Product at market prices ✓

1.3.4 Monetary policy ✓

1.3.5 Closed economy ✓

1.3.6 Urbanisation ✓

(6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

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

QUESTION 2: MACROECONOMICS

2.1 2.1.1 **Name any TWO factors that influence the price of natural resources.**

- supply and demand ✓
- climate ✓
- location ✓
- quality of resources ✓
- technology ✓

(Any 2 x 1) (2)

2.1.2 **Why are imports not included in domestic expenditure?**

- It is because they do not form part of domestic production. ✓✓
- The income from their purchases is spent in other countries and not locally. ✓✓

(Accept any other correct relevant response)

(Any 1 x 2) (2)

2.2 DATA RESPONSE

2.2.1 **Name any other form of transport.**

- Rail transport ✓
- Air transport ✓
- Water transport ✓

(Any 1 x 1) (1)

2.2.2 **Which agency is responsible for constructing and maintaining national roads in South Africa?**

South African National Roads Agency (SANRAL) ✓

(1)

2.2.3 **Briefly describe the term *infrastructure*.**

- Infrastructure are the basic facilities, services and installations needed for the functioning of an economy, such as buildings, roads and power supply that enable productivity. ✓✓

(Accept any other correct relevant response)

(2)

2.2.4 **Explain the economic importance of transport to the economy.**

- Transport brings the consumer and the manufacturer together. ✓✓
- It makes a valuable contribution to the gross domestic product of the country. ✓✓
- It helps grow tourism. ✓✓
- It provides employment. ✓✓

(Accept any other correct relevant response)

(Any 1 x 2) (2)

2.2.5 How can the South African government improve the functioning of public transport in the country?

The government can improve public transport by:

- Making it easy to use public transport by improving public vehicle design and using off – vehicle fare. ✓✓
- Municipalities working closely with minibus taxis and information systems to manage operations better. ✓✓
- Working with companies developing innovative apps to offer shuttle type solutions to large employers instead of them providing parking for employees. ✓✓
- Reduce traffic congestion by providing dedicated lanes for public transport. ✓✓
- Regulating public transport fares. ✓✓

(Accept any other relevant correct response) (Any 2 x 2) (4)

2.3 DATA RESPONSE

2.3.1 Name any personal characteristic of an entrepreneur.

- Good communication skills ✓
- Good people skills ✓
- Willingness to take calculated risks ✓
- High level of creativity and innovation ✓

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

2.3.2 What is the remuneration that an entrepreneur receives?

Profit ✓ (1)

2.3.3 Briefly describe the term *entrepreneur*.

- A person who takes the risk of starting and financing a new business to satisfy the needs and wants of consumers by effectively combining the other factors of production to make a profit. ✓✓

(Accept any other relevant correct response) (2)

2.3.4 Explain the role of an entrepreneur in the economy.

- Entrepreneurs satisfy the needs and wants of consumers by providing the goods and services that consumers require. ✓✓
- They serve as a market for the natural resources or raw material. ✓✓
- They provide income to owners of factors of production. ✓✓

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

2.3.5 How will government interventions in the market affect the remuneration of an entrepreneur?

- The remuneration will increase when the government pays the entrepreneur a subsidy for the production of an essential good which will reduce the costs of production. ✓✓
- The remuneration will decrease when the government implements the minimum wage which will increase the costs of production. ✓✓
- Entrepreneurs are dependent on different measures eg. lowering taxation. ✓✓

(Accept any other relevant correct response) (Any 2 x 2) (4)

2.4 Discuss the role of households in an open circular flow.

- Households are the major consumers of economic goods and services – they use their income to buy from firms. ✓✓
- Households are the primary economic participants because they are the owners of the four factors of production. ✓✓
- Households sell factors of production in the factor market to firms. ✓✓
- Households receive a remuneration from the firms in the form of wages, rent, interest and profit. ✓✓

(Accept any other relevant correct response) (4 x 2) (8)

2.5 How successful has the South African government been in delivering socio-economic services

The SA government has been successful in delivering socio-economic service in the following ways:

- Provision of free basic education and making it a priority through its Early Childhood Development to ensure that all children get access to education. ✓✓
- Provision of free healthcare through its public health clinics and hospitals which is accessible to the all citizens ✓✓
- Provision of social grant benefit to millions of poor South Africans. ✓✓
- Provision of nutritional meals to many public schools in the country ✓✓
- Many households have electricity installed and access to clean water and sanitation.
- Millions of families had houses built for them. ✓✓
- Government has made considerable effort in creating employment through its Expanded Public Works Programme (EPWP) ✓✓
- There have been efforts to boost agriculture and food security in rural areas through different projects by the Department of Agriculture. ✓✓

The government has not been successful in the following ways:

- The number of people who are unemployed has increased in recent years ✓✓
 - Corruption has hindered service delivery in the country ✓✓
 - The poor state of healthcare centres with dire shortages ✓✓
 - Increase in poverty levels as more people find themselves without jobs ✓✓
- (Accept any other correct relevant response)

(8)
[40]

QUESTION 3 ECONOMIC PURSUITS**3.1 3.1.1 Name any TWO functions of the Central Bank.**

- It is a banker to commercial banks ✓
- A banker to the government ✓
- A custodian of gold and foreign exchange reserves ✓
- Provides economic and statistical services ✓ (Any 2 x 1) (2)

3.1.2 Why was money introduced as a medium of exchange?

- To simplify trade. ✓✓
- To overcome the shortcomings of barter system ✓✓
(Accept any other correct relevant response) (Any 1 x 2) (2)

3.2 DATA RESPONSE**3.2.1 Identify a country with the most unequal distribution from the graph above.**

Country B ✓

(1)

3.2.2 What does a Gini coefficient of zero mean?

It means equal distribution of income/ perfect equality.

(1)

3.2.3 Briefly describe the term *Lorenz curve*.

A graph showing the distribution of income (or wealth) within an economy. ✓✓

(Accept any other correct relevant response)

(2)

3.2.4 Explain the relationship between the Lorenz curve and the Gini-coefficient.

- The more unequal a country's income distribution, the further its Lorenz curve is from the 45 degree line and the higher its Gini coefficient ✓✓
- If there is perfect quality, the Lorenz curve will be the same as the 45 degree line and the Gini coefficient will be zero ✓✓
(Accept any other correct relevant response) (Any 1 x 2) (2)

3.2.5 Suppose the area between Country A and the line of equality (C) is 20 and the total area (C + D) below the line of equality is 100. Calculate the Gini coefficient. Show all calculations.

$$\begin{aligned} \text{Gini co-efficient} &= C / C + D \checkmark \\ &= 20 / 100 \checkmark \\ &= 0,2 \checkmark\checkmark \end{aligned}$$

(Max. 2 marks for answer only)

(4)

3.3 DATA RESPONSE

3.3.1 Name any characteristic of developing countries.

- Low standard of living ✓
- Low per capita income ✓
- Unequal distribution of income ✓
- Low life expectancy ✓
- Lack of education ✓

(Accept any other correct relevant response)

(Any 1 x 1) (1)

3.3.2 Which indicator is used in measuring HDI?

- Life expectancy ✓
- Education ✓
- GDP per capita ✓

(Accept any other correct relevant response)

(Any 1 x 1) (1)

3.3.3 Briefly describe the term *economic development*.

- It is an improvement in the standard of living of the people of a country. ✓✓

(Accept any other correct relevant response)

(2)

3.3.4 Explain the use of per capita figures.

- To measure standard of living in a country. ✓✓
- To compare prosperity levels of different countries. ✓✓

(Accept any other relevant correct response)

(Any 1 x 2) (2)

3.3.5 How can the South African government improve the quality of human resource?

The government can:

- invest in quality education ✓✓
- provide in-service training ✓✓

(2 x 2)

(4)

3.4 Briefly discuss the importance of indigenous knowledge systems.

- It is seen as the key to sustainable social and economic development. ✓✓
- Provides a productive framework for activities aimed to help communities. ✓✓
- Offers problem-solving plans or strategies for local communities, especially the poor. ✓✓
- Represents an important contribution to global development knowledge. ✓✓

(4 x 2) (8)

3.5 Critically evaluate the Reconstruction and Development Programme as a development strategy in South Africa.

Positive:

- was a labour-intensive public works programme ✓✓
- assisted in the reduction of poverty by providing more employment ✓✓
- it was a socio-economic policy framework that went through as a golden thread in every government plan ✓✓
- assisted in the development of human resources that the economy needs most for development ✓✓
- assisted in the increase of infrastructure development ✓✓
- promoted the implementation of land reform ✓✓
- helped in the provisioning of houses, water electricity and primary health care ✓✓

Negative:

- Unemployment rate kept on rising up ✓✓
- Poverty and service delivery were never improved ✓✓
(Accept any correct relevant response)

(8)
[40]

QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS

4.1 4.1.1 **Name any TWO methods used to calculate the Gross Domestic Product.**

- Production method ✓
 - Income method ✓
 - Expenditure method ✓
- (Any 2 x 1) (2)

4.1.2 **Why is wealth more important than income?**

- Wealth is more important for understanding social inequality as it generates income, so income inequality depends in part on wealth inequality. ✓✓
- (Accept any other correct relevant response) (1 x 2) (2)

4.2 **DATA RESPONSE**

4.2.1 **Give an example of taxes on products.**

- Vat ✓
 - Excise duties ✓
- (1)

4.2.2 **What does compensation of employees consist of?**

Salaries and wages ✓ (1)

4.2.3 **Briefly describe the term *current prices*.**

- **Current Prices** measures GDP using the actual **prices** we notice in the economy. ✓✓
 - **Current prices** make no adjustment for inflation. ✓✓
- (Accept any other correct relevant response) (2)

4.2.4 **Explain the purpose of subsidies on production.**

- Subsidies on production reduce the production costs for the manufacturer and encourage production of essential products. ✓✓
- (Accept any other correct relevant response) (1 x 2) (2)

4.2.5 **Calculate the consumption of fixed capital as a percentage of the GVA at factor cost for 2019. Show ALL calculations.**

- $713\,078 / 4\,428\,317 \times 100$ ✓✓
 - 16,1% ✓✓
- (Accept any other correct relevant response) (Any 2 x 2) (4)

4.3 **DATA RESPONSE**

4.3.1 **What is the main aim of the NDP?**

- To eliminate poverty and inequality. ✓
- (Accept any other correct relevant response) (1)

4.3.2 In which year is the NDP aiming to achieve its objective?

2030 ✓ (1)

4.3.3 Briefly describe the term *economic growth*.

- It is an increase in the production capacity of a country. ✓✓
(Accept any other correct relevant response) (1 x 2) (2)

4.3.4 Explain the negative effect the NDP can have on taxpayers.

- For implementation of the NDP the state will increasingly need more revenue – more and higher taxation will be needed. ✓✓
- Reduce disposable income even more. ✓✓
- Higher levels of fraud and corruption affecting services to the Poor. ✓✓
(Accept any other correct relevant response) (Any 1 x 2) (2)

4.3.5 How will the South African economy benefit from the implementation of the NDP?

The South African economy will benefit through:

- Reduction of youth unemployment ✓✓
- Providing young people with broader opportunities ✓✓
- Increasing the competitive capacity of the economy ✓✓
- Improving the standard of living of the people ✓✓
- Increasing the pace of industrialisation ✓✓
(Accept any other correct relevant response) (Any 2 x 2) (4)

4.4 Discuss the economic importance of the tertiary sector.

- Contributes to the GDP ✓✓
- Creates job opportunities ✓✓
- It is a source of income for the state ✓✓
- Creates a market for consumer products ✓✓
- Contributes to exports ✓✓
(Accept any other correct relevant response) (Any 4 x 2) (8)

4.5 Analyse South Africa's constraints to economic growth.

- The overvaluation and volatility of South Africa's currency ✓✓
- An inadequate national infrastructure ✓✓
- A shortage of skilled labour ✓✓
- Barriers to entry, limits to competition and limited new investment opportunities ✓✓
- Deficiencies in state organisation, capacity and leadership ✓✓
(Accept any other correct relevant response) (8)

[40]

SECTION C**QUESTION 5: MACROECONOMICS**

- **Discuss in detail a mixed economy under the following headings:**
 - **Characteristics**
 - **Disadvantages**
- **How does a mixed economy benefit its population?**

(26)

(10)

INTRODUCTION

- An economic system is the way in which a country tries to solve the questions of what should be produced, with what and by whom. ✓✓
(Accept any other correct relevant introduction)

(2)

MAIN PART**CHARACTERISTICS OF A MIXED ECONOMY**

- Most of the factors of production are privately owned but the government regulates the ownership. ✓✓
- The state intervenes where market inefficiencies occur to correct market failures. ✓✓
- Competition exists between businesses. ✓✓
- The profit motive plays an important role in the economy. ✓✓
- The public sector provides infrastructure and public services as there is little profit motive for these to be provided by the free market. ✓✓
- The government intervenes in the running of the economy and passes laws to improve the running of the economy, ✓✓ such as the Labour Relations Act and the Basic Conditions of Employment Act. ✓
- The government uses a progressive taxation system to redistribute income. ✓✓
- Private individuals use their own initiatives to manufacture and sell products and services to satisfy consumer's needs and wants. ✓✓
- Democracy and freedom exist. ✓✓

DISADVANTAGES OF A MIXED ECONOMY

- Market failures occur when scarce resources are wasted or exploited due to incorrect production decisions by private businesses. ✓✓
- Environmental deterioration is a problem and labour is often exploited if the role of the state is too small. ✓✓
- Income distribution is not equitable. ✓✓
- A mixed economy faces problems of unemployment, inflation and business cycles. ✓✓
- Because the government controls the legislative process, there is risk that it could provide excessive social and welfare services with excessive taxation of the private sector. ✓✓
- Market economies do not achieve the high levels of efficiency that market economies achieve. ✓✓
- They do not reduce poverty levels speedily. ✓✓
- In mixed economies, state-run enterprises generally don't allow competition, ✓✓ creating monopolies. ✓✓

(Max. 26)

ADDITIONAL PART

- The mixed economy allows the government to safeguard its people and its market through its role in the military, international trade, and national transportation. ✓✓
- The government also manages health care, welfare, and retirement programs. ✓✓
- A mixed economy distributes goods and services to where they are most needed and allows prices to measure supply and demand. ✓✓
- A mixed economy rewards the most efficient producers with the highest profit. That means customers get the best value for their money. ✓✓
- It encourages innovation to meet customer needs more creatively, cheaply or efficiently. ✓✓
- It automatically allocates capital to the most innovative and efficient producers. who in turn, can invest the capital in more businesses like them. ✓✓
- A larger governmental role allows fast mobilisation to areas like defence, technology and aerospace which are often neglected by the market economy ✓✓
- The expanded government role also makes sure less competitive members receive care. ✓✓

CONCLUSION

In reality, it depends on how a mixed economy is managed as even the most strong-willed free market economists will agree that a degree of government intervention is needed in a country. ✓✓

QUESTION 6

- **Discuss in detail the monetary policy instruments** (26)
- **How successful is the SARB in stabilising prices on the different markets as its main objective?** (10)

INTRODUCTION

Monetary policy refers to the measures that the South African Reserve Bank takes to influence the quantity of money supply of the country. ✓✓
(Accept any correct relevant introduction) (Max. 2)

MAIN PART**Interest Rates**

- The interest rate, based on the repo rate, is the main instrument that the SARB uses to implement its monetary policy. ✓✓
- During contraction of economic activities, the SARB will decrease the repo rate in order to stimulate the economy. ✓✓
- Low interest rates will increase consumer spending. ✓✓
- There will be easy access to acquiring loans as they become more affordable. ✓✓
- The supply of money will increase. ✓✓
- Expenditure will also increase and the economy is stimulated. ✓✓
- When there is inflationary pressure, SARB will increase the repo rate and banks will increase the prime lending rate accordingly. ✓✓
- High interest rates will result in people saving their money as they will be receiving higher returns. ✓✓
- There will be less money to spend. ✓✓
- Loans become too expensive. ✓✓
- The supply of money will decrease and inflation will decrease. ✓✓

Cash reserve requirements ✓

- The SARB can also influence the supply of money by changing the percentage of deposits that banks must keep as cash reserves. ✓✓
- When the SARB needs to limit the money supply, it will increase the percentage cash reserves. ✓✓
- This will cause the banks to have less money available for granting credit. ✓✓
- Fewer loans will lead to fewer injections (additions) of money into the economy. ✓✓
- The supply of money will then decrease. ✓✓

Open market transactions ✓

- Open market transactions involve the buying and selling of state securities. ✓✓
- When the SARB wants to limit the supply of money, it sells securities to the banks. ✓✓
- The banks then have less money available for granting loans. ✓✓
- When the SARB wants to increase the supply of money and stimulate the economy, it buys securities from banks. ✓✓
- The money paid by the Reserve bank will then flow into the banks. ✓✓
- The banks can grant more credit, ✓✓ which leads to an increase in the supply of money. ✓✓

Moral suasion ✓

- The SARB can use convincing moral persuasion to ask banks to be more careful with the granting of loans. ✓✓
- The Reserve bank can also use moral suasion to warn consumers not to spend too much and rather to save during times of inflation. ✓✓ (Max. 26)

ADDITIONAL PART

- The CPI breached the upper range of the inflation target during 2014. ✓✓
- SARB has increased interest rates to bring the inflation rate back into lower ranges, thus stabilising prices. ✓✓
- Setting the inflation target of 3 – 6% was a major initiative by the state that helped SARB to stabilize prices. ✓✓
- A decline in international crude oil prices in recent months suppressed global inflationary pressures. ✓✓
- This contributed largely to lower domestic inflation. ✓✓
- favourably affecting Producer price inflation. Due to this the Reserve Bank were able to keep the repo rate unchanged. ✓✓
- PPI for intermediate manufactured goods has a positive impact on the stabilising of prices. ✓✓
- Although the Reserve Bank has been very successful in stabilising prices, certain external factors which influenced the global economy like the World recession has impacted negatively on the SARB efforts in stabilizing prices. ✓✓
- Other factors like disinvestment due to poor governance led to a sharp decline in stability which hampered the stabilising effects of SARB. ✓✓
- The poor value of the Rand on international markets is a major negative contributing factor on the inflation rate due to a major dependency on imports. ✓✓
(Accept any other correct relevant answer)

CONCLUSION

The outbreak of Covid-19 has had a huge impact on the decisions of the Monetary Policy Committee as it tries to stimulate the economy. ✓✓
(Accept any correct higher order conclusion) (2)

TOTAL SECTION C: 40
GRAND TOTAL: 150

