



education

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**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

**ECONOMICS P1
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MARKING GUIDELINES**

MARKS: 150

These marking guidelines consist of 15 pages.

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

- 1.1.1 D ✓✓ – Circular flow
 1.1.2 B ✓✓ – Peak
 1.1.3 A ✓✓ – Local
 1.1.4 C ✓✓ – International Monetary Fund
 1.1.5 D ✓✓ – MERCOSUR
 1.1.6 B ✓✓ – Life expectancy
 1.1.7 C ✓✓ – Industrial development
 1.1.8 A ✓✓ – Public expenditure (8 x 2) (16)

1.2 MATCHING ITEMS

- 1.2.1 D ✓ – systematic and comprehensive record of economic activity.
 1.2.2 G ✓ – general direction in which the economy is moving.
 1.2.3 H ✓ – the public sector provides parks, beaches, ect. where fees are charged to exclude free -riders
 1.2.4 I ✓ – when one country produces goods and services cheaper than another.
 1.2.5 A ✓ – ad valorem or specific taxes on imported goods
 1.2.6 B ✓ – amount of goods and services people consume, which is a function of their income.
 1.2.7 E ✓ – legal ownership of a design or trademark.
 1.2.8 F ✓ – branch offices and factories are established by a business in foreign countries. (8 x 1) (8)

1.3 GIVE THE TERM

- 1.3.1 Consumers/Households ✓
 1.3.2 Monetarists ✓
 1.3.3 Import deposits ✓
 1.3.4 Moral suasion/Persuasion ✓
 1.3.5 Economic Growth ✓
 1.3.6 Labour force ✓ (6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

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

QUESTION 2: MACRO ECONOMICS

2.1 Answer the following questions.

2.1.1 **Name any TWO participants in a closed economy.**

- Households/Consumers ✓
- Business sector/Producers/Firms ✓
- Government/State/Public Sector ✓

(2 x 1) (2)

2.1.2 **Why is it important that the government aims to promote a stable economy?**

- To attract foreign investments. ✓✓
- To achieve economic growth. ✓✓
- To create job opportunities. ✓✓

(Accept any other correct, relevant answer.)

(1 x 2) (2)

2.2 **DATA RESPONSE**

2.2.1 **Which economic participant is referred to in the extract?**

Foreign sector ✓

(1)

2.2.2. **Name ONE other injection in the economy.**

- Government expenditure ✓
- Investment ✓

(1)

2.2.3 **Briefly describe the concept *injection*.**

The use of additional money in the economy through investments, government spending and exports. ✓✓

(Accept any other correct, relevant answer.)

(2)

2.2.4 **Explain the impact of leakages in the economy.**

It has a negative impact, because there is less money for economic activities and can lead to lower economic growth, ✓ e.g. savings, taxes and imports. ✓

(Accept any other correct, relevant answer.)

(Any 1 x 2)

(2)

2.2.5 **How do injections influence employment in the economy?**

- There will be more job opportunities in the tourism sector, because there are more money to invest. ✓✓
- Related industries like taxidermies, hostels, ect. will expand and create more job opportunities. ✓✓
- People in rural areas will have the opportunity to be educated, skilled and employed. ✓✓

(Any 2 x 2)

(Accept any other correct, relevant answer.)

(4)

2.3 DATA RESPONSE

- 2.3.1 **On which date was the Rand the strongest against the Dollar?**
30 June 2019 ✓ (1)
- 2.3.2 **Which type of exchange rate is depicted in the graph?**
Free floating ✓ (1)
- 2.3.3 **Briefly describe the concept *exchange rate*.**
It is the value of a currency of one country in terms of the currency of another country. ✓✓
(Accept any other correct, relevant answer.) (2)
- 2.3.4 **Why is it important for a country to have a stable exchange rate?**
- To attract more foreign investments. ✓✓ (2)
 - To attract more international tourists. ✓✓
(Accept any other correct, relevant answer.)
- 2.3.5 **How will an appreciation of the rand against foreign currencies affect consumers?**
- It decreases the price of goods and services - consumers will import more. ✓✓
 - Lower prices reduce living costs and increase standard of living. ✓✓
 - The gas price will decrease because it is determined by the price of oil, therefore consumers can afford more gas. ✓✓
 - People will rather work in South Africa than emigrate and employment will increase. ✓✓
 - Consumers will invest more, because they can afford shares. ✓✓
 - Consumers will find it more affordable to go overseas. ✓✓
(Accept any other correct, relevant answer.) (Any 2 x 2) (4)

2.4 **Discuss *pricing policy* and *lack of accountability* as problems of public sector provisioning.**

Pricing policy

- Some services by the government are free of charge, ✓ like public health services - tax income is used to pay for these services. ✓
- User charges ✓ - it is difficult for the government to charge the correct prices. ✓
- Some services are paid for by the citizens, ✓ e.g. TV licences. ✓
- Subsidised products, ✓ such as the price of bread, are paid by the government. ✓

(Max 4)

Lack of Accountability

- The government must implement a policy which is supported by ministerial responsibilities and the Auditor General. ✓✓
 - Government employees must take responsibility for their decisions and actions. ✓✓
 - The public held the government responsible for effective service delivery and the implementation of policies. ✓✓
- (Accept any other correct, relevant answer.)
(A maximum of 4 marks may be allocated for mere listing of facts / examples.)

(Max 4)

(8)

2.5 **Evaluate the effectiveness of the methods used to correct the balance of payment's disequilibria.**



The methods to correct the BoP were successful by:

- achieving a satisfactory balance in the current account. ✓✓
- an increase in interest rates decreases the cost of borrowing and the demand for imports will decrease. ✓✓
- implementing import substitution policy which will increase the demand for local goods. ✓✓
- achieving high levels of international competitiveness which help to keep aggregate demand and output levels high. ✓✓

The methods to correct the BoP were unsuccessful by:

- the deficit on the trade balance shows a much bigger increase of imports compared to exports. ✓✓
- import substitution lead to other countries to charge high taxes or sanctions. ✓✓
- a decrease in interest rates decreases the cost of borrowing and the demand for imports will increase. ✓✓

(Accept any other correct, relevant answer.)

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

(8)

[40]

QUESTION 3**3.1 Answer the following questions.****3.1.1 Name TWO indicators relating to the inflation rate.**

- PPI / Production price index ✓
 - CPI / Consumers price index ✓
- (Any 2 x 1) (2)

3.1.2. Why is it important that regional development limits economic centralisation?

- To prevent the negative effects of centralization, ✓ e.g. overpopulation in cities. ✓
 - To prevent over-centralisation of the economy with the promotion of regional development. ✓✓
- (Accept any other correct, relevant answer.) (Any 1 x 2) (2)

3.2 DATA RESPONSE**3.2.1 Give ONE example of a digital device.**

- Laptop / Computer ✓
 - Smart phone ✓
- (Accept any other correct, relevant answer.) (1)

3.2.2. Which institution publishes statistics of RSA?

- Stats SA ✓
- (Accept any other correct, relevant answer.) (1)

3.2.3 Briefly describe the concept *census*.

- Census is an official count or survey of a population. ✓✓
- (Accept any other correct, relevant answer.) (2)

3.2.4 Why will census 2021 use new methods?

- To ensure the accuracy of information. ✓✓
 - To save the time of the citizens. ✓✓
 - To reduce costs. ✓✓
- (Accept any other correct, relevant answer.) (2)

3.2.5 How does census data assist the government?

- Data collected in a census is used by government and other sectors of society for planning and decision making. ✓✓
 - It also includes the allocation of government funds to provinces and municipalities. ✓✓
 - The data is important for infrastructure and social programmes and policies. ✓✓
- (Any 2 x 2) (4)
- (Accept any other correct, relevant answer.)

3.3 DATA RESPONSE

3.3.1 Give ONE example of the geographical SIP.

- SIP 1: The northern mineral belt ✓
- SIP 2: Durban-Free State-Gauteng logistics / industrial corridor ✓
- SIP 3: South East node and corridor development ✓
- SIP 4: North West Province ✓
- SIP 5: Saldanha-Northern Cape development corridor ✓
(Accept any other correct, relevant answer.)

(1)

3.3.2. What is the focus of SIP 16?

- It is a megascience project, building an advanced radio telescope. ✓
- A facility linked to research infrastructure and high speed ICT. ✓
(Accept any other correct, relevant answer.)

(1)

3.3.3 Briefly describe the concept *corridor*.

It is a geographical area which forms a passage from one area to another and is developed to be part of regional development. ✓✓
(Accept any other correct, relevant answer.)

(2)

3.3.4 Why is it important for SA to use more green energy in industrial development?

- Resources are getting depleted against a rapid pace and SA needs to have/use green energy on a national scale, e.g. tide energy. ✓✓
- SA has to use green energy to have a sustainable future ✓ and by having alternative production options such as biofuel from plant materials. ✓
(Accept any other correct, relevant answer.)

(2)

3.3.5 How successful are SIP's in improving SA's regional development?

SIP's has been successful in improving SA's regional development:
by:

- unlocking economic opportunities in neglected areas such as North West. ✓✓
- improving physical and social infrastructure which leads to decentralization in the Eastern Cape. ✓✓
- giving local people an opportunity to apply entrepreneurial aptitude and talents. ✓✓

AND/OR

SIP's has been unsuccessful in improving SA's regional development:

- creation of employment is only of a seasonal nature. ✓✓
- inability to create enough skills development to improve labour. ✓✓
- corruption and nepotism which prevent money to be applied to the necessary physical and social infrastructure. ✓✓ (Any 2 x 2)
(Accept any other correct, relevant answer.)

(4)

3.4 Differentiate between *economic growth* and *economic development*.Economic growth

- is a process by which the productive capacity of the economy increases over time. ✓✓
- leads to rising levels of national output and income. ✓✓
- is an increase in real gross domestic product (GDP). ✓✓
(Accept any other correct, relevant answer.) (Any 2 x 2)

Economic development

- is a process that concentrates on people's standard of living, self-respect and freedom of choices. ✓✓
- should develop from economic growth. ✓✓
- is the the ultimate goal of the economic policy by an improved living standards of the population. ✓✓
- is an increase in real gross domestic product (GDP) per caipta. ✓✓
(Accept any other correct, relevant answer.) (Any 2 x 2)

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

(8)

3.5 How successful is South Africa's regional development in terms of their benchmark criteria?

South Africa has been successful by:

- intervening in industries was based on sound economic research and analysis which lead to growth. ✓✓
- providing subsidies and incentives which enable substantial progress and growth in the upgrading of value-adding and labour intensive manufacturing sectors. ✓✓
- achieving great success in combating customs fraud, and targeting illegal imports and products of inferior quality through import restrictions. ✓✓
- aligning trade policy with industrial policy took place which resulted in South African industries being more competitive in global market. ✓✓

South Africa has not been successful:

- fraud and corruption are still applicable and inferior goods are produced. ✓✓
- the growth is declining due to non-availibility of financial assistance or skilled employees. ✓✓✓✓

(Accept any other correct, relevant answer.)

(Any 4 x 2)

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

(8)

[40]

QUESTION 4: MACRO ECONOMICS AND ECONOMIC PURSUITS

- 4.1 4.1.1 **Name any TWO international organisations which require their members to standardize their indicators.**
- International Monetary Fund / IMF ✓
 - World bank ✓
 - United Nations / UN ✓
- (Any 2 x 1) (2)
- 4.1.2. **What is the effect of wealth taxes on income redistribution?**
Taxes e.g. estate duties, are levied on rich people to finance development expenditures which benefits the poor more than the rich. ✓✓
(Accept any other correct, relevant answer.) (2)
- 4.2 **DATA RESPONSE**
- 4.2.1 **Which policy is used by the government to influence economic activities?**
Fiscal ✓ (1)
- 4.2.2 **What is the role of the Minister of Finance?**
To present the Main Budget ✓ (1)
- 4.2.3 **Briefly describe the concept *privatisation*.**
It is when the government sells more than 50% of the shares of state owned enterprises to the private sector. ✓✓
(Accept any other correct, relevant answer.) (2)
- 4.2.4 **Briefly explain why the government aims to achieve economic growth.**
- To achieve economic development which benefits the residents of the country through a higher standard of living. ✓✓
 - To make the country attractive to foreign investors. ✓✓
- (Accept any other correct, relevant answer.) (2)
- 4.2.5 **How will the eradication of corruption and mismanagement of SOEs benefit the economy?**
- Ensuring financial sustainability which will stabilise the economy through quality service delivery. ✓✓
 - They will fulfil their development and economic role to reach the macro economic aims of the government. ✓✓
 - It will lead to political and economic stability which will attract foreign investments. ✓✓
- (Accept any other correct, relevant answer.) (Any 2 x 2) (4)

4.3 **DATA RESPONSE**

- 4.3.1 **Name ONE factor which hampers economic growth in South Africa.**
 • Fuel prices ✓
 • Expensive labour ✓
 • Minimum wages ✓
 • Communication system ✓
 • Poor infrastructure, eg. water / roads ✓
 (Accept any other correct, relevant answer.) (1)
- 4.3.2 **How is economic growth measured?**
 Real gross domestic product (GDP). ✓ (1)
- 4.3.3 **Briefly describe the concept *economic growth policy*.**
 A policy that helps to increase the annual total production or income in the economy. ✓✓ (2)
- 4.3.4 **What positive impact has BEE had on previously disadvantaged individuals?**
 • BEE introduce more black people to partnership, shareholders owners of businesses. ✓✓
 (Accept any other correct, relevant answer.) (2)
- 4.3.5 **How can productivity in the economy be improved?**
 • By increasing skills and/or give production bonuses. ✓✓
 • By improving the education and training of the labour force with a variety of incentives, e.g. building of more schools. ✓✓
 • By ensuring a healthy workforce e.g. health care and good living conditions. ✓✓
 (Accept any other correct, relevant answer.) (2 x 2) (4)

4.4 **Differentiate between *real flow* and *monetary flow* in the economic circular flow model.**Real flow

- Refers to the flow of tangible goods. ✓✓
- Production factors flow from the owners (households) to the producers via the factor markets. ✓✓
- Goods and services flow from the producers via the goods markets to households and other users of goods and services. ✓✓
- Production factors, goods and services flow from abroad to South Africa (imports). ✓✓
- Production factors, goods and services flow from South Africa to abroad (exports) ✓✓ (Any 2 x 2)

Monetary flow

- Refers to the flow of income and spending in the economy. ✓✓
- Factor compensation represents the expenditure of producers and household income (wages, rent, interest and profit). ✓✓
- Consumer spending, on the other hand, represents the spending of households and producers' income. ✓✓
 (Accept any other correct, relevant answer.) (Any 2 x 2) (8)

4.5 **How can the government use services as social indicator to improve the standard of living in South Africa?**

- The government should restructure SOE's, e.g. Eskom, to provide sustainable electricity for all citizens. ✓✓
- Not all the households have access to refuse disposal - the local municipalities must deliver these services at least once a week to all households. ✓✓
- Urban and rural areas suffer from unclean water and water shedding – local governments should improve water infrastructure. ✓✓
- Substandard sanitation facilities should be improved by infrastructure development. ✓✓

(Accept any other correct, relevant answer.)

(Any 4 x 2)

(8)
[40]

TOTAL SECTION B:

80



SECTION C

Answer ONE question from this section in the ANSWER BOOK.

QUESTION 5

- Discuss in detail the main objectives of the public sector in the economy. (26)
- How successful is the main budget in reaching economic goals? (10)

INTRODUCTION

The government aims to achieve a higher standard of living for the people in the country and therefore must achieve its objectives. ✓✓ Max (2)
(Accept any other correct relevant response)

BODY: MAIN PARTEconomic growth ✓

- Economic growth refers to an increase in the production capacity of a country. ✓✓
- SA targets 4 – 5% economic growth. ✓✓
- The SA government wants this because of the wealth benefits it brings such as increasing material living standards. ✓✓
- The government today stresses the importance of sustainable economic growth – economic growth that can continue over time and does not endanger future generations' ability to expand productive capacity. ✓✓
- This can be achieved if increases in aggregate supply matches increase in aggregate demand. ✓✓
- Government tries to achieve economic growth that can match trend growth, which is the expected increase in potential output over time. ✓✓
- It measures how fast an economy can grow without generating inflation. ✓✓
- Government is now seeking economic growth that does not heavily deplete non-renewable resources and resources that do not damage the environment. ✓✓
- Economic growth leads to economic development. ✓✓

Full employment ✓

- South African government aims for full employment which is a situation where those willing and able to work can find employment at the going wage rate or create employment for themselves. ✓✓
- This does not mean everyone in the population is employed. ✓✓
- If government successfully encourage a high proportion of people to be economically active, this should raise the productive potential of the economy and reduce the cost of state allowances. ✓✓

Exchange rate stability ✓

- South Africa pursues stable exchange rates to attract foreign capital. ✓✓
- The SARB may increase or decrease the money supply to maintain this rate. ✓✓
- Stable exchange rates generally are viewed as favourable. ✓✓

Price stability ✓

- A third macroeconomic policy objective is to maintain a low stable inflation rate. ✓✓
- This does not mean inflation at zero per cent, but a low and consistent rate of inflation. ✓✓
- SARB's inflation target is between 3% and 6%. ✓✓
- South African government aims for this because it can bring benefits, such as enabling firms to reduce their costs by not raising wages with inflation. ✓✓

Economic equity ✓

- The redistribution of income through tax and benefits may be done in order to ensure that everyone has access to the basic necessities or in order to correct what is seen as inequitable distribution of income. ✓✓
 - The government transfers some income from the rich to the poor, but not so much that it damages incentives to work and enterprises are discouraged. ✓✓
 - Government will also want to avoid making benefits more attractive than working. ✓✓
- (Max 26)

ADDITIONAL PART

The main budget has been successful in reaching economic goals by:

- achieving the social goals of the country, such as provision of social services. ✓✓
- the provincial and local budgets are implemented to approve the standard of living e.g. building schools. ✓✓
- implementing taxes, e.g. sin tax and sugar tax for improving a healthier society. ✓✓
- using the budgets to improve infrastructure and development of human resources, e.g. Expanded Public Works Programme. ✓✓
- creating an expansion of economic activities to improve economic growth. ✓✓

The main budget has not been successful in reaching economic goals:

- economic growth rate of 4% to 5% was not achieved. ✓✓
 - public sector failure such as corruption, nepotism and misuse of funds still exist. ✓✓
 - not spending the money for the goals it was supposed to. ✓✓
 - ineffectiveness that waste tax payers money, e.g. poor service delivery. ✓✓
 - economic instability due to high interest rates, state capture, price instability and deficit in the balance of payments. ✓✓
 - an increased VAT rate is a regressive tax system that hampers economic growth. ✓✓
- (Max 10)**

(Accept any other relevant answer.)

CONCLUSION

The government should eradicate corruption, state capture, nepotism, ect. to reach social and political stability, accountability and reach their goals. ✓✓

(Accept any other relevant higher order conclusion)

(Max 2)

(40)

QUESTION 6

- **Discuss in detail the following social indicators:**
 - **Demographic indicators**
 - **Income Distribution Indicators**
 - **Housing and Urbanisation** (26 marks)
- **Critically discuss the use of economic and social indicators in the global economy.** (10 marks)

INTRODUCTION

Social indicators are statistics that measure the level of social development and human welfare within a country. ✓✓

(Any other correct relevant response.)

(Max 2)

BODY: MAIN PARTDemographic IndicatorsPopulation growth ✓

- Measuring of population growth is done through conducting a census. ✓✓
- We need to know the population of the country for service delivery purposes and also to establish a tax base. ✓✓
- South Africa has a relatively high population growth rate compared to developed countries. ✓✓
- A high population growth coupled with low economic growth harms efforts to improve the average standard of living of the population. ✓✓
- It also places great pressure on government finances in terms of providing social services. ✓✓

Life expectancy ✓

- It is the number of years a new born infant is expected to live. ✓✓
- South Africa's life expectancy was 64 years in 2019 and is increasing, ✓✓ while the USA's life expectancy is merely 80 years. ✓✓

Income Distribution IndicatorsHead Count Index ✓

- The World Bank states that everyone living on less than a US\$2 a day is living below the poverty line. ✓✓
- Poverty headcount ratio at national poverty line (% of population) in South Africa was reported at 22 in 2008, according to the World Bank. ✓✓

Gini-coefficient ✓

- It ranges between 0–1, the higher the value the more unequal the distribution of income. ✓✓
- Progressive income taxing and BEE are used to lower the Gini-coefficient. ✓✓
- In SA, the Gini-coefficient was 0,63 in 2014 and in the US it was at 0.41 in the same year. ✓✓

Housing and urbanisation

- A significant proportion of South Africans are poor and cannot afford to buy residential property. ✓✓
- The government facilitates home ownership by means of a subsidy system and loans from the private sector. ✓✓
- Factors hindering housing delivery and home ownership in South Africa include: high levels of unemployment and a very skew income distribution. ✓✓
- The General Household Survey was developed to measure the level of development and performance of various government programmes and projects. ✓✓
- One of the purposes of the GHS is to measure development indicators in the country e.g. access to basic services such as piped water, electricity, ect. ✓✓

(Accept any other correct relevant response.)

(Max 26)

ADDITIONAL PART

- Countries use indicators to base their political and economic decisions on. ✓✓
- They use the indicators to compile the national budget, making forecasts for the building of infrastructure (water/electricity) as well as to maintain human rights in order to eradicate discrimination. ✓✓
- Indicators are used to prevent the destruction of the environment, such as pollution, and ecosystem destruction. ✓✓
- The government use indicators in planning and service delivering to ensure political consistency. ✓✓
- Provision of inaccurate information about indicators will discourage foreign investors. ✓✓
- For example, the government funds will be misallocated. ✓✓
- There will be a decrease in economic activities as well as in the standard of living. ✓✓

(Accept any other correct relevant response)

(Max. 10)

CONCLUSION

Social indicators should be compiled in such a way that they are standardised and assist with effective planning. ✓✓

(Accept any other correct relevant response)

(Max 2)

(40)

TOTAL SECTION C:
GRAND TOTAL

40
150