



**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

SEPTEMBER 2016

**ECONOMICS P1
MEMORANDUM**

MARKS: 150

This memorandum consists of 17 pages.

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

- 1.1.1 B products ✓✓
- 1.1.2 C economic indicators ✓✓
- 1.1.3 B regulation ✓✓
- 1.1.4 C direct ✓✓
- 1.1.5 A Nepad ✓✓
- 1.1.6 A Foreign Investment Incentive ✓✓
- 1.1.7 A The New Growth Path ✓✓
- 1.1.8 B middle ✓✓ (8 x 2) (16)

1.2 MATCHING ITEMS

- 1.2.1 C Money withdrawn from the circular flow ✓
- 1.2.2 D Markets are inherently stable ✓
- 1.2.3 I A document that details expected revenue and projected expenditure ✓
- 1.2.4 B A systematic record of all transactions between one country and other countries ✓
- 1.2.5 H The value of a currency is determined by market forces ✓
- 1.2.6 G Limits are put on the supply of goods and services ✓
- 1.2.7 F Helps to increase the annual total production or income in the country ✓
- 1.2.8 E Monitor issues related to human-well being over a period of time ✓ (8 x 1) (8)

1.3 IDENTIFYING THE CONCEPT

1.3.1 Multiplier ✓

1.3.2 Kitchen cycle ✓

1.3.3 Trade balance ✓

1.3.4 Sanctions ✓

1.3.5 Supply side approach ✓

1.3.6 Economic indicator ✓

(6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

Answer TWO of the three questions from this section in the ANSWERBOOK.

QUESTION 2: MACROECONOMICS

2.1 2.1.1 **Name TWO types of financial markets.**

- Money market ✓
- Capital market ✓
- Foreign exchange market ✓ (Any 2 x 1) (2)

2.1.2 **How can the government use the fiscal policy if the economy is expanding too slowly?**

- Government can decrease taxes and increase government expenditure ✓✓
(Accept any other relevant response.) (2)

2.2 **DATA RESPONSE**

2.2.1 **Which dotted line on the graph represents the length of the business cycle?**

P1 P2/T2 T3 ✓ (1)

2.2.2 **When did the economy reach its highest peak?**

2005/year 5 ✓ (1)

2.2.3 **Briefly explain what the amplitude demonstrates.**

- The power of the underlying forces ✓✓ e.g. interest rates or exports. ✓✓
- The extent of change. ✓✓ The larger the amplitude, the more extreme the changes that may occur. ✓✓ (4)

2.2.4 **How will a large amplitude during an upswing affect workers in general?**

- More work opportunities (job creation) will become available.
- More income and increase in the demand of goods and services. ✓✓
- This will lead to inflation. ✓✓
- Indirect links ✓✓
(Accept any other relevant response.) (Any 2 x 2) (4)

2.3 DATA RESPONSE

2.3.1 What are tolls used for?

- Are used to repay loans obtained to finance the building of the roads. ✓
- Upgrading or improvement of the roads. ✓ (2 x 1) (2)

2.3.2 Discuss briefly collective goods as one of the pricing options.

- Charges can be levied although they are indivisible ✓✓
- Free riders are excluded by levying fees, charges and tolls. ✓✓ (2 x 2) (4)

2.3.3 How successful is the public sector in delivering public goods in South Africa?

- Government fail to provide the public with goods and services in the desired quantity. ✓✓
- In certain instances public servants do not deliver services because of bureaucracy, corruption and incompetence ✓ e.g. roads, infrastructure. ✓ (Any other relevant response.) (2 x 2) (4)

2.4 Explain the interaction between *households* and *firms* in a circular flow.

- Household are the owners of factors of production because they provide factors of production to businesses. ✓✓
- Household receive income in return – rent, wages, interest and profits from the business. ✓✓
- Businesses sell final goods and services to household. ✓✓
- Firms receive income from sales revenue. ✓✓ (Accept any other relevant response.) (4 x 2) (8)

2.5 How successful is the supply side policy in South Africa to stimulate economic activity in the smoothing of business cycle?

- Government provides infrastructure and services, ✓✓ e.g. energy, transport, and telecommunication to reduce the cost of production. ✓
- Administration costs, reports and inspections are reduced. ✓✓
- Government subsidies are allocated to encourage production in certain area where serious shortages exist. ✓✓
- However the government does not subsidise especially the agricultural sector enough. ✓✓
- Government intervention is successfully reduced by deregulation to improve the efficiency of markets. ✓✓

- Government encourages the development of new enterprises and create a competitive environment through legislation especially small micro enterprises (SMME). ✓✓
 - Privatising state-owned enterprises have increased competition in the market place. ✓✓
 - Certain state owned enterprises have not yet been privatised causing major backlog. ✓✓
 - Tax rates are decreased on personal income and small business holdings as an incentive to increase supply. ✓✓
 - The depreciation rate on capital goods are raised to encourage firms to use the latest technology. ✓✓
 - Quality and mobility of human resources are constantly a focus point regarding skills development. ✓✓
 - Free advisory services are provided by state holdings, for example Onderstepoort. ✓✓
- (Any other relevant response.) (Any 4 x 2) (8)

[40]**QUESTION 3: ECONOMIC PURSUITS****3.1 3.1.1 Name TWO of South Africa's industrial development strategies.**

- National Research and Development Strategy (NRDS) ✓
- Integrated Manufacturing Strategy (IMS) ✓ (2 x 1) (2)

3.1.2 Which specifications will be considered when the GDP is calculated in assessing the performance of the South African economy?

To be meaningful, indicators have to be compiled in terms of their rules and compilation. ✓✓

(Any other relevant response.) (1 x 2) (2)

3.2 DATA RESPONSE**3.2.1 What is the main objective of Expanded Public Works Programme (EPWP)?**

- Provide people with better jobs, ✓
 - decent work for all ✓
 - and sustainable livelihood ✓
 - education ✓
 - health ✓
 - rural development ✓
 - food securities ✓
 - and land reforms ✓
 - and fight against crime ✓
 - and corruption. ✓
 - Give people skills ✓
 - that they can use to find better jobs. ✓
- (Any other relevant response) (Any 2 x 1) (2)

3.2.2 Identify any TWO sectors by EPWP to create jobs.

- Infrastructure ✓✓
- Non-state environment ✓✓
- Culture ✓✓
- Social ✓✓

(Any 2 x 2) (4)

3.2.3 How successful has the Expanded Public Works Programme been in achieving growth and development in South Africa?

- Although the number of unemployed people decreased, the economic growth is still decreasing/low. ✓✓
- EPWP contributes toward supporting employment generation although it is of temporal nature. ✓✓
- Training is provided to unskilled, unemployed people and should lead to a positive growth rate and development. ✓✓
- The government uses more labour-intensive construction and maintenance methods in public infrastructure projects. ✓✓
- Government was also successful in targeting women, the youth and people with disabilities ✓✓ e.g. through temporal employment. ✓
- Helps to reduce the negative effects of unemployment, which include erosion of self esteem, drug and alcohol abuse as well as loss of knowledge and skills. ✓✓
- Those participated have a higher prosperity to participate in savings clubs, to use their personal resources to enhance social services and community assets and to use media as a source of information. ✓✓

(Any other relevant response.)

(Any 2 x 2) (4)

3.3 DATA RESPONSE

3.3.1 Name the social indicator used in the above table.

Demographics ✓

(1)

3.3.2 What is the trend of the percentage Aids deaths from 2013 to 2015?

Declining/decreasing ✓

(1)

3.3.3 Define the term life expectancy.

The probable number of years a person lives at a given age. ✓✓

(2)

3.3.4 Why is the above information important for the South African government?

To be able to provide the correct quantity of social services (budgetary processes). ✓✓

(2)

3.3.5 What positive role can the government play to increase health care in South Africa?

- Rural and urban areas will have access to health care and medication. ✓✓
- Healthy and productive society. ✓✓
- Availability of money to help to increase ARVs availability to all. ✓✓

(Any other relevant response.)

(Any 2 x 2) (4)

3.4 Explain the negative environmental effects caused by economic activities in the North.

- They burn massive amounts of oil and coal. ✓✓
- The resulting carbon dioxide causes damage to the ozone layer. ✓✓
- Heat trapped under a greenhouse blanket causes weather patterns to change. ✓✓
- Major challenges faces include air pollution, water pollution, noise pollution and toxic waste. ✓✓

(Any other relevant response.)

(Any 4 x 2) (8)

3.5 What can the government / business sector do to increase the current low economic growth rate substantially?

- Job creation programmes/employment. ✓✓
- Skills development/training. ✓✓
- Increase in consumption spending by households. ✓✓
- Increase in production can lead to increase in income. ✓✓
- Higher investment spending by businesses or higher exports. ✓
- Government can use fiscal policy by lowering income tax. ✓✓
- Government can use monetary policy by lowering interest rates. ✓✓

(Any other relevant response.)

(Any 4 x 2) (8)

[40]

QUESTION 4: MACROECONOMIC AND ECONOMIC PURSUITS

4.1 4.1.1 **Name TWO factors that will influence demand for foreign exchange.**

- Importing goods ✓
 - Payment for services from foreign countries ✓
 - Buying shares in another country ✓
 - Tourists spending money overseas ✓
 - Repayment of debt borrowed from foreign countries. ✓
- (Any other relevant response.) (Any 2 x 1) (2)

4.1.2 **Why is GDP at market prices more than GNI at market prices?**

- Foreigners spend more money in our country (SA) than we do in their countries. ✓✓ (1 x 2) (2)

4.2 **DATA RESPONSE**

4.2.1 **What is the main benefit of regional integration to the people of Southern Africa?**

- Enhance quality of life. ✓
 - Reduce poverty. ✓
- Max. (1)

4.2.2 **What role has the establishment of the Maputo Development Corridor played in the SADC?**

- Improve trade between countries. ✓
 - Improve their income. ✓
 - Made a world difference to SADC citizens ✓
 - Promoting smooth movement of goods and services across the region. ✓
 - Improved infrastructure including roads and rail. ✓
- Max. (1)

4.2.3 **Discuss the main objectives of the National Development Plan.**

- Eliminate poverty ✓✓
 - Private investment ✓✓
 - More innovation ✓✓
 - Reduce inequality by 2030 ✓✓
 - More infrastructure ✓✓
 - To expand economic opportunities through investment and infrastructure. ✓✓
- (Accept any other relevant response.) (2 x 2) (4)

4.2.4 How successful has South Africa been with regional development compared to international best practices on good governance.

- Democratic decision-making, transparency, financial management and control ✓✓ led to job creation, ✓✓ human development and macro plus micro economic
- development ✓✓ but it is not necessarily happening ✓✓ (large unemployment and low economic growth rate). ✓✓
- Regional development strategies have been effectively managed to reduce corruption ✓✓/regional development strategies can be managed effectively free of corruption. ✓✓
(Accept any other relevant response.) (2 x 2) (4)

4.3 DATA RESPONSE

4.3.1 Mention any ONE zone that has been identified in the extract.

- Musina ✓
- Tubatse ✓
- Nkomazi ✓ (Any 1 x 1) (1)

4.3.2 What is the purpose of the DTI in establishing the SEZ programme?

- To address weaknesses identified with the development zone programme. ✓
- IDZ were restricted to being established at port or airport. ✓
- Tailored incentives for specific industry subsectors could not be pursued. ✓ (Any 1 x 1) (1)

4.3.3 Explain the key difference between the IDZ and SEZ.

IDZ	SEZ
Industrial estate linked to an airport or seaport. ✓✓	Geographical demarcated area where specific economic activities have been identified to be developed. ✓✓
Exports main objective. ✓✓	These areas may enjoy incentives such as tax relief and support systems to promote industrial development. ✓✓
Examples: Coega- steel and auto component, OR Tambo International Airport – high tech industries, East London – vehicles, Richard Bay – metals, Saldanha Bay – steel ✓ (Any example – 1 mark)	Creates a basis for a broader range of industrial parts. ✓✓ Provides economic infrastructure to enable the effective clustering of value-adding and employment enhancing manufacturers. ✓✓

Max. (4)

4.3.4 Why is Foreign Direct Investment (FDI) regarded as the most desired kind of investment in South Africa?

- Foreign Direct Investment includes investment in real estate (fixed property) ✓✓
- They act as a long term source of capital. ✓✓
- The investors bring along best global practices of management. ✓✓
- Larger amounts of capital come in through these investments and more industries are set up. ✓✓
- This helps to increase employment. ✓✓
- This investment is non-debt, non-volatile investment. ✓✓
(Accept any other relevant response.) (Any 2 x 2) (4)

4.4 Explain methods used to support export promotion.

- **Incentives:** ✓
- The government supplies information on exports markets, research on new markets, concessions on transport charges, export credit, ✓✓
- in order to establish and stimulate exports. ✓✓
- **Subsidies:** ✓
- These include direct and indirect subsidies: ✓✓
 - E.g. Direct subsidies: Cash payments to exports ✓
 - E.g. Indirect subsidies: Refunds on import tariffs and general tax rebates. ✓
- **Trade neutrality:** ✓
- Subsidies equal in size to import duties, are paid. ✓✓
- Neutrality can be achieved through trade liberalisation. ✓✓ Max. (8)

4.5 Why is education so important as a key social indicator in South Africa?

- The standard of living is related to the level of education. ✓✓
 - The role of education becomes more important in the development of human capital. ✓✓
 - A society of literate and skilled citizens has more chances of development at economic and social levels. ✓✓
 - Education can reduce poverty and social injustice ✓✓ by providing the underprivileged with resources ✓✓ and opportunities for upward social mobility and social inclusion. ✓✓
(Any other relevant response.) (Any 4 x 2) (8)
- [40]**

TOTAL SECTION B: 80

SECTION C

Answer ONE question of the two question from this section in the ANSWER BOOK.

STRUCTURE OF ESSAY	MARK ALLOCATION:
Introduction	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? /Suggest 	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 / analysed without repeating facts already mentioned in the body • An opinion or valued judgment 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

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

Foreign trade is becoming increasingly important for the economic well-being of a country. The more open and integrated a country is with the rest of the world the better its chances of improving the economic welfare of its citizen.

- Discuss the main supply reasons of international trade. (26 marks)
- How effective is international trade in South Africa? (10 marks)

INTRODUCTION

Countries may have a surplus of some goods and shortage of other goods and they will trade to correct these imbalances. ✓✓

(Any other relevant introduction)

Max. 2**BODY****MAIN PART:****Supply reasons**

- **Natural resources** ✓
 - Are not evenly distributed across all countries of the world. ✓✓
 - They vary from country to country and can only be exploited in places where these resources exist. ✓✓
- **Climatic conditions** ✓
 - Certain crops only be cultivated in certain climatic conditions, countries that cannot produce have to import them. ✓✓
 - It is possible for some countries to produce certain goods at a lower price than other countries e.g. Brazil is the biggest producer of coffee. ✓
 - Good climatic conditions are essential for agricultural production. ✓✓
- **Technological resources** ✓
 - Are available in some countries for them to produce certain goods services that enable them to produce at a low unit cost ✓✓ e.g. Japan technology based products are produced. ✓
 - Certain knowledge, skills and aptitude are required for the production of specific products. ✓
 - For example, countries that do not have the technical abilities and knowledge on production processes for the manufacturing of machinery ✓✓ and high-technology goods will have to import the machinery and goods. ✓✓
- **Labour resources** ✓
 - Differ in quality, quantity and cost between countries. ✓✓
 - Some countries have highly skilled, well-paid workers with high productivity levels e.g. Switzerland is well-known for its excellent watches. ✓✓
- **Specialisation** ✓
 - A country can have an absolute advantage if it can produce a good or service or at most goods and services at lowest cost. ✓✓
 - For example, Japan produces electronic goods and sells these at a low price. ✓

➤ **Capital** ✓

- Allows developed countries to enjoy an advantage over under-developed countries ✓✓
- Due to a lack of capita, some countries cannot produce all the goods they require themselves. ✓✓
(Accept any other response.)

Max. 26

(If only listed max. 6 marks)

ADDITIONAL PART

How effective is international trade for South Africa?

- Due to specialisation South African textiles manufacturers cannot compete with Chinese producers and have had to close down. ✓✓
- This led to many workers to lose their jobs and will be addressed and managed by the government. ✓✓
- South Africa has more minerals that it can use but less oil than it needs. ✓✓
- Many SA companies try to establish themselves in African countries in order to secure the advantage of the spending power of millions of people. ✓✓
- Mass production should always lead to increased demand. ✓✓
- Producers are able to increase production efficiency ✓✓ more domestic factors of production will be employed and a higher standard of living will materialise. ✓✓
- International trade is at the heart of globalisation ✓✓ e.g trade in IT, communication and transport. ✓
- Expanded trade will stimulate more international trade. ✓✓
- Domestic economic growth follows with further increases in the standard of living. ✓✓
(Any other relevant response)

(Max. 10)

CONCLUSION

I will recommend that international trade be carefully monitored so that it brings benefits to all countries. ✓✓
(Any other relevant conclusion.)

(Max. 2)

[40]

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

The purposes of fiscal policy is to stimulate macroeconomic growth and employment, and to ensure redistribution of income.

- Discuss this statement by focusing on the instruments of fiscal policy in the South African context and how it ensures a desirable redistribution of income. (26 marks)
- In your opinion, how successful is the South African government in providing the basic needs for disadvantaged people? (10 marks)

INTRODUCTION

Fiscal policy is the policy of the state in relation to government revenue and spending as laid down in the National Budget. ✓✓ **Max. 2**
(Any other relevant introduction)

BODY**MAIN PART**

- **Taxation** ✓
 - This is a compulsory payment by all citizen of a country. ✓✓
 - It is imposed to raise income to cover expenditure. ✓✓
 - To discourage the use of demerit goods (sin tax). ✓✓
 - To discourage imports and redistribute income. ✓✓
 - To influence the level of aggregate demand and aggregate supply. ✓✓
- **Government expenditure** ✓
 - Government spend money to provide public and merit goods and services free of charge or at subsidised price. ✓✓
 - To pay interest in government debt. ✓✓
 - To redistribute income. ✓✓
 - To influence aggregate supply and demand. ✓✓
- **Progressive personal income tax** ✓
 - Higher income earners are taxed at higher tax rates. ✓✓
 - These taxes are used to finance social development. ✓✓
 - The poor benefit more than those with high incomes. ✓✓
- **Cash benefits** ✓
 - Old age pension, disability grants, child support and unemployment insurance are cash grants. ✓✓
 - These are also known as social security payments. ✓✓

➤ **Wealth taxes ✓**

- Properties are taxed according to their market values. ✓✓
- Transfer duties are taxed when properties are bought. ✓✓
- Securities are taxed when traded. ✓✓
- Capital gains tax is levied on gain on the sale of capital goods e.g. properties, shares. ✓✓
- Estate duties are paid on the estate of the deceased persons with a value of more than R3,5 m. ✓
- These taxes are used to finance development expenditure which benefit the poor more often. ✓✓

➤ **Benefits in kind ✓**

- These include the provision of healthcare, education, schools meals, protection, infrastructure etc. ✓✓
- When user fees are charged, poor or low income earners pay less or nothing. ✓✓
- Limited quantities of free electricity and water are provided. ✓✓

➤ **Other redistribution ✓**

- Public works programme e.g Strategic Integrated Project provides employment subsidies and other cash and financial benefits such as training, financing and export incentives to SMMEs. ✓✓

➤ **Subsidies on properties ✓**

- It helps people to acquire ownership of fixed residential properties. ✓✓
- For example government's housing subsidy scheme provides funding to all people earning less than R3 500 per month. ✓✓

➤ **Land restitution and land redistribution ✓**

- Land restitution is the return of land to those that have lost it due to discrimination laws in the past. ✓✓
- Land redistribution focuses on land for residential and production (farm) to previously disadvantaged groups. ✓✓
- The money for these programmes is provided in the main budget. ✓✓

(Max. 26)

(If only listed max. 8 marks)

ADDITIONAL PART:

In your opinion, how successful is the South African government in providing the basic needs for disadvantaged people?

- The government provides many citizens of the country with social security grants, old age pension, child support grants and disability grants – a process that is adapted annually to suit the needs of the population. ✓✓
 - The government is very successful in paying benefits in kind, that included free water (6 000) litres per household) / free electricity (20 Kwh) / and free housing (3 million units built since 1994) / as well as a school feeding scheme to about 270 000 primary school children. ✓✓
 - Although services are rendered such as clean water, energy, sewerage system, storm water drainage, refuse removal, roads and housing to millions, inefficient municipalities fail everyone. ✓✓
 - Free hospitalisation and medicine are offered to poor people as primary healthcare. It also includes free immunisation for all children. ✓✓
 - Many South Africans do experience a lack of service delivery at state hospitals where conditions are deteriorating. ✓✓
 - Free education to the poorest 20% of communities ✓✓ but serious problems in the education system still contributes to thousands of learners leaving the system without a proper degree of schooling. ✓✓
- (Accept any other relevant response) **(Max. 10)**

CONCLUSION

Supply-siders maintain that government intervention in the economy is only warranted if it improves the smooth operations of markets. ✓✓
(Accept any other relevant conclusion.) **(Max. 2) [40]**

TOTAL SECTION C: 40
GRAND TOTAL: 150