GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

PROVINCIAL EXAMINATION

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MARKING GUIDELINES

GRADE 10

ECONOMICS (PAPER 1)

17 pages

SECTION A (COMPULSORY)

QUESTION 1

1.1 MULTIPLE-CHOICE

1.1.1 A – limited means ✓✓

1.1.2 C – applying statistics in economics ✓✓

1.1.3 D – households ✓✓

1.1.4 C – scarcity ✓✓

1.1.5 B – Recovery ✓✓ (5 x 2) (10)

1.2 MATCHING ITEMS

1.2.1 F – an optimal allocation of resources to maximise welfare ✓

1.2.2 C – assumes free markets have no self-balancing mechanisms ✓

1.2.3 A – a place where final goods and services are bought and sold ✓

1.2.4 E – alternating periods of expansion and contraction ✓

1.2.5 G – the physical surroundings and conditions that affect people's lives ✓

1.2.6 B – changes simultaneously with the shifts in economic activity ✓

(6 x 1) (6)

1.3 GIVE A TERM

1.3.1 Microeconomics ✓

1.3.2 Savings ✓

1.3.3 Free goods ✓

1.3.4 Exogenous/External factors ✓ (4 x 1) (4)

TOTAL SECTION A: 20

SECTION B

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

QUESTION 2: MACROECONOMICS

2.1 Answer the following questions.

2.1.1 **Name any TWO career opportunities in the economic field of study.**

- Statistician ✓
- Economist ✓
- Mathematician ✓
- Lawyer ✓
- Sociologist ✓
- Information Technology ✓
- Financial Analyst ✓
- Policy Analyst ✓
- Market Research Analyst ✓
- Actuary ✓
- Financial Planner/Advisor ✓
- Data Analyst/Data Scientist ✓
- Corporate Strategist ✓
- Teaching and Academia ✓
- International Development Specialist ✓

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

2.1.2 **What is the benefit of using economic models?**

- It explains the relationship between economic aspects. ✓✓
- It can predict what will happen when something changes. ✓✓
- It can be used to develop economic policy. ✓✓

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

2.2 DATA RESPONSE

2.2.1 **Name the economic system that is associated with Fidel Castro?**

- Socialist system ✓/Communistic system ✓

(Also accept communist system.) (1 x 1) (1)

2.2.2 **What economic field of study would be the most appropriate for governmental leaders to study?**

- Public Finance ✓
- Macroeconomics ✓
- Development Economics ✓
- International Economics
- International Trade ✓
- Behavioural Economics ✓
- Environmental Economics ✓
- Health Economics ✓
- Labour Economics ✓

(Accept any other correct relevant response.) (1)

2.2.3 **Briefly explain the term *economic system*.**

- An economic system is a system of production, resource allocation and distribution of goods and services within a society. ✓✓

(Accept any other correct relevant response.) (2)

2.2.4 **Why is economics considered the "study of choices"?**

- Economics focuses on how individuals, businesses, and societies make decisions regarding the allocation of limited resources that have alternative uses. ✓✓
- Economics explores how people make decisions in various situations where resources are limited, and choices need to be made. ✓✓

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

2.2.5 **How can economics be used to solve income inequality?**

- Economics helps identify the factors contributing to income inequality. ✓✓
- Economists analyse policies aimed at reducing inequality. ✓✓
- This includes progressive taxation, social welfare programmes and minimum wage policies. ✓✓
- Economics evaluates the effectiveness of redistributive policies that aim to transfer income from wealthier individuals or groups to those with lower incomes. ✓✓
- This can be through taxation and social welfare programmes like income support, healthcare, education subsidies, and housing assistance. ✓✓
- By applying economic principles and analysis, policymakers can develop strategies and policies to mitigate income inequality. ✓✓

(Accept any other correct relevant responses.) (4)

2.3 **Data Response**

2.3.1 **Name the absent participant in a closed economy.**

The foreign sector. ✓ (1)

2.3.2 **Identify one of the main flows in the circular flow model?**

Monetary Flow ✓
Real Flow ✓
(Accept any other correct relevant response.) (1 x 1) (1)

2.3.3 **Briefly explain the term circular flow.**

- It is the diagram indicating the flow of income, production, and expenditure in the economy. ✓✓

(Accept any other correct relevant response.) (2)

2.3.4 **Why is the foreign sector important for economic growth?**

- When local firms export goods and services to foreign markets, injections are made to the local economy. ✓✓
- The foreign sector is crucial for economic growth as it opens up opportunities for trade, innovation, diversification, and the exchange of resources and ideas. ✓✓

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

2.3.5 **How will an increase in household spending impact the circular flow?**

- An increase in household spending leads to higher levels of consumption expenditure. ✓✓
- Higher demand for goods and services produced by firms will lead firms to produce more to meet the consumer demand. ✓✓
- Firms can experience increased revenues from selling more goods and services. ✓✓
- When firms increase production due to a higher demand for goods and services, it can result in increased income for factors of production, such as labour (wages), capital (interest), land (rent), and entrepreneurship (profits). ✓✓
- The increase in household spending, leading to higher consumption and production, can contribute to economic growth. ✓✓
- The increase in household spending represents an injection into the circular flow. ✓✓

(Accept any other correct and relevant response.) (4)

2.4 **Distinguish between a positive and a normative statements in economics.**

<u>Positive Statements</u>

- Positive statements are descriptive statements based on facts, data, and empirical evidence. ✓✓
- They are objective statements that can be tested or verified using observation, measurement, or scientific analysis. ✓✓
- They aim to describe how the economy works, what is currently happening, or what has happened in the past. ✓✓
- They are free from personal opinions, value judgments, or beliefs. ✓✓
- Positive statements are based on verifiable data and can be confirmed or refuted through empirical evidence. ✓✓
- Example: “The unemployment rate in the country is 5%.” ✓ (Max. 4)

<u>Normative Statements</u>

- Normative statements are subjective statements that involve opinions, value judgments, or statements about what should be or ought to be. ✓✓
- They are based on personal beliefs, preferences, or ethical considerations. ✓✓
- They express subjective viewpoints or arguments about what is desirable or morally right/wrong in the economy. ✓✓
- Normative statements cannot be proven or disproven purely through empirical evidence because they involve judgments and opinions. ✓✓
- Example: "A higher minimum wage is necessary for ensuring a living wage for all workers." ✓ (Max. 4)

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

2.5 **How is economics and mathematics related?**

- Mathematics is an essential tool in economics because it provides the framework for modelling, analysing, and interpreting economic data and relationships. ✓✓
- Mathematics is used to calculate totals in the economy, for example the gross domestic product (GDP) and the gross domestic income (GDP). ✓✓
- Economists use this calculation to calculate the growth rate of the economy for a certain period of time, usually one year. ✓✓
- Economics and mathematics share links due to the logical nature of economic theory and the quantitative tools used to model, analyse, and understand economic trends. ✓✓
- Mathematics provides a framework for economists to create models that represent economic relationships between various economic variables. ✓✓
- Mathematical functions, equations, and models are used to describe economic concepts like demand, supply, production, consumption, and investment. ✓✓
- Economists use mathematical optimisation techniques to maximize utility, profit, or efficiency. ✓✓
- Mathematics, specifically statistics and econometrics, is employed extensively in economics to study practical data, estimate relationships between variables, test hypotheses, and make predictions. ✓✓
- Techniques like regression analysis, time series analysis, and probability theory are integral in empirical economic research. ✓✓
- In essence, mathematics provides the language and analytical tools that enable economists to formalise economic theories, model complex relationships, analyse data, and derive conclusions. ✓✓

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

[40]

QUESTION 3: MACROECONOMICS

3.1 **Answer the following questions.**

3.1.1 **Name any TWO examples of capital goods.**

- Tools ✓
- Machinery ✓

(Any other relevant response.) (2)

3.1.2 **Why is the GDP of South Africa traditionally higher than the GNP?**

- Any country in which residents pay more factor income to foreigners than they receive from foreigners will have a Gross Domestic Product that exceeds its Gross National Product. ✓✓

(Any other relevant response.) (2)

3.2 **Data Response**

3.2.1 **Identify the section of the South African economy most affected by the Ukraine war?**

- Export Sector ✓
- Energy Sector ✓
- Commodity Sector ✓
- Financial Markets ✓
- Investment Sector ✓
- Foreign Sector ✓

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

3.2.2 **How did commodity prices change as result of the war?**

Commodity prices increased ✓ (1)

3.2.3 **Briefly explain the term *foreign trade.***

The exchange of goods, services, and capital across national borders between countries ✓✓

(Accept any other correct relevant response.) (2)

3.2.4 **Why was South African industries also disrupted due to the conflict in the Ukraine?**

- Industries relying on imports of raw materials or components from Russia or Ukraine faced shortages. ✓✓

(Accept any other correct relevant response.) (2)

3.2.5 **In which way can South Africa benefit from the ban on trade with Russia?**

- South African commodities can serve as a substitute product for previously imported goods from Russia, increasing the SA export ban. ✓✓
- This could lead to the expansion of South African industries and increased revenue from new markets. ✓✓
- A ban on trade with Russia might prompt South African businesses to diversify their export destinations. ✓✓
- This could reduce the reliance on a single trading partner (Russia) and expose South African products to new markets, enhancing export diversification. ✓✓
- South Africa is a significant exporter of commodities like minerals (e.g., platinum, gold), agricultural products, and metals. South Africa could benefit from increased demand and higher prices for its exports. ✓✓

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

3.3 **Data Response**

3.3.1 **Identify the type of pollution depicted in the picture above.**

- Air Pollution ✓ (1)

3.3.2 **What tax is levied on pollution-intensive goods?**

- Environmental taxes ✓/Green taxes ✓ (1 x 2) (1)

3.3.3 **Briefly explain the term environmental sustainability.**

- Environmental sustainability is the ability of the environment to survive its use for economic activity. ✓✓

(Accept any other correct relevant response.) (2)

3.3.4 **Why do developed countries contribute more to global pollution than developing countries?**

- Developed countries generally have higher levels of industrialisation, advanced technology, and larger consumption patterns, leading to significant pollution levels.✓✓

(Accept any other correct relevant response.) (2)

3.3.5 **How can education help lower pollution levels?**

- Education increases awareness about environmental issues, such as air and water pollution. ✓✓
- If people are aware of their environment, they are more likely to take action to reduce pollution. ✓✓
- Education encourages individuals to adopt eco-friendly habits in their daily lives. ✓✓
- This includes, for example, reducing energy consumption, recycling, conserving water, using public transportation, and making informed consumer decisions. ✓

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

3.4 **Describe the differences between absolute and relative scarcity.**

Absolute Scarcity:

- Absolute scarcity refers to an inherent, universal shortage of a resource. ✓✓
- Absolute scarcity occurs when the available quantity of a resource is inadequate to meet the all human wants and needs. ✓✓
- The quantity of the resource is limited and cannot be increased to meet the demands of everyone. ✓✓
- For example, the available quantity of fossil fuels is finite and cannot be replenished. ✓✓ (Max. 4)

Relative Scarcity:

- Relative scarcity occurs when goods and services are available, but you do not have the resources to acquire it. ✓✓
- Relative scarcity occurs due to a difference in the available quantity of a resource and the demand for that resource, in a certain situation. ✓✓
- A resource might be relatively scarce for a particular instance, even though it is generally available in abundance. ✓✓
- For example, a luxury item might be relatively scarce for a lower-income household, even though it's readily available in the market. ✓ (Max. 4)

(Accept any other relevant responses.) (4 x 2) (8)

3.5 **How does the government protect consumer rights.**

- Governments enact and enforce laws specifically designed to protect consumers from unfair, deceptive, or fraudulent practices by businesses. ✓✓
- These laws cover aspects such as product safety, labeling, advertising, pricing, warranties, and fair business practices. ✓✓
- Governments often establish regulatory bodies or agencies tasked with overseeing consumer protection. ✓✓
- These agencies monitor businesses' compliance with consumer protection laws, investigate consumer complaints, and take enforcement actions against violators. ✓✓
- Governments set standards and regulations to ensure the safety and quality of products sold in the market. ✓✓
- These regulations may include mandatory testing, labeling requirements, and safety standards to protect consumers from harmful or defective products. ✓✓
- Governments provide information and educational resources to empower consumers to make informed choices. ✓✓
- This includes educating consumers about their rights, responsibilities, available remedies, and how to recognise and report fraudulent or deceptive practices. ✓✓

- Governments establish mechanisms for consumers to seek redress when they have been harmed or treated unfairly by businesses. ✓✓
- This may involve avenues for lodging complaints, dispute resolution services, or access to courts for legal recourse. ✓✓
- Governments often support and collaborate with consumer advocacy organisations that work to promote and protect consumer interests. ✓✓
- These groups advocate for policy changes, conduct research, and raise awareness about consumer rights and issues. ✓✓
- Governments regularly monitor markets to identify potential violations of consumer rights. ✓✓
- They enforce laws and regulations by imposing fines, penalties, or legal actions against businesses found to engage in unfair or deceptive practices. ✓✓
- Governments create legislation against monopolistic practices, anti-competitive behavior, price fixing, or any actions that limit consumer choices or artificially inflate prices. ✓✓

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

[40]

TOTAL SECTION B: 80

SECTION C

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

Your answer will be assessed as follows:

STRUCTURE OF ESSAY	MARK ALLOCATION
Introduction The introduction is a lower-order response. • A good starting point would be to define the main concept related to the question topic. • Do not include any part of the question in your introduction. • Do not repeat any part of the introduction in the body. • Avoid mentioning 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/ Draw a graph and explain/Use the graph given and explain/Complete the given graph/Assess/Debate **A maximum of 8 marks may be allocated for headings/examples.** **Additional part:** Additional part: Critically discuss/Evaluate/Critically evaluate/Debate/Deduce/Compare/Distinguish/Interpret/How?/ Suggest **A maximum of 2 marks may be allocated for mere listing of facts.**	Max. 26 Max. 10
Conclusion Any higher-order conclusion should include: • A brief summary of what has been discussed without repeating facts already mentioned • Any opinion or value judgement on the facts discussed • Additional support information to strengthen the discussion/ analysis • A contradictory viewpoint with motivation, if required • Recommendations	Max. 2
TOTAL	**40**

QUESTION 5: MACROECONOMICS 40 MARKS – 40 MINUTES

- **Discuss in detail the participants in the circular flow. (26 marks)**
- **Examine the importance of an open economy to South Africa. (10 marks)**

Introduction

- The circular-flow model of an open economy shows the workings of an economy that is open to foreign trade ✓✓

(Accept any other correct relevant introduction.) (Max. 2)

Body

MAIN PART

Households ✓

- Consist of an individual, a family or a group of people that live(s) in a home. ✓✓
- Are basic decision-making units in the economy because they determine what should be produced. ✓✓
- Households are owners of factors of production. ✓✓
- They sell factors of production to the factor market to earn income. ✓✓
- The income that households receive is used to buy goods to satisfy their needs. ✓✓ (Max 8)

Businesses ✓

- Businesses combine and transform the factors of production to produce goods and services. ✓✓
- Basic productive sector in the economy. ✓✓
- They buy factors of production on the factor market. ✓✓
- They sell the final goods and services on the product market. ✓✓
- The aim of the business is to maximise profit. ✓✓
- Business enterprise strives to keep their income as high as possible and their expenses low. ✓✓ (Max 8)

Government ✓

- Consist of the local, provincial and national government. ✓✓
- Supply public goods that are not provided sufficiently by the public sector. ✓✓
- Takes care of public resources. ✓✓
- The goals of the government are economic growth, full employment, economic equity, price stability and BoP and exchange rate stability. ✓✓
- Government provides the framework within which the economy operates. ✓✓

(Max 8)

Foreign sector ✓
- International trade that take place across the borders of a country. ✓✓
- No country can exist in isolation. ✓✓
- Countries trade because they have a shortage of natural resources. ✓ ✓
- They export goods and services. ✓✓
- The foreign sector exists so that countries can trade. ✓✓.

(Accept any other correct relevant response.) (Maks. 8)
(Max. 26)

ADDITIONAL PART
- Being an open economy allows South Africa to engage in international trade, both importing and exporting goods and services. This provides access to a broader market for South African products and opportunities for diversification. ✓✓
- International trade can stimulate economic growth by increasing market size and demand for South African products. Export-led growth can lead to increased production, job creation, and income generation. ✓✓
- An open economy attracts foreign direct investment (FDI) and portfolio investment. Foreign companies invest in South Africa, bringing capital, technology, and expertise, which can boost economic development. ✓✓
- South Africa can access resources that are not readily available domestically through international trade. This includes essential raw materials and energy resources required for industrial and manufacturing processes. ✓✓
- Openness to the global economy facilitates the exchange of ideas and technology. South Africa can adopt and adapt innovations from other countries, fostering technological advancements. ✓✓
- By participating in international markets, South Africa reduces its dependency on the domestic market. This diversification helps mitigate economic risks associated with domestic economic fluctuations. ✓✓
- Exports generate foreign exchange earnings, which can be used to pay for imports, service external debt, and build foreign exchange reserves. A stable foreign exchange position is crucial for economic stability. ✓✓
- Openness to international trade promotes cultural exchange and cross-cultural understanding, enriching South African society and promoting tolerance and diversity. ✓✓

(Accept any other correct relevant response.) (Max. 10)

Conclusion
While circular flow is a simplification of reality, understanding the real flows and money flows that occur in such a situation is an important foundation for understanding more complex economies. ✓✓
(Accept any other correct relevant response.) (Max. 2) **[40]**

QUESTION 6: MACROECONOMICS 40 PUNTE – 40 MINUTES

- **Discuss in detail the effects of business cycles on the following:**
  - **aggregate supply and aggregate demand**
  - **employment**
  - **exchange rates**
  - **the economically vulnerable** (26 marks)
- **How do external factors influence economic fluctuations?** (10 marks) **[40]**

Introduction

- Business cycles refer to the phenomenon of successive periods of increasing and decreasing economic activity. ✓✓

(Accept any other correct relevant introduction.) (Max. 2)

MAIN PART

Changes in the aggregate demand and aggregate supply

- During the expansion phase of a business cycle, aggregate demand tends to increase as consumer confidence rises, leading to higher spending on goods and services. ✓✓
- Firms respond to increased demand by increasing production, which can lead to an upward shift in aggregate supply due to increased output and productivity gains. Prices might begin to rise moderately due to higher demand. ✓✓
- In a recession or contraction phase, aggregate demand declines as consumer spending decreases due to economic uncertainty, job losses, or reduced business investment. ✓✓
- This reduction in demand leads to a decrease in production and a leftward shift in aggregate supply. Unemployment rises, and businesses cut back on production, leading to a decrease in overall output and a potential decline in prices due to decreased demand. ✓✓ (Max 8)

Changes in employment

- During economic expansions, businesses experience a higher demand for goods and services, leading to increased production. ✓✓
- This often results in increased hiring to meet the rising demand, leading to lower unemployment rates as businesses expand their workforce. ✓✓
- Conversely, during economic contractions or recessions, businesses face reduced demand, leading to decreased production. ✓✓
- This may result in layoffs, reduced working hours, and higher unemployment rates as companies adjust to lower demand and try to cut costs. ✓✓ (Max 8)

Changes in exchange rates

- In an economic expansion, a country's strong economic performance may lead to increased investor confidence, potentially attracting foreign investment. ✓✓
- This could strengthen the country's currency relative to other currencies. ✓✓
- During a recession, a country's currency might weaken as investors seek safer investments in more stable economies. ✓✓
- Reduced economic performance and lower interest rates can lead to a depreciation of the currency relative to others. ✓✓ (Max 8)

Impact on the economically vulnerable

- Economic expansions may lead to increased job opportunities, income growth, and improved living standards for the economically vulnerable. ✓✓
- Policies implemented during expansions might focus on social welfare, education, and employment, benefiting vulnerable populations. ✓✓
- The economically vulnerable, such as low-income households, might face higher unemployment, reduced access to social services, and increased financial strain during recessions. ✓✓
- Government assistance programmes may experience higher demand while facing budget constraints. ✓✓ (Max 8)

(Accept any relevant response.) (Max. 26)

ADDITIONAL PART

- External factors play a significant role in influencing economic fluctuations by impacting various aspects of an economy. These factors can contribute to changes in economic growth, business cycles, and overall stability. ✓✓
- The performance of the global economy, including trends in major economies, international trade patterns, and global demand for goods and services, can significantly influence an individual country's economic conditions. ✓✓
- Changes in global economic growth rates, trade policies, or financial market trends can affect a nation's exports, imports, and overall economic activity.
- Geopolitical tensions, wars, trade disputes, or political instability in different parts of the world can impact economic stability. ✓✓
- Uncertainty stemming from geopolitical events can affect investor confidence, disrupt trade relationships, and lead to changes in market conditions, influencing economic fluctuations. ✓✓
- Events in financial markets, such as stock market crashes, banking crises, fluctuations in exchange rates, or disruptions in credit markets, can have widespread effects on an economy. ✓✓
- Financial market volatility can affect consumer and investor confidence, leading to changes in spending, investment behaviour, and overall economic performance. ✓✓
- Natural disasters like earthquakes, hurricanes, floods, or extreme weather events can cause widespread destruction, disrupting economic activities, infrastructure, and supply chains. ✓✓
- The economic repercussions of such events can lead to short-term disruptions and long-term effects on affected regions or entire economies. ✓✓

- Rapid advancements in technology and innovations can have profound effects on economies. ✓✓
- They can influence productivity, production methods, labour markets, and market structures, leading to structural changes and affecting economic fluctuations. ✓✓
- Changes in international policies, trade agreements, fiscal policies, monetary policies, or regulations imposed by international organisations or agreements can impact economic conditions. ✓✓
- Policy shifts in major economies can have spill-over effects on other countries, affecting trade, investment, and economic growth. ✓✓
- Health crises, pandemics (such as COVID-19), or outbreaks of diseases can have significant economic implications. ✓✓
- Measures taken to control the spread of diseases, including lockdowns, travel restrictions, and changes in consumer behaviour, can disrupt economic activities and global supply chains, influencing economic fluctuations. ✓✓

(Accept any relevant response.) (Max. 10)

Conclusion

- External factors interact in complex ways and can amplify or mitigate economic fluctuations within a country. Policymakers, economists, and businesses closely monitor these external factors to understand their potential impact on the economy and implement measures to manage risks and navigate through economic fluctuations. ✓✓

(Accept any relevant response.) (Max. 2)

TOTAL SECTION C: 40

TOTAL: 100