GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

PROVINCIAL EXAMINATION

NOVEMBER 2023

GRADE 11

MARKING GUIDELINES

ECONOMICS (PAPER 1)

18 pages

EXEMPLAR

MARKING GUIDELINES	ECONOMICS (PAPER 1) GRADE 11

SECTION A (COMPULSORY)

QUESTION 1 **30 MARKS – 20 MINUTES**

1.1 **MULTIPLE-CHOICE QUESTIONS**

1.1.1 B – intermediary ✓✓

1.1.2 B – economic growth rate ✓✓

1.1.3 C – market economy ✓✓

1.1.4 C – fixed ✓✓

1.1.5 A – GEAR ✓✓

1.1.6 B – Taxation from citizens ✓✓

1.1.7 A – Manufacturing ✓✓

1.1.8 D – Coin deposits ✓✓ (8 x 2) (16)

1.2 **MATCHING ITEMS**

1.2.1 B ✓

1.2.2 E ✓

1.2.3 H ✓

1.2.4 F ✓

1.2.5 A ✓

1.2.6 C ✓

1.2.7 D ✓

1.2.8 I ✓ (8 x 1) (8)

EXEMPLAR

1.3 **TERMINOLOGY**

1.3.1 Economic system ✓

1.3.2 Durable goods ✓

1.3.3 Entrepreneurs/Entrepreneurship ✓

1.3.4 Per capita income ✓

1.3.5 Indigenous knowledge systems ✓

1.3.6 Land restitution ✓ (6 x 1) (6)

TOTAL SECTION A: 30

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SECTION B

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

2.1 2.1.1 **Name TWO classifications of capital.**

- Money/Monetary capital ✓
- Real/Physical capital ✓ (Any 2 x 1) (2)

2.1.2 **Why do people with scarce skills receive higher wages?**

- People with scarce skills are more valuable to a firm, therefore they receive a higher wage. ✓✓
- People with scarce skills typically earn higher wages because those skills are in high demand, and employers are willing to pay more to attract and retain those employees.
- Employees with scarce skills may have more bargaining power in wage negotiations because there may be fewer people with those skills available to fill the job.

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

Commented [NM1]: Addition

Commented [VM2R1]: Thank you

2.2 **DATA RESPONSE**

2.2.1 **Which method of GDP determines production at basic price?**

- Production method ✓ (1)

Commented [DN(3)]: 2.2.1 Circular flow (approved)

Ref to marking guideline recommendation/correction

Commented [VM4R3]: QP was not the same as the MG. Fixed now.

2.2.2 **Which other institution, besides Statistics SA, publishes statistics in SA?**

- The South African Reserve Bank/SARB ✓ (1)

2.2.3 **Briefly describe the term Gross Domestic Product.**

- Gross domestic product is the total value of goods and services produced within the borders of a country within a period of time. ✓✓

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

2.2.4 **How can economic growth be increased in South Africa?**

- Economic growth can be increased through a rise in demand of goods and services and/or an increase in productive capacity. ✓✓
- South Africa needs to reduce the cost of borrowing and stimulate an increase in consumer spending and investment. ✓✓
- The South African workforce should be given wages above the inflation rate to increase their disposable income. ✓✓

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

EXEMPLAR

2.2.5 **Why do countries revise their national accounts?**

- To ensure the accuracy of national accounts estimates and their comparability with other countries ✓✓
- Existence of new information relating to aspects of national accounts ✓✓
- Availability of new methodologies and changes to the base year ✓✓

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

2.3 **DATA RESPONSE**

2.3.1 **Identify ONE type of transport in the information above**

- Land transport ✓
- Air transport ✓ (1)

2.3.2 **In which sector are commercial services found?**

- Tertiary sector ✓ (1)

2.3.3 **Briefly describe the term *genetic operations.***

- Genetic operations refer to the collection of raw materials that can return to nature what is taken from it, such as farming or forestry. ✓✓

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

2.3.4 **What could lead to an increase in the percentage contribution of government services in the tertiary sector?**

- If there is an increase in employment in the civil service, government services' percentage contribution would increase. ✓✓
- If there is a significant increase in percentage earnings by those in the civil service. ✓✓

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

Commented [NM5]: At least add another point

EXEMPLAR

2.3.5 **How does the primary sector contribute towards the economy?**

- Provides raw materials for secondary industries through the cultivation of products, exploitation of minerals and collection of products. ✓✓
- It provides power to the economy using various types of energy sources, such as coal to Eskom. ✓✓
- It stimulates economic development in the country by providing job opportunities thereby creating a potential for a better standard of living. ✓✓
- This sector earns foreign exchange by exporting products and stimulates trade by increasing demand potential in other countries. ✓✓
- It contributes to the GDP of the country through increased production in the agricultural sector and/or other primary sector contributors. ✓✓
- It provides employment and training to people (skills) as there is a need for skilled and unskilled workers to operate machines and other general work, respectively in the sector. ✓✓
- It produces food for the people of a country through farming. ✓✓
- The state's income is increased through special taxes levied on gold mines and through mining leases sold. ✓✓

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

Commented [NM6]: Expand these responses

2.4 **Differentiate between *renewable* and *non-renewable* resources.**

Renewable resources

- Are those that are replaced by natural processes ✓✓
- Reproduce and replenish naturally without intervention within a short/medium time span ✓✓
- Renewable resources are available in abundance. ✓✓
- Renewable resources are generated using lower emissions and is seen as key in addressing the climate change crisis. ✓✓
- E.g. weather (sunlight, rain) plants and animals ✓

Non-renewable resources

- Non-renewable resources have to be used carefully because they do not have an annual cycle of growth, but take millions of years to form ✓✓
- Cannot replenish itself or take a very long time to replace ✓✓
- Most non-renewable energy sources are fossil fuels: coal, petroleum, and natural gas. ✓✓
- Using non-renewable resources may be harmful to the environment. When coal and oil are burned, they release particles that can pollute the air, water, and land. ✓✓

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

Commented [NM7]: Expand and add more responses minimum should be 5 at least

Commented [VM8R7]: Accept any other correct relevant response serves the purpose

EXEMPLAR

2.5 **Why is capital formation important to the South African economy?**

- Growth in real gross fixed capital formation is an important driver of growth in real gross domestic expenditure and a major contributor to growth in real gross domestic product. ✓✓
- The contraction in real gross fixed capital formation which was made worse by the national lockdown during the height of the COVID-19 pandemic in South Africa contributed to one of the worst real GDPs in Africa since the 1960s. ✓✓
- Capital formation in South Africa is a good indicator of investment by private institutions, public corporations and the general government. ✓✓
- Creates jobs/job opportunities and this is used to assess growth and its potential. ✓✓
- The government and its public corporation have contributed highly to capital formation in South Africa as compared to private institutions and this benefitted the country immediately after the global financial crisis through, amongst others, improving public infrastructure such as the Gauteng Gautrain project and investment in residential buildings. ✓✓

(Accept any other correct relevant response.) (Any 4 x 2) (8)
[40]

QUESTION 3: ECONOMIC PURSUITS 40 MARKS – 30 MINUTES

3.1 3.1.1 **Name any TWO South African approaches to redistribution methods.**

- Affirmative action ✓
- Broad-Based Black Economic Empowerment Act (BBBEE) ✓
- Land restitution and Land redistribution ✓
- Property subsidies ✓ (Any 2 x 1) (2)

3.1.2 **How does *wealth* differ from *income*?**

- Wealth consists of property, vehicles and equipment owned at a specific point in time. ✓✓
- Income is the reward that owners of factors of production receive for using it in the production process. ✓✓

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

Commented [NM9]: Provide a new question, answers are easily accessible from rehab material. Suggestion: How effective has been the black Economic Empowerment ensuring youth employment in South Africa?

EXEMPLAR

3.2 **DATA RESPONSE**

3.2.1 **In which year was AsgiSA launched?**

- In 2006 ✓ (1)

3.2.2 **Identify any ONE infrastructure outcome of AsgiSA from the images above.**

- Gautrain ✓
  OR
- South African Stadiums/2010 World Cup stadiums ✓ (1)

3.2.3 **Briefly describe the term *economic marginalisation***

- People do not have the same chance to contribute to and benefit from the economy. ✓✓

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

3.2.4 **What were the objectives of the Accelerated and Shared Growth Initiatives for South Africa?**

- To introduce policies, programmes and interventions that would allow the South African economy to grow enough to halve poverty and unemployment. ✓✓

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

3.2.5 **How does JIPSA relate to AsgiSA?**

- JIPSA was one of the six programmes put in place under AsgiSA to eliminate particular constraints. ✓✓
- JIPSA was established under AsgiSA to bring the skills challenge to national attention. ✓✓
- JIPSA was established under AsgiSA to create a unique forum for dialogue between the key social actors and role players and to facilitate their practical engagement with the skills priorities. ✓✓

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

3.3 **DATA RESPONSE**

3.3.1 **Identify the institution that hiked SA's growth rate in the article above.**

- The IMF ✓ (1)

3.3.2 **What is the constraint to growth in South Africa according to the extract above?**

- The ongoing energy crisis ✓ (1)

EXEMPLAR

3.3.3 **Briefly describe the term *economic growth.***

- Economic growth takes place when a country produces and consumes more goods and services than before and is measured using GDP. ✓✓

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

3.3.4 **How does "avoiding a technical recession" give hope to the economy?**

- Avoiding a technical recession means that the economy has not had a prolonged decline. ✓✓
- Because avoiding consecutive negative growth of two quarters promises improvement in economic activities. ✓✓

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

3.3.5 **Explain the importance of the view of the IMF on economic growth in South Africa.**

- The IMF provides financial support to emerging economies therefore its view on the economic growth of those countries is important. ✓✓
- One of the purposes of the IMF is to foster sustainable economic growth in countries in the world therefore its view is significant and matters to investors ✓✓ (2 x 2) (4)

3.4 **Discuss the advantages of economic integration and cooperation between countries.**

- Countries can ensure that their policies are in harmony, to the advantage of all participants. ✓✓
- Countries from one area can speak in one voice concerning issues of common interest. ✓✓
- Can reduce costs regarding capital projects of the countries concerned. ✓✓
- Can result in economic development because of successful trade blocks. ✓✓
- Can lead to a common monetary area which can strengthen the monetary policy of the countries involved. ✓✓

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

EXEMPLAR

3.5 **Why are indigenous knowledge systems important for local communities?**

IKS is important to local communities because they contribute by:

- Sustaining social and economic development ✓✓
- Helping people to understand local conditions ✓✓
- Providing a productive framework for activities aimed to help
- communities ✓✓
- Offering problem-solving plans or strategies for local communities, especially the poor ✓✓
- Representing an important contribution to the global development of knowledge ✓✓
- Underutilising resources in the development process ✓✓

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

[40]

QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS

40 MARKS – 30 MINUTES

4.1 4.1.1 **Name any TWO industries in the primary sector.**

- Agriculture ✓
- Fishing ✓
- Forestry ✓
- Mining ✓ (Any 2 x 1) (2)

4.1.2 **Why do free goods have value?**

- Because without them people would have no quality of life. ✓✓
- People enjoy benefits that satisfy their needs and wants from free goods. ✓✓

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

4.2 **DATA RESPONSE**

4.2.1 **Identify the group referred to as 'people' in the cartoon above.**

- The poor ✓ (1)

4.2.2 **Name any factor which enriches the rich in the cartoon above.**

- Denial ✓
- Economic growth ✓
- Profits ✓
- Wealth ✓
- Consumerism (Any 1 x 1) (1)

Commented [NM10]: See QP comments

Commented [VM11R10]: See QP response

Commented [NM12]: Add another point

EXEMPLAR

4.2.3 **Briefly describe the term *Gini coefficient*.**

- The Gini coefficient is a number that is calculated to indicate the degree of income inequality. ✓✓

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

4.2.4 **Why is redistribution of income and wealth important?**

- It helps achieve economic welfare for the entire population. ✓✓
- Economic growth and development is shared fairly by the population. ✓✓

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

4.2.5 **How can a progressive income tax system achieve redistribution of income?**

- The rich pay more taxes than the poor. ✓✓
- Since people with higher income pay higher taxes their income is distributed to the poor through effective utilisation of taxes. ✓✓

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

4.3 **DATA RESPONSE**

4.3.1 **List ONE characteristic of developing countries.**

- Low standard of living ✓
- Low levels of productivity ✓
- High population growth and dependency burdens ✓
- High levels of unemployment ✓
- Dependence on the primary sector ✓
- Deficient infrastructure ✓ (Any 1 x 1) (1)

4.3.2 **Identify a possible trend in economic inequalities from the extract above.**

- Economic inequalities could increase. ✓ (1)

Commented [DN(13]: 4.3.2 Is the question correctly phrased? Is naming the author economically relevant ? Please advise to the relevancy ? Responses will quote Shamika not UNCTAD

Commented [VM14R13]: Reviewed and replaced

4.3.3 **Briefly describe the term *economic development***

- Economic development depends on economic growth and has to do with human development as reflected in the living standards of the majority of the population in the country. ✓✓

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

EXEMPLAR

4.3.4 **Why do economic inequalities exist between developing and developed countries?**

- Economic inequalities are a result of differences in technological progress between developed and developing countries due to the former having a more highly skilled and educated population than the latter. ✓✓
- High levels of corruption and misuse of government resources contribute to an economic gap between developed and developing countries. ✓✓

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

4.3.5 **How can unemployment be best measured in developing countries?**

- By using the expanded definition of unemployment which includes discouraged and inactive job seekers ✓✓
- Unlike the narrow or strict definition of unemployment which only includes active job seekers and can be misleading in developing countries because unemployment is of a structural type. ✓✓

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

4.4 **Discuss *efficiency* and *freedom of action and ownership* as advantages of a market economy**

Efficiency

- Resources are allocated automatically without the need for government intervention. ✓✓
- Producers are motivated by profit, so they respond quickly to changes in consumer preferences. ✓✓
- Efficiency can serve to satisfy consumers as needs and wants can be met timeously provided they can afford it. ✓✓

Freedom of action and ownership

- People are free to start any business in any place. ✓✓
- People are free to live where they like and to own property. ✓✓
- This freedom can lead to increased entrepreneurship as access to ownership is free. ✓✓

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

Commented [NM15]: Add another fact

Commented [NM16]: Add another fact

Commented [NM17]: Add 3 more facts

Commented [VM18R17]: Added one more and the rest is covered by "Accept any other correct relevant response." and the expertise of the relevant teacher with the marking guideline. Noel my brother with all respect I doubt this guide is supposed to be exhaustive. In any case, it just takes more time to add more responses.

Commented [NM19]: Add 3more facts

Commented [VM20R19]: Added one more

EXEMPLAR

4.5 **Evaluate government's involvement in increasing access to economic opportunities.**

The government has succeeded in increasing access to economic opportunities by:

- Removing of legal restrictions that blocked the entry of blacks into the mainstream economy. ✓✓✓✓
- Introducing policies to promote new opportunities for and increase the levels of participation of black people in the ownership, management and control of economic activities – BEE ✓✓
- Improving the provision of infrastructure (communication, transport and electricity) to poor areas. ✓✓
- Decentralising economic activities to previously disadvantaged areas through regional development programmes ✓✓
- Providing free education to increase their qualifications of previously disadvantaged individuals. ✓✓

(Accept any other correct relevant response.) (Any 4 x 2) (8)
[40]

TOTAL SECTION B: 80

EXEMPLAR

SECTION C

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

Your answer will be assessed as follows:

STRUCTURE OF ESSAY	MARK ALLOCATION
Introduction: The introduction is a low-order response. • A good starting point would be to define or explain a concept or key word that appears in the question. • Do NOT include any part of the question in your introduction. • 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/Draw a graph and explain/Use the graph given and explain/ Complete the graph given/Debate **A maximum of 8 marks can be awarded for headings/examples.** **Additional part**: Give own opinion/Critically discuss/Evaluate/ Critically evaluate/Calculate/Deduce/Compare/Explain/Distinguish/ Interpret/Briefly explain/How?/Suggest/Analyse/Evaluate **A maximum of 2 marks can be awarded for merely listing of facts.**	Max. 26 Max. 10
Conclusion: Any higher order conclusion must include the following: • A wrap-up of the discussion of the topic without repetition of facts already mentioned • Any own opinion or value judgement of the points discussed, with examples to support your discussion • Additional, supporting information that strengthens your discussion/analysis • A contradictory viewpoint with motivation, if requested • Recommendations	Max. 2
TOTAL:	**40**

REMBAR

QUESTION 5: MAKRO EKONOMIE **40 MARKS– 40 MINUTES**

- **Compare and contrast the South African mixed economy with a centrally planned economic system (26 marks)**

- **How does the government assist the economically marginalised groups in South Africa? (10 marks) [40]**

INTRODUCTION

- An economic system is a method of production and exchange of goods and services as well as allocation of resources. ✓✓

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

BODY:
MAIN PART

South Africa's mixed economy:

- Mixed economy in South Africa is a mixture of private and government ownership of the factors of production unlike centralised ownership. ✓✓
- Entrepreneurs in South Africa are free to start businesses to make money, and in the process, they create jobs, influence growth in the economy and raise the standard of living independently from government influence. ✓✓
- The South African government takes responsibility for producing certain goods and services like health and education while other goods are managed by private companies. The government has sole rights to some goods and services but not on all. ✓✓
- The South African government controls unfair business practices like unlawful competition, monopolies and price fixing by producers through various legislations. ✓✓
- The South African government assumes economic stability is maintained through the usage of taxes, by maintaining roads, railways, electricity or water supply. ✓✓
- The South African government controls many business practices through various labour, consumer and environmental laws but these businesses have freedom of ownership. ✓✓
- The South African government gives subsidies for social needs such as health, education and financial grants, yet these services are provided by private businesses and also by the government. ✓✓
- The South African government works with the private sector through initiatives known as Public Private Partnerships (PPPs) for the maximum use of resources. ✓✓

Commented [NM21]: Tabulate your responses and provide heading of each comparison

Commented [VM22R21]: You are suggesting one way of responding but that is not the only way of responding to this question. The essence of *compare and contrast* is to show similarities and differences. We need to keep an open mind here and rather focus on how the marks will be allocated and for what. Should the learner provide headings, the marker will look into the contents of this guideline and make discretion regarding the relevancy, correctness and the maximum marks to be given. The same applies if the learner gives examples.

EXEMPLAR

Centrally planned economic system:

- Public ownership of the factors of production. All factors of production are owned and controlled by the government and there is no private ownership of property and land. ✓✓
- Decision-making is centralised. The government decides on the goods and services to be produced with no individual decision-making. ✓✓
- The government distributes goods and services through state shops where people often have to stand in long queues to get their basic necessities with no options for private goods and services. ✓✓
- The state ownership of all goods and services and the factors of production and private individuals and businesses have no say. ✓✓
- The government sets output or production targets for state-owned factories and allocates the necessary resources to each factory for each area. ✓✓
- It mainly aims at the comfort of all the citizens in the country. ✓✓
- Unlike a mixed economy, prices are fixed by the government and there is no profit motive. ✓✓

(Accept any other correct relevant response.)
(Allocate a maximum of 8 marks for heading and examples.)

(Max. 26 marks)

ADDITIONAL PART

How does the government assist the economically marginalised groups in South Africa?

Commented [NM23]: Not the same with above
See QP comments

- Since 1994, labour policies have been put in place to protect the rights of all employees. ✓✓
- To help this process we have the Broad-Based Black Economic Empowerment laws and the Employment Equity Act of 1998. ✓✓
- The National Skills Development Strategy has enabled 3,6 million people to take part in workplace learning and some 50 000 unemployed young people to take part in learnership programmes. ✓✓
- Sector Education and Training Authorities (SETAs) play an important role in providing the training needed for the skills demanded by industries.✓✓
- Affirmative action plays an important part in new appointments in the workplace.✓✓
- A policy of land distribution and land restitution is followed to assist previously disadvantaged people. ✓✓

(Allocate a maximum of 2 marks for mere listing of facts.)
(Accept any other correct relevant response.) (Max. 10)

CONCLUSION

A mixed economic system is most suited for South Africa because of the high inequality. The government must intervene to protect the poor while promoting and using the wealth of the rich. ✓✓
(Accept any other relevant correct higher order conclusion.) (Max. 2)

Commented [NM24]: Should we exploit the rich for poor people to benefit

Find a better high order conclusion

Commented [VM25R24]: It is indeed one way, 100% just not the only one.

EXEMPLAR

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QUESTION 6: ECONOMIC PURSUITS 40 MARKS – 40 MINUTES

- **Discuss, in detail, the functions of the South African Reserve Bank (26 marks)**

- **How can monetary policy be used to slow down an overheating economy? (10 marks) [40]**

INTRODUCTION

- The central bank is the monetary authority of a country. South Africa's central bank was established in 1920. The main function of the SARB is to be the monetary authority. ✓✓

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

BODY:
MAIN PART

- The Reserve Bank is the main banker of the state as it administers the financial accounts of the central government, the provincial government and various parastatals. ✓✓
- It renders services to the government which are similar to those rendered by commercial banks to their clients. ✓✓
- Government departments deposit their funds with the Reserve Bank. ✓✓
- The Reserve Bank also provides loans, foreign exchange and financial advice to the government. ✓✓
- Also provides monetary advice to the government. ✓✓
- The SARB has the sole right to produce, issue and destroy banknotes and coins in South Africa. ✓✓
- The South African Mint Company mints South Africa's coins as a subsidiary of the SARB. ✓✓
- The SA Note Company, another subsidiary of the SARB, prints banknotes on behalf of the SARB. ✓✓
- In the issuing of banknotes and coins, the bank is guided by the needs of the economy. ✓✓
- The SARB acts a custodian of foreign reserves, it is the custodian of the country's reserves in gold and foreign exchange. ✓✓
- The SARB also markets the gold output of the country on international markets, paying the mining houses in combination of rands and dollars. ✓✓
- The SARB declares and keeps the minimum cash reserves that all banks are required to hold to stay solvent as a custodian of cash reserves of banks. ✓✓
- The SARB acts as a clearing bank by settling inter-bank obligations, the claims are settled on a daily basis as it keeps accounts of various banks. ✓✓
- The SARB is the lender of last resort. ✓✓

Commented [NM26]: Expand

Commented [NM27]: Provide at least additional of 2 marks or more

Commented [NM28]: Expand

EXEMPLAR

- It grants loans to the commercial banks when these banks have a liquidity problem. ✓✓
- The SARB supervises and controls the activities of commercial banks and financial institutions. ✓✓
- The SARB issues economic reports by publishing statistics and information in its quarterly bulletin for the benefit of all parties interested in such information. ✓✓
- It ensures that the banks are operating in accordance with the Banks Act. ✓✓
- The SARB makes sure that all the banks implement monetary policy controlling credit, the money supply, and the interest rates in the country. ✓✓

(Accept any other correct relevant response.)
(Allocate a maximum of 8 marks for headings and examples.)

(Max. 26 marks)

ADDITIONAL PART

How can monetary policy be used to slow down an overheating economy?

- Increasing interest rates will discourage too much spending and encourage saving and investment. ✓✓
- Moral suasion can be used to warn banks to act in a manner where credit is given responsibly. ✓✓
- The SARB can increase the cash reserve requirement so that banks have less money available for lending. ✓✓
- The SARB can decrease the money supply by selling government securities in the open market. ✓✓
- Keeping interest rates unchanged may be necessary under rare circumstances when an economy is overheating provided the constant effect will achieve the cooling down of an economy. ✓✓
- Monetary policy's outcomes tend to be futuristic in nature as the impact is often felt much later than the implementation of the decision and therefore central banks might have to use a combination of instruments to achieve cool down an overheating economy much quicker. ✓✓

(Accept any other correct relevant response.)
(Allocate a maximum of 2 marks for a mere listing of facts.)

(Max. 10 marks)

CONCLUSION

The South African Reserve Bank has an interest in maintaining sustainable economic growth through its monetary policy instruments by monitoring a target range for inflation to stabilise prices. However, in reality, this is not always the exact outcome but a direction. ✓✓
(Accept any other correct relevant higher-order conclusion.) (Max. 2) **[40]**

TOTAL SECTION C: 40

TOTAL: 150

EXEMPLAR

Commented [NM29]: Such as...

Commented [VM30R29]: A learner can give an example

Commented [NM31]: expand

Commented [NM32]: expand

Commented [NM33]: But inflation is currently at 6.9% out of range. Provide a higher order response

My opinion
central banks should reform their current way of operating by changing their goal and their instruments of intervention. Their main objective should not be price stability but financial stability, and their main tool should not be interest rates but a proactive financial policy oriented toward understanding systemic risk.
Or
Interest rates on overnight central bank advances should be set at zero forever. Interest rates, as an operating tool, are grossly ineffective to manage the economic system and may promote economic fragility, inflation, speculation, misdistribution of income, and economic recession.

Commented [VM34R33]: We need to be flexible while we look for higher-order responses. Higher order can be easy, moderate and difficult. Level of difficulty of questions and responses can be subjective. Let's keep an open mind, hence, "Accept any other correct relevant higher-order conclusion".