education
MPUMALANGA PROVINCE
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 12

ECONOMICS PAPER 1

SEPTEMBER 2022

MARKING GUIDELINES

MARKS: 150

This marking guidelines consists of 17 pages.

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SECTION A (COMPULSORY)

QUESTION 1 30 MARKS

1.1 **MULTIPLE-CHOICE**

1.1.1 A terms of trade✓✓

1.1.2 C Three sector✓✓

1.1.3 D moral suasion✓✓

1.1.4 C Laffer curve✓✓

1.1.5 D Trade protocols ✓✓

1.1.6 B corridor. ✓✓

1.1.7 A full employment. ✓✓

1.1.8 B North/South divide ✓✓

(8 x 2) (16)

1.2 **MULTIPLE-CHOICE**

1.2.1 I A feature for forecasting a business cycle by repeatedly calculating means along time series ✓

1.2.2 G The state take ownership of natural resources and strategic industries in the economy✓

1.2.3 A Interaction of economies of the world with trade as the main goal✓

1.2.4 E A summary of a country's the economic activity of production, income and expenditure

1.2.5 F Foreign products are sold in another country at a price that is below their cost of production ✓

1.2.6 H Interest percentage charged by commercial banks to their clients ✓

1.2.7 B Regional development criterion relating to the long term self - sufficiency of a business ✓

1.2.8 D Higher income earners are taxed at a higher rate than lower income earners ✓

(8 x 1) (8)

ONE TERM

1.3.1 Multiplier✓

1.3.2 Monetary policy✓

1.3.3 Depreciation✓

1.3.4 Import substitution✓

1.3.5 Wealth tax✓

1.3.6 Industrial development✓

(6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

QUESTION 2: MACROECONOMICS 40 MARKS

2.1 Short questions:

2.1.1 **Mention TWO types of exchange rates system.**

- Free floating ✓
- Managed floating✓
- Fixed ✓ (2 x 1) (2)

2.1.2 **How can a larger marginal propensity to save (mps) affect the size of the multiplier?**

Reduces the size of the multiplier as less is available to spend✓✓ (2)
(Accept any other correct relevant responses) (2 x 2)

2.2 **DATA RESPONSE**

2.2.1 **Name the period of a business cycle during which the level of economic activities increases.**

Upswing/upturn ✓ (1)

2.2.2 **Mention ONE example of an exogenous cause of business cycle.**

- Natural disasters ✓
- Weather ✓
- Pandemics/ Covid 19 ✓

(Accept any other correct relevant responses) (1)

2.2.3 **Briefly describe the concept *business cycle.***

The fluctuation in the level of economic activities/ the increasing and decreasing of the level of GDP growth✓✓ (2)
(Accept any other correct relevant responses)

2.2.4 **Explain the importance of an amplitude of a business cycle.**

- It indicates the intensity of the underlying forces and the size of a change✓✓
- The larger the distance between the trend line and a turning point, the stronger the phase / the smaller the distance between the trend line and the turning point, the weaker the phase✓✓

(Accept any other correct relevant responses) (2)

2.2.5 **How can interest rates be used to stimulate (increase) economic activity?**

- To expand credit creation, during recession interest rates can be reduced✓✓
- This can result in an increase in aggregate demand as more people are likely to apply for loans✓✓ Increased aggregate demand leads to increased total production of goods and services✓✓ (2 x 2) (4)

(Accept any other correct relevant responses)

2.3 **DATA RESPONSE**

2.3.1 **Identify the main economic participant in the diagram above.**

Households✓ (1)

2.3.2 **Name the money flow represented by Letter B.**

Payment for goods and services✓ (1)

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

A model that shows the relationship between production, income and expenditure✓✓ (2)
(Accept any other correct relevant responses)

2.3.4 **Why is taxation regarded as a leakage?**

It is regarded as a leakage because it withdraw money from the circular flow✓✓ (2)
(Accept any other correct relevant responses)

2.3.5 **If the government charges an income tax rate of 15%, what will be the amount collected from tax represented by letter A? Show ALL calculations**

$\frac{15 \checkmark}{100 \checkmark}$ x R20000✓
= R3000 ✓ (4)

2.4 **Briefly discuss *size of the population* and *climatic conditions* as reasons for international trade.**

Size of population

- An increase in population creates a need for more goods and services✓✓
- Local suppliers may not able to satisfy the needs and wants for the growing population ✓✓
- As a result, members of the population can import some of the goods and services from other countries ✓✓ (Max.4)

Climatic conditions

- Countries have different climates and certain crops can only grow in certain climatic conditions. ✓✓
- Some countries cannot grow agricultural products they need, as a result, those countries have to import these products from countries that can grow them abundantly ✓✓
- For example, Brazil is one of the big producers of coffee due to its tropical climate ✓✓ (Max.4) (8)

(Accept any other correct relevant responses)
(Allocate a maximum of 4 marks for mere listing of facts)

2.5 **How can foreign sector contribute positively to the economy?**

Foreign sector contributes positively to the economy by:

- giving a country access to goods that it may be not be able to produce, as imports✓✓
- making local products available in foreign countries as exports, therefore earning foreign exchange ✓✓
- enabling countries to exchange skills and knowledge ✓✓
- contributing to job creation when multinational firms operate in different countries✓✓
- increasing consumer choice by increasing the availability of various product in a country ✓✓ (8)

(Accept any other correct relevant responses) **[40]**

QUESTION 3: ECONOMIC PURSUITS 40 MARKS

3.1 Short questions:

3.1.1 **List TWO types of Economic integration.**

- Free trade area (Custom Union/ Economic and Monetary Union/Common markets) ✓
- Preferential treatment Agreements (AGOA/ WTO)✓ (2 x 1) (2)

3.1.2 **Explain the aim of Black Economic Empowerment policy.**

To increase the number of black people participating in the economy✓✓ (1 x 2) (2)
(Accept any other correct relevant responses)

3.2 **DATA RESPONSE**

3.2.1 **Identify the trade policy whereby there are no barriers to prevent trade between countries.**

Free trade✓ (1)

3.2.2 **Give ONE kind of import tariffs**.

- Specific ✓
- Ad valorem ✓ (1)

3.2.3 **Briefly describe the concept *protectionism.***

international trade policy involving discouraging the import of certain goods and services in order to protect local industries✓✓ (2)
(Accept any other correct relevant responses)

3.2.4 **Explain a disadvantage (negative effect) of import substitution?**

- Capital and entrepreneurial talent are drawn away from the areas of comparative advantage to areas where protection stimulates profit artificially✓✓
- Technology is often borrowed from abroad, where capital is relatively abundant, as a result, production methods unsuitable for the country's production structure are often used ✓✓
(Accept any other correct relevant responses) (2)

3.2.5 **How can free trade policy benefit an economy?**

- It allows economies of scale to be maximised, thus unit costs reduced ✓✓
- It allows consumers the choice to buy products made from other countries ✓✓
- It leads to lower prices as competition increases✓✓ (2 x 2) (4)

(Accept any other correct relevant responses)

3.3 **DATA RESPONSE**

3.3.1 **Identify the policy that was introduced in 1994 to address inequality and poverty.**

Reconstruction and Development Programme/ RDP✓ (1)

3.3.2 **Name the indicator of economic growth.**

Real GDP ✓ (1)

3.3.3 **Briefly explain the concept *economic development***

The improvement in standard of living of the majority of people in a country over time✓✓ (2)
(Accept any other correct relevant responses)

3.3.4 **Explain the main aim of the National Development Plan.**

To eliminate poverty and inequality by the year 2030✓✓ (2)

3.3.5 **How does the EPWP positively affect the economy?**

- It allows the unskilled labour a chance to gain some skills that are needed in the labour market✓✓
- It is labour intensive, therefore it reduces unemployment as it uses more labour than machines ✓ ✓
- It targets mostly women and the youth for employment, reducing economic marginalisation✓✓ (2 x 2) (4)
- (Accept any other correct relevant responses)

3.4 **Briefly explain *Small Businesses Support Program* and *Skills Support Program* as incentives to improve industrial development.**

Small Businesses Support Program
- It is an incentive that provides a tax-free cash grant for investment industries in South Africa ✓✓
- Grants are given to SMME's with total assets under R100 million ✓✓
- A variety of industries are eligible for these grants, from manufacturing and tourism to agriculture ✓✓ (Max.4)

Skills Support Program
- This is the cash grant for skills development✓✓
- The main aim is to encourage investment in training so that workers acquire new skills ✓✓
- Advanced skills should be prioritized as they have a higher potential to benefit the economy more✓✓ (Max.4)

(8)

(Accept any other correct relevant responses)
(Allocate a maximum of 4 marks for mere listing of facts)

3.5 **How can developing countries improve their economic growth?**

Developing countries can improve their economies by:
- implementing economic policies that suit their level of development such as labour intensive production✓✓
- improving the quality of education to improve the skill and knowledge used in the economy✓✓
- partnering with some developed countries with intention of strengthening their knowledge on how to run economies effectively✓✓
- eliminating corruption which often lead to wastage of resources✓✓
- processing their natural resources such as minerals before exporting them as finished products fetch higher price✓✓

(Accept any other correct relevant response)
(Allocate a maximum of 2 marks for mere listing of facts) (8)

[40]

QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS

40 MARKS

4.1.1 **Name TWO instruments of fiscal policy**

- Taxation ✓
- Government spending✓
- Public debt / Government borrowing✓ (2 x 1) (2)

4.1.2 **What is the purpose of cash grants provided by government to the poor?**

To improve their standard of living as they can use the money to cover some of their basic needs✓✓ (1 x 2) (2)
(Accept any other correct relevant responses)

4.2 **DATA RESPONSE**

4.2.1 **Identify the item that represents money sent between countries as gifts.**

Current transfer✓ (1)

4.2.2 **How many components (main accounts) does the Balance of Payment consist of?**

Three ✓ (1)

4.2.3 **Briefly describe the term *Balance of payment.***

The record of the country's transactions with the rest of the world in a year✓✓ (2)
(Accept any other correct relevant responses)

4.2.4 **What does a positive balance (surplus) on the current account indicate for the economy?**

- Money inflow is higher than money outflows✓✓
- A country received more money than it paid to other countries✓✓ (2)
  (Accept any other correct relevant responses)

4.2.5 **Calculate the trade balance (letter A). Show ALL calculations**

Merchandise exports:	1 286 047✓
Net gold exports:	+ 108 299 ✓
Merchandise imports	- 1109 459✓
Trade balance	= **284 887**✓

(4)

4.3 DATA RESPONSE

4.3.1 Identify the town in which the platinum SDI situated on the map.

Rustenburg✓ (1)

4.3.2 What is the focus industry of the Saldanha Bay IDZ (letter A on the map)?

(1)

Steel✓

4.3.3 Briefly describe the term *spatial development initiatives*.

The government initiatives to stimulate industrial development in areas where poverty and unemployment are at their highest ✓✓
(Accept any other correct relevant responses) (2)

4.3.4 What was the purpose of establishing inland Special Economic Zones?

To encourage production for domestic market✓✓ (2)
(Accept any other correct relevant responses)

4.3.5 Why does the South African government implement regional development policy?

- To stimulate development in poorer areas✓✓
- To prevent new imbalances from emerging ✓✓
- To develop the poorer areas by using labour and natural resources from those areas ✓✓ (2 x 2) (4)
  (Accept any other correct relevant responses)

4.4 **Briefly discuss *leading indicator* and *coincident indicator* as features for forecasting business cycles.**

Leading indicators

- They are indicators that change before the economy gets changed ✓✓
- They tell of how the economy will be in the coming months ✓✓
- When they rise, it means the economic activity will rise in the next few months✓✓ (Max.4)

Coincident indicators

- They are indicators that change at the same time as the economy changes✓✓
- They indicate the current state of the economy✓✓
- A downturn is shown by a decrease in these indicators while an upswing is shown an increase in these indicators✓✓ (Max.4) (8)

(Accept any other correct relevant responses)

4.5 **Why do countries engage in export promotion?**

Countries engage in export promotion to:

- increase their scale of production as there is no limitation to how much to produce as world market is large✓✓
- achieve a higher economic growth which is led by increased production for export market✓✓
- increase job opportunities which can result in higher standard of living as more people are employed to produce for export market✓✓
- exercise their comparative advantage by concentrating on goods that they can produce at lower cost and efficiently than other countries✓✓
- increase the development of local industries as firms can use their profits to improve their production processes✓✓
- increase government income as the more firms export, the more money they will pay as taxes✓✓ (8)

[40]

(Accept any other correct relevant responses)

TOTAL SECTION B: 80

SECTION C

QUESTION 5: MACROECONOMICS 40 MARKS – 40 MINUTES

- Discuss in detail the reasons for public sector failure. (26 marks)
- What can be the effects of continuous public sector failure? (10 marks)

INTRODUCTION

Public sector failure refers to when the government intervention in the economy results in more inefficient and ineffective allocation of resources ✓✓ (Max.2)
(Accept other correct relevant introductions)

BODY: MAIN PART:

- **Poor management/ management failure** ✓
  - The public sector entities may have leaders with poor management skill ✓✓
  - Some of these managers may be lacking proper experience and training while others may be having hidden agendas ✓✓
  - This may affect how they apply various policies or may get the timing of such policies right

- **Lack of motivation** ✓
  - Government employees often do not receive incentives for successful service delivery ✓✓
  - There are no systems to evaluate service quality provided by the employees ✓✓
  - Even those who do outstanding work are not recognized therefore they end up being demotivated ✓✓

- **Apathy** ✓
  - Some employees are apathetic (uninterested/ indifferent) about their work ✓✓
  - They lack accountability about their actions, this means they often lack responsibility for their decisions, these result in poor service delivery ✓✓

- **Bureaucracy** ✓
  - Refers to excessively complex administrative procedure that are often followed in government sector ✓✓
  - Bureaucrats (government officials) are criticised for being too rigid and inefficient ✓✓
  - A simple request end up entangled in endless processes, paperwork that slows down an otherwise simple task ✓✓
  - Application for a particular project having to go from one administrative level to another, taking very long period before an answer can be given ✓✓

- **Politicians** ✓
  - Politicians are often interested in being re-elected to their positions rather than serving the public ✓✓
  - Therefore, they often pursue vote-maximising strategies to secure or retain their political offices ✓✓

– The pressure of looming election often can make many politicians make decisions to appease the voting public ✓✓
– Some projects can be undertaken even if they were not budgeted for or no proper cost benefit analysis was conducted ✓✓

- **Special interest groups (rent seeking groups)** ✓
– Rent seeking refers to when people spend money on lobbying in order to increase their wealth without actually creating any more wealth ✓✓
– Special interest groups such as farmers or organised labour often attempt to influence government to their own advantage ✓✓
– They make use of the law, lobbying, bribes and other favours to influence the government officials to act in their interest. ✓✓
(Accept any other correct relevant responses) (Max 26)

ADDITIONAL PART

***Continuous public sector failure can*:**
– lead to resource wastage where an optimal allocation of resources is not achieved ✓✓
– lead to macroeconomic instability, this means government is unable to use fiscal policy effectively. ✓✓
– cause the country to experience macro-economic problems such as low economic growth, high inflation and unemployment. ✓✓
– cause the public sector to fail to provide social services sanitation, clean water, electricity etc., human lives are destabilised and their human rights are compromised. ✓✓
– make the government to fail to use the progressive income tax system effectively, leading to an unbalanced distribution of income in the country. ✓✓
– lead to a serious decline in the level of economic activities and it has a potential to scare away prospective investors✓✓ (Max.10)
(Accept any other correct relevant responses)
(Allocate a maximum of 2 marks for mere listing of facts)

CONCLUSION

Public sector failure can be eliminated by implementing various steps such as improving skills of public servants and holding them accountable ✓✓ (Max.2)
(Accept any other correct relevant higher order conclusion)

[40]

QUESTION 6 : ECONOMIC PURSUITS 40 MARKS – 40 MINUTES

- Discuss in detail the social indicators. (26 marks)
- Evaluate the efficiency of service delivery in South African. (10 marks)

INTRODUCTION

Social indicators are concerned with people and take into account the well-being of the nation ✓✓ (Max.2)
(Accept other correct relevant introductions)

BODY: MAIN PART

- **Demographics indicators**

– Demographic indicators focus on the size of the population of a country ✓✓
– Focuses on the characteristics of a population such as. size, race, age ✓✓
– The information is important to the government as it is needed for infrastructure development and the implementation of social programmes ✓✓
– Two demographic indicators are population growth and life expectancy✓✓

Population growth

– The percentage at which the population of a country increases✓✓
– Measuring of population growth is done through conducting a **census.** Census is the official count of the population of a country ✓✓
– Every government needs to know the population size of the country for service delivery purposes and also to establish a tax base. ✓✓
– A high population growth combined with low economic growth harms efforts to improve the average standard of living of the population ✓✓
– It also places pressure on government finances in terms of providing social services ✓✓

Life expectancy✓

– The number of years a new-born infant is likely to live under the prevailing conditions✓✓
– For the government, life expectancy is important as it indicates the tax base and the labour force available in the economy ✓✓

- **Nutrition and health indicators** ✓

– These indicators are used by the government and other institutions to investigate health-related issues ✓✓
– Malnutrition is expressed as underweight or dwarfism ✓✓
– It contributes towards the risks of death and inhibits cognitive development of children in SA✓✓
– Overweight is associated with obesity in childhood, diabetes, respiratory diseases, high blood pressure and psychological disorders✓✓
– Being overweight can lead to numerous adverse health conditions, which affect people's ability to work and take care of themselves ✓✓Infant mortality is the number of children per 1000 births who die before the age of one year in a year ✓✓

- **Education indicators**✓

– Education is one of the methods to decrease poverty and income inequality. ✓✓
– Education directly influences the level of income and standards of living for the people✓✓
– If the level of education increases, more people will find jobs, unemployment will

decrease and poverty will decline ✓✓
- The level of education of the population also affects the country's level of productivity, competiveness and national wealth ✓✓
- *Percentage public sector spending* is the percentage of government expenditure on education ✓✓
- Percentage enrolment in Secondary schools refers to the percentage of children between the ages of 12 to 17 years attending secondary education. ✓✓
- Secondary education is considered as a minimum entry requirement to employment for semi- skilled labour ✓✓

- **Services indicators** ✓

- Basic services such as housing, water, sanitation and electricity are important factors that indicate the standard of living of people in a country. ✓✓
- Electricity: the government promotes access to electricity to all members of the population, regardless of whether they live in rural or urban areas. ✓✓
- There has been a sustainable increase of electricity supply since 1994
- Refuse removal: In 2004 more than 50% of South African households had access to refuse removal by local government services and dumping sites. ✓✓
- Water supply and Sanitation: is an objective of SA government for all people to have access to clean water and a basic functioning sanitation system. ✓✓
- The target is to have all South Africans to have access to sanitation services by 2012 ✓✓

- **Housing and urbanisation indicators**✓

- Housing: to secure social and economic benefits of proper housing, the government facilitates home ownership by means of housing subsidy scheme and loans from the private sector ✓✓
- The RDP was also introduced to provide housing to previously disadvantaged people✓✓
- Various housing projects such as the People's Housing Process and the hostel redevelopments have been implemented to provide housing to such people✓✓
- Urbanisation is the increase in population numbers of urban areas (cities and towns) ✓✓
- Causes of urbanisation may include natural growth in urban population, migration in form of rural-urban migration or international migration and founding / establishment of new towns✓✓ (Max.26)

(Accept any other correct relevant response)

ADDITIONAL PART

Service delivery is efficient because:

- basic education (grades 0 -12) is provided for free to poor communities✓✓
- free basic health is available to all who use public health services✓✓
- various grants are provided to reduce the level of income inequality and poverty✓✓
- government has been providing free housing for poor households✓✓
- many rural areas have access to electricity✓✓
- some rural areas have been provided with communal taps or boreholes that provides clean water✓✓

Service delivery is inefficient because:

- the quality of basic education is low and provide school leavers with limited skills✓✓
- the health facilities have limited equipment and medicines to provide efficient services✓✓
- many people in urban areas live in shacks due to lack of housing✓✓.
- many citizens receive no proper municipal services such as refuse removal; therefore, they live in polluted environment✓✓.
- roads are in poor conditions with potholes✓✓
- many rural areas still do not have access to clean water and sanitation✓✓
- there are still some rural areas without electricity✓✓ (Max.10) **[40]**

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

CONCLUSION

Social indicators are key in helping the government to decide on appropriate policies that can help in achieving economic development ✓✓ (Max.2)
(Accept any other correct relevant higher order conclusion)

TOTAL SECTION C: 40
GRAND TOTAL: 150