SUBJECT AND GRADE	**ECONOMICS GRADE 11**	
TERM	*Term 3 - Week 3*	
SUBJECT	**ECONOMIC PURSUITS: ECONOMIC GROWTH**	
AIM OF LESSON	**TO BE SUCCESSFUL YOU MUST:** Understand the process of wealth creation and distribution patterns	
INTRODUCTION	**ECONOMIC GROWTH IS LINKED TO CONTENTS COVERED:** **Gr 10 - Term 1:** Business cycles, i.e. the effects of business cycles on economic growth. **Gr 11 - Term 1:** Production factors, i.e. the importance of land, labor, capital and entrepreneurship.	
DURATION	**1 Week (5 lessons / 4 hours)**	
CONCEPTS AND SKILLS	**TO MASTER THE TOPIC OF ECONOMIC GROWTH, YOU MUST DO THE FOLLOWING:** 1. Describe wealth and income. 2. Briefly differentiate between wealth and income. 3. Briefly explain the different sources of wealth. 4. Briefly explain the methods to create wealth through savings. 5. Describe and explain wealth distribution. 6. Describe and explain income distribution. 7. Briefly explain the use of the Gini coefficient to measure income inequalities. 8. Briefly explain the use of the Lorenz curve. 9. Discuss the different methods used to redistribute income and wealth. 10. ***Critically evaluate*** government efforts to redress economic inequality.	
INFORMAL ACTIVITIES	**CONSOLIDATION ACTIVITIES:** **ACTIVITY 1 & 2**	
RESOURCES	***Paper-based sources***	***Digital sources***
	Grade 11 Core notes: Topic 8 ***Any approved textbook***	https://www.education.gov.za/ https://wcedeportal.co.za/

WEEK 3



WEALTH CREATION

Definition of wealth
All the accumulated physical and financial assets that enable people, businesses and the government to earn an income. Some examples include equities and investments, referred to as **financial (monetary) wealth**, and property, furniture and clothing, referred to as **physical (real) wealth.**

Definition of income
The reward earned for the work of the production factors.

Differences between income and wealth

Income	Wealth
● **Income** is the compensation that the factors of production deserve to participate in economic activities. ● Income can take the form of wages, interest, profit and wealth.	● **Wealth** refers to the value of both fixed and monetary assets that have accumulated over time. ● Wealth enables people to earn an income. ● We measure wealth in terms of money, but money in itself is not wealth.

Sources of wealth
Wealth is created by:

- Savings: When people save part of their income in banks, they earn income in the form of interest. They can also use their savings to buy other forms of wealth.
- Inheritance: People receive wealth left to them by someone who died.
- Luck: Some people receive wealth as a prize when they compete or winning the lottery.

Method of creating wealth savings

- Savings are unspent income.
- The equation for savings is: Savings (S) = Income (Y) - Consumption expenses (C).
- An increase in income can lead to an increase in savings or purchase of physical wealth.
- To increase savings, income must increase or expenditure must decrease. Savings only become wealth if the money is used to buy physical or financial wealth.

DISTRIBUTION OF REVENUE AND EARNING OF INCOME THROUGH WEALTH

INCOME DISTRIBUTION - The manner in which income is distributed among households.
WEALTH DISTRIBUTION - The way in which wealth is distributed among households.
HOW MUCH INEQUALITY?
There are TWO methods to measure the extent of income inequality:
1.Lorenz curve
2.Gini coefficient

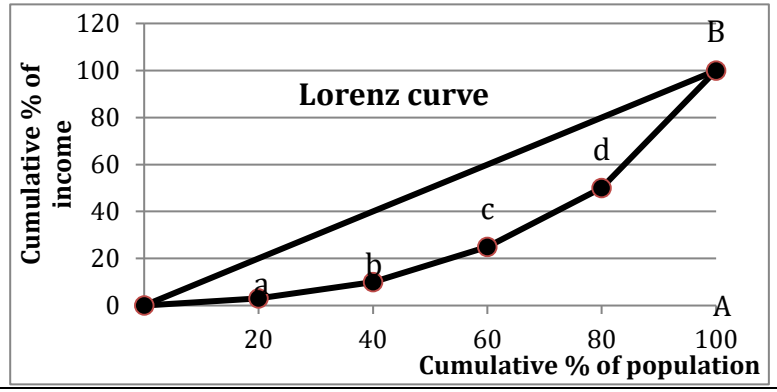
1. The Lorenz curve

The Lorenz curve is a graph showing the distribution of income or wealth in a country.

TABLE OF DISTRIBUTION OF REVENUE

PERCENTAGE		CUMULATIVE PERCENTAGE	
POPULATION	**REVENUE**	**POPULATION**	**INCOME**
Poorest 20%	3	20	3
Next 20%	7	40	10
Next 20%	15	60	25
Next 20%	25	80	50
Richest 20%	50	100	100

% plot on Horizontal axis **% plot on Vertical axis**



- By plotting the cumulative income and population percentages, the points of intersection give a **convex curve along 0, a, b, c, d, B,** which is the **Lorenz curve**.
- This shows that at **c,** the poorest 60% of the population earn 25% of the entire country's income.
- The 45 ° line **(0B)** serves as a reference point and represents complete equality of income distribution. This is called the **line of equal distribution OR perfect equality.**
- Along this line, the first 20% of the population receives 20% of the total income; the first 40% receives 40%, the first 60% receives 60%, and so on.
- The **greater the distance** between the line of equal distribution and the Lorenz curve, the greater the **degree of income inequality**.
- The area between the line of equal distribution and the Lorenz curve is called the **area of income distribution inequality.**

2. The Gini coefficient

- The *Gini coefficient* is calculated according to the information provided by the Lorenz curve.
- The Gini coefficient measures the exact degree of inequality.
- This is the ratio of the area between the Lorenz curve and the line of equal distribution (0B, d, c, b, a, 0), the total area below the line of equal distribution (triangle 0BA0)
- The value of the Gini coefficient can range from 0 to 1.
- A zero-Gini coefficient means that there is a perfectly even distribution of income.
- A Gini coefficient of one means that there is a completely unequal distribution of income.
- The higher the value, the greater the income distribution inequality.
- South Africa has a very high Gini coefficient, which indicates a very unequal distribution of income. The higher the value, the greater the inequality.

UNEQUAL DISTRIBUTION OF INCOME AND WEALTH
This means that there is a big difference between the income and wealth of the richest and poorest households or between rich and poor countries.

REDISTRIBUTION METHODS

The South African government aims to redistribute income and wealth so that there is greater equality between households.
The methods they use to redistribute income and wealth are as follows.



A. International redistribution methods	
1. Taxation	● High-income earners and wealthy people are taxed to provide benefits and benefits in kind to low-income earners and poor people. ● Progressive personal income tax: High income earners are taxed at higher rates. ● Wealth includes: → Capital gains tax (CGT) is levied on the profits earned from the sale of capital goods, such as property and shares, and → Estate Duty where 20% is payable on the estate of each person who dies and whose net estate exceeds R3,5 million.
2. Cash (social) grants	● Large sums are paid by social grants to support poor households. ● Examples of these are old-age pensions, disability allowances, child allowances and unemployment insurance.
3.Natura (free) benefits	● Poor households receive free healthcare, education, school meals, municipal services and infrastructure. ● Limited quantities of free electricity and water are also provided.
4. Labour Market Policy	● Minimum wages, non-discrimination laws and training subsidies reduce income inequality.
5. Macroeconomic Policy Employment	● The Extended Public Works Program (EPWP) creates jobs for low-income households. ● Regional development policies, such as ROIs, aim to reduce geographical inequalities in income and wealth.

B. Affirmative Action in South Africa	
1. Broad-Based Black Economic Empowerment (BBBEE)	● The Broad-Black Economic Empowerment Act, 2003, provides a legal basis for transformation of the SA economy, so that the number of black people who make up the country's economy ownership, management and control can increase significantly. ● The Department of Trade and Industry (DHN) has published a scorecard used to measure empowerment and transformation progress of businesses and industries. ● Elements on scorecards include stock ownership, management and control, employment equity, preferential procurement, enterprise development and social responsibility.
2. Land Restitution and Land Redistribution	● The purpose of land restitution is to return land to those who lost it as a result of racially discriminatory laws and practices after June 19, 1913. ● Land redistribution focuses on land for residential and productive use. ● Although there have been some successes since 1994, very little land is still in the hands of very few people.
3. Housing subsidies	● Housing subsidies are used to help low-income earners to own property. ● The Government Housing Scheme provides funding options to all persons earning less than R3 500 per month.

ACTIVITY 1

1. Choose the correct answer and write only the letter (A-D) next to the question number.

The buildup of _____ is essential to increase one's income.

A. wealth
B. skills
C. voices
D. training **(2)**

2. Give ONE concept for the following descriptions.

2.1 Ownership of assets to generate income. **(1)**
2.2 Essential for wealth accumulation. **(1)**
2.3 Usually dependent on wealth. **(1)**

3. Contrast the difference between wealth and income. (4x2) (8)

4. Name THREE sources of wealth. (3x1) (3)

5. Briefly discuss the methods of generating wealth through savings. (3x2) (6)

ACTIVITY 2

1. Give ONE concept for the following descriptions.

1.1 A curve that shows how unequal the distribution of income and wealth is between households. (1)
1.2 A statistic that can be used to measure the degree of income inequality and between households in a country. (1)
1.3 A large difference between the income levels and wealth of the richest and poorest households. (1)

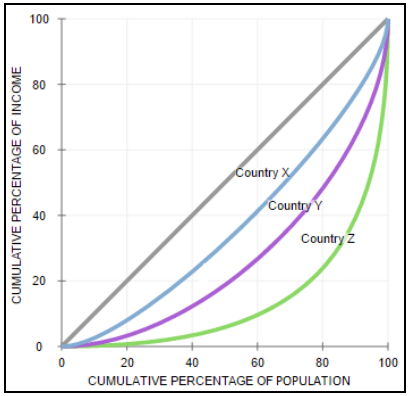
2. Discuss FOUR international methods of redistributing income and wealth. (4x2) (8)

3. Discuss affirmative action as a method of income and wealth in South Africa redistributing. (3x2) (6)

4. Discuss the methods of creating wealth through savings. (3x2) (6)

5. Describe the level of income inequality of a country with a Gini coefficient of 9. (2)

6. Study the graph below and answer the questions that follow.



6.1 Which country has the most equal distribution of income? Explain your answer. (3)
6.2 Which country has the most unequal distribution of income? Explain your answer. (3)