GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

GAUTENG DEPARTMENT OF EDUCATION

PREPARATORY EXAMINATION

2020

10731

ECONOMICS

PAPER 1

MARKING GUIDELINES

19 pages

SECTION A (COMPULSORY)

QUESTION 1

1.1 MULTIPLE-CHOICE QUESTIONS

1.1.1 A – liberalisation ✓✓
1.1.2 C – moving average ✓✓
1.1.3 D – short-term investment✓✓
1.1.4 B – economic union ✓✓
1.1.5 A – domestic demand✓✓
1.1.6 C – public-private partnership ✓✓
1.1.7 B – real interest rate ✓✓
1.1.8 D – World Economic Forum ✓✓ (8 x 2) (16)

1.2 MATCHING ITEMS

1.2.1 D ✓ – Fixed investments by firms are a cause of this cycle

1.2.2 H ✓ – The total value of all final goods and services produced by the permanent residents of a country in a specific period

1.2.3 G ✓ – Expresses a country's export prices in terms of its import prices

1.2.4 A ✓ – This shows the income and expenditure estimates for a three-year period

1.2.5 E ✓ – Policies to compensate past inequalities including employment equity and BBBEE

1.2.6 F ✓ – To promote a more labour-intensive industry

1.2.7 I ✓ – Grouping of countries who gained independence from the North aiming to negotiate more favorable prices for their raw materials

1.2.8 B ✓ – A cause of action decided on by government to achieve their goals for the country (8 x 1) (8)

1.3 GIVE A TERM

1.3.1 Exogenous/external/monetarists ✓
1.3.2 Demerit goods ✓
1.3.3 Trade balance ✓
1.3.4 Benchmark ✓
1.3.5 Special Economic Zone ✓
1.3.6 Productivity ✓ (6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

Answer TWO 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 items that convert Gross Value Added at factor costs to Gross Value Added at basic prices**.

- Plus taxes on production ✓
- Minus subsidies on production ✓ (2 x 1) (2)

2.1.2 **How does import substitution contribute towards skills development in South Africa?**

- Import substitution forces the country to become more self-sufficient in many industries and to provide training for various skills. ✓✓
- Local talent is developed in certain technical/professional skills, which can improve our value-added goods for the export market and local consumption. ✓✓
- The local industry also benefits, such as skills development in providing certain services in tourism, agriculture products, etc. ✓✓
- Country becomes skilled at a variety of techniques, as they are compelled to produce products for themselves ✓✓ (e.g. repurposing of machinery during the lockdown to produce ventilators) ✓

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

2.2 **Data Response**

2.2.1 **Give the alternative term for recovery (growth) as depicted from trough to peak in the diagram.**

- Expansion period ✓
- Upswing period ✓ (1)

2.2.2 **How is the length of a business cycle measured?**

It is measured from peak to peak/measured from trough to trough. ✓ (1)

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

- Refers to successive periods of growth and decline in economic activities over a given period of time. ✓✓
- Refers to successive periods of increase and decrease in economic activities over a given period of time. ✓✓

(Accept any other correct relevant response) (2)

2.2.4 **Explain the government policy that is effective in smoothing-out the business cycle when the economy is at the peak.**

Contractionary monetary policy is the most effective in smoothing-out business cycles out of the peak, since the interest rates are increased while money supply is lowered. ✓✓
Contractionary fiscal policy can be applied where government spending is reduced and taxes are increased – budgeting for a surplus. ✓✓
(Accept any other correct relevant response) (2)

2.2.5 **How effective are government policies in stimulating the economy at the trough?**

- Expansionary fiscal policy can be used to recover from a recession by increasing government spending, and thereby increasing aggregate demand. ✓✓
- Increasing government spending, especially on infrastructural development ✓✓
- Reducing taxes, which could increase disposable income ✓✓
- These factors will have a stimulating effect on production, employment and other factors of production✓✓

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

2.3 **Data Response – TABLE**

2.3.1 **Name any ONE example of service receipts.**

- The transportation of goods and passengers between countries ✓
- Travel services ✓
- Construction services ✓
- Financial and insurance services ✓
- Business, professional and technical services ✓
- Government services ✓
- The money spent by foreign tourists in South Africa ✓

(1)

2.3.2 **Give a reason for the deficit on the current account of the BOP.**

- Import expenditure exceeds export earnings. ✓
- The payments for services is larger than the service receipts. ✓
- The income payments are more than the income receipts. ✓
- The current transfers indicate a negative balance. ✓

(Accept any other correct relevant response) (1)

2.3.3 **Briefly describe the term *portfolio investments.***

Involves the buying of paper assets, such as shares in companies listed on the JSE, or buying of government bonds for the purpose of getting financial returns on investments ✓✓
(Accept any other correct relevant response) (2)

2.3.4 **Calculate the trade balance (A) for March 2019 in the above table.**

Exports + gold exports – imports = R 1 175 547 + R71 678 – R 1 222 944 = **R 24 281** ✓✓ (2)

2.3.5 **One way for a country to correct its deficit on the BOP is through borrowing from other countries. How can a country correct its deficit on the balance of payments, other than the measure mentioned above?**

- Long-term policies, such as export promotion, will encourage more local production. ✓✓
- Interest rate changes to influence domestic demand, and consequently local production. ✓✓
- Exchange control, which involves domestic regulations to allow central banks to ration foreign exchange. ✓✓
- Import control measures such as import tariffs, other duties and import quotas, to discourage imports and promote domestic production. ✓✓

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

2.4 **With reference to the graph explain the effects of coronavirus (Covid-19) on the value of the Rand.**

- The demand for the Rand decreased from 100 to 80. ✓✓
- The price of rand in terms of dollar decreased from R17 per dollar, to R12 per dollar. Therefore the Rand appreciated. ✓✓
- Due to the appreciation, exports will decrease and imports will increase. ✓✓
- It will have a negative effect on the Balance of Payments. ✓✓
- South Africa will pay more on loan repayments and also payments for services, which creates a larger deficit on the current account of the balance of payments. ✓✓

(Any other correct relevant response) (8)

2.5 **Evaluate the effect of the coronavirus (Covid-19) on infant industries in South Africa.**

NEGATIVE EFFECTS

- The majority of small industries closed down, with a loss of income (profits). ✓✓
- In some sectors the infant (small) industries closed down permanently, with less income tax paid to SARS. ✓✓
- Businesses that continued to operate, had to ensure that the health protocols are implemented, which mean that some of their income earned was used up by santizers and PPEs for staff. ✓✓
- The impact on labour has large numbers of workers losing their jobs. ✓✓
- Many unemployed labourers are now dependent on the UIF or other forms of social grants. ✓✓
- The small sole traders, especially in the services industry, were negatively affected as their only source of income was affected. ✓✓
- An under-estimated effect of Covid-19 was the psychological effect on individuals and families. ✓✓

POSITIVE EFFECTS

- Certain small businesses flourished during the period, because there was a greater demand for personal protective equipment such as hand sanitizers and masks. ✓✓
- Small businesses that could repurpose their machinery and production capabilities could continue operating. ✓✓ E.g. small businesses that could make ventilators ✓
- Some businesses flourished during the lockdown, e.g. IT services, gaming, DSTV, Netflix, etc. Smaller businesses providing support to these activities did well during the period. ✓✓
- Online ordering of goods also expanded, with more people ordering from online stores. Smaller businesses that could change their operating model to this type of business continued to operate. ✓✓
- Smaller businesses that could provide delivery services to the bigger retailers, under the stringent lockdown protocols could also continue to survive during the Covid-19 pandemic.✓✓

(Accept any other correct relevant response)
(A maximum of 2 marks may be allocated for the mere listing of facts/ examples) (8)

[40]

QUESTION 3: ECONOMIC PURSUITS

3.1 Answer the following questions.

3.1.1 **Name TWO benchmark criteria used by South Africa to evaluate the economy in terms of best practices.**

- Price stability ✓
- Exchange rate stability ✓
- Economic equity ✓
- Higher economic growth ✓ ANY (2 x 1) (2)

3.1.2 **How does the South African Reserve Bank use monetary policies to influence the economy?**

Contractionary

- SARB decide to decrease the amount of money in circulation, intending to decrease the amount of goods and services being traded within the economy. ✓✓
- If the money supply is reduced, there are less products and there is less exchange, which reduces economic growth. ✓✓

Expansionary

- SARB can increase the money supply in circulation by decreasing the interest rates. ✓✓
- If there is more money in circulation, there will be a greater demand for goods and services, which should lead to increased economic activity, and consequently increased economic growth. ✓✓

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

3.2 **Data response – MAP**

3.2.1 **Name the Industrial Development Zone A.**

Saldanha Bay ✓ (1)

3.2.2 **What is the main aim of the Industrial Development Zone B?**

To attract foreign investments and increase exports ✓
(Accept any other correct relevant response) (1)

3.2.3 **Briefly describe the term *Industrial Development Zone*.**

These are purpose-built industrial estates that are physically enclosed and linked to an international port or airport. ✓✓ (2)

3.2.4 **Explain how an Industrial Development Zone could improve local socio-economic conditions.**

- Providing job opportunities for unemployed people in and around the IDZ✓✓
- Up-skilling people will create more productive workers and lead to increased productivity ✓✓
- Poverty alleviation will lead to a better standard of living ✓✓
- Improved infrastructure which will benefit the local community✓✓
- The multiplier effect/development kicks in and will have a ripple effect on other associated or linked industries ✓✓

(Accept any other correct relevant response) (2)

3.2.5 **How can effective public-private partnerships be created?**

- Projects where the state provides the infrastructure and private sector provides capital to establish a joint business venture✓✓
- It brings private sector competencies, efficiencies and capital to improving public assets or services when government lacks upfront cash✓✓
- By the public sector and private sector working together, successful partnerships can be created, to benefit the community at large ✓✓

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

3.3 **Data response – EXTRACT**

3.3.1 **Identify the type of social indicator above.**

Nutrition and health indicator ✓ (1)

3.3.2 **Give a reason why food security is important for the growing population**?

Food is essential for nutrition and health in general✓
People cannot function without adequate food ✓
The growth of children is dependend on the consumption of sufficient food for normal growth ✓
(Accept any other correct relevant response) (1)

3.3.3 **Briefly describe the term *social indicator.***

Social indicators are statistics that show the level and progress of human development in a country. ✓✓
(Accept any other relevant correct description) (2)

3.3.4 **Discuss the importance of good governance when dealing with financial aid as an indicator.**

- Good governance ensures that finances are managed effectively.✓✓
- Mismanagement and misallocation of funds will be eliminated, hence under-developed areas will receive financial aid. ✓✓
- Principles of transparency and accountability ensure that finances are allocated effiecently. ✓✓

(Accept any other correct relevant response) (2)

3.3.5 **How can technology, as a supply-side approach, be used to alleviate poverty in South Africa?**

- Technology can be used to promote sustainable production in developing countries ✓✓
- Technology can be a source of economies of scale, as unit costs are reduced and makes goods and services cheaper for the poor ✓✓
- With economics of scale, goods are more accessible to all, which can lead to small businesses being started ✓✓
- Which in turn can lead to the allieviation of poverty, as an income is now generated ✓✓

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

3.4 **Distinguish between n*ominal GDP* and *real GDP* as economic indicators**.

- Nominal GDP is the market value of the final production of goods and services within a country in a given period using the current prices. ✓✓
- Real GDP is the nominal GDP adjusted for changes in the price level, using a base year (constant prices). ✓✓
- Real GDP adjusts the level of output for any price changes that may have occured over time. ✓✓
- An increase in nominal GDP indicates that prices have increased, while an increase in real GDP definitely means output has increased. ✓✓
- Increase in real GDP indicates that the person now has more goods and services available, a result generally believed to lead to higher living standards. ✓✓ (2 x 4) (8)

3.5 **How does South Africa comply with the various international bodies that require the standardization of their indicators?**

International Monetary Fund (IMF)

- South Africa's annual budget review is compiled in terms of the IMF's Governments Finance Statistics that focuses on public finance accounting. ✓✓
- The IMF's mandate was updated in 2012 to include all macroeconomic and financial sector issues that bear on global stability.✓✓

World Bank

- The World Bank requires countries, including South Africa to report on various economic and social indicators.✓✓
- These indicators are collected and published by the World Bank Group of institutions in the *World Development Indicators* and the *African Development Indicators.* ✓✓
- It assits the World Bank in deciding on how much loans it can make available to countries for developmental purposes. ✓✓

United Nations (UN)

- South Africa conforms to the UN system in compiling their national accounts. ✓✓
- The UN's best known guide of economic indicators is the UN's System of National Accounts ✓✓ (SNA), e.g. changes to the Balance of Payments by the SARB. ✓
- This allows the IMF to decide how much it can make available to correct BOP deficits. ✓✓

(Accepts any other correct relevant responses)
(A maximum of 2 marks may be allocated for the mere listing of facts/examples) (8)
[40]

QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS

4.1 Answer the following questions.

4.1.1 **Name any TWO types of business cycle indicators used in forecasting economic activities.**

- Leading indicators ✓
- Lagging indicators ✓
- Concident indicators ✓
- Composite indicators ✓ (2 x 1) (2)

4.1.2. **How is the performance of the economy measured by production indicators?**

- This information is valuable to economists as it compares the relative performance of each sector of the economy. ✓✓
- It measures economic growth. ✓✓
- It compares the economic growth of South Africa with that of other countries. ✓✓
- This in turn help economists to do forecasting, and helps with planning and research.✓✓

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

4.2 **Data response – INFORMATION**

4.2.1 **Name an industrial policy that is currently being promoted dtic.**

National Industrial Policy Framework (NIPF) ✓
(Accept any other correct relevant response) (1)

4.2.2 **Name ONE industrial development strategy.**

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

4.2.3 **Briefly describe the term *value-added goods.***

- Raising the value of a product to be able to sell it at a higher price than in its original form. ✓✓
- The production of a **product** in a manner that enhances its **value** from its natural state.

(Accept any other correct relevant response) (2)

4.2.4 **Explain the impact of industrial development incentives on the private sector of South Africa.**

- Provides goods to other sectors, as some sectors need goods and material that was processed in another sector.✓✓
- Workers from other sectors require consumer goods such as clothes that are provided by the manufacturing industry. ✓✓
- A greater variety of goods are availble for industries, to use for further processing.✓✓

(Accept any other correct relevant response) (2)

4.2.5 **How can the South African economy benefit from providing value-added goods?**

- An increase in the economic growth (GDP) of a country, as a result of goods ready for consumption ✓✓
- An increase in job creation, especially labour-intensive workers in the clothing/textile industries ✓✓
- An improvement in the countries BOP, because more goods can be exported, impacting positively on the BOP ✓✓
- The improvement in economic growth could be used for economic development ✓✓

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

4.3 **Data Response**

4.3.1 **Identify the original consumption function on the graph.**

$E_o = 20 + 0,5Y$ ✓ (1)

4.3.2. **Identify the marginal propensity to consume (mpc) on the graph.**

0,5 ✓ (1)

4.3.3 **Briefly describe the term *induced consumption.***

The level of consumption depends on the consumers' income/disposable income. ✓✓ (2)

4.3.4 **How do investors impact on the multiplier?**

The larger the investors' spending, the larger the multiplier, and vice versa. ✓✓ (2)

4.3.5 **Calculate the multiplier for the above scenario. (Show all calculations)**

Multiplier (K) = $= \frac{\Delta Y}{\Delta J}$✓ = $\frac{20}{10}$ ✓ = 2 ✓✓ (4)

4.4 **Differentiate between the *money market* and *capital market* in the circular flow.**

Money market

- This involves the market for short-term savings and loans. ✓✓
- It is not a market in the physical sense, but exists when buyers and sellers interact in financial transactions. ✓✓
- This market exists when deposit and non-deposit intermediaries, as well as businesses engage in activities that influence the prices of short-term funds and short-term securities. ✓✓
- Inter-bank lending for periods as short as overnight are involved. ✓✓
- Examples of the types of securities that are exchanged include bankers' acceptances, short-term company debentures, treasury bills, SARB debentures and short-term government bonds. ✓✓ (Max. 4 marks)

Capital market

- This market exists when consumers and producers make long-term deposits, as well as borrowing on long-term, such as mortgage bonds.✓✓
- It also exists when deposit and non-deposit intermediaries influence the prices of long-term funding and/or long-term securities, such as insurance.✓✓
- The JSE is a key institution in the capital market, where shares are exchanged daily. ✓✓

(Accept any other correct relevant response)
(Allocate a maximum of 4 marks for mere listing of facts/examples)
(Max. 4 marks) (2 x 4) (8)

4.5 **Analyze how low remuneration contributes to a low percentage of enrolment in secondary schools.**

- Low remuneration affects parents not being able to afford schooling for children. ✓✓
- Pupils do not have money to attend schools, for expenses such as transport, clothes, food, etc. ✓✓
- Parents have to decide what they will spend their limited income on, and basic foods are a priority.✓✓
- Older children would have to help support the family, or provide care for younger siblings, resulting in lower enrolment in secondary schools ✓✓

(Accept any other correct relevant response)
(A maximum of 2 marks may be allocated for the mere listing of facts/ examples) (8)

[40]

TOTAL SECTION B: 80

SECTION C

Answer ONE question from this section in the ANSWER BOOK.

QUESTION 5: MACROECONOMICS

- **Discuss in detail the macro-economic objectives of the government. (26)**

  Evaluate the success of the government in achieving economic equity during the Covid-19 pandemic. (10)

INTRODUCTION:
The government provides goods and services that are under-supplied by the market and therefore plays a major role in regulating economic activity and guiding and shaping the economy. ✓✓
(Accept any other relevant introduction) (Max.2)

BODY: MAIN PART

Economic growth ✓

- Economic growth refers to an increase in the production of goods and services. ✓✓
- This is measured in terms of real GDP. ✓✓
- For economic growth to occur, the economic growth rate must be higher than population growth. ✓✓
- Growth and development in a country benefit its citizens because it often leads to a higher standard of living. ✓✓

Full employment ✓

- It is when all the people who want to work, who are looking for a job must be able to get a job. ✓✓
- High levels of employment is the most important economic objective of the government. ✓✓
- The unemployment rate in South Africa has been increasing steadily over the past few years, with a sharp increase as a result of the Covid-19 pandemic. ✓✓
- Informal sector activities must be promoted because it is an area where employment can be increased. ✓✓

Exchange rate stability ✓

- The economy must be managed effectively and while fiscal and monetary policy must be used to keep the exchange rate relatively stable. ✓✓
- Depreciation and appreciation of the currency create uncertainties for producers and traders and should be limited. ✓✓
- The SARB changed the exchange rate from a managed-floating to a free-floating exchange rate. ✓✓

Price stability ✓

- Stable prices cause better results in terms of job creation and economic growth.✓✓
- The SARB inflation target is 3% – 6% and they have managed to maintain inflation within this target for most of the time. ✓✓
- Interest rates, based on the repo rate are the main instruments used in the stabilisation policy. ✓✓
- A stable budget deficit also has a stabilizing effect on the inflation rate. ✓✓

Economic equity ✓

- Redistribution of income and wealth is essential. ✓✓
- South Africa uses a progressive income tax system whereby higher income earners fall into higher tax brackets. ✓✓
- Taxation on profits, taxation on wealth, capital gains tax and taxation on spending, are used to finance free social services.✓✓
- Free social services such as basic education; primary health and basic economic services are provided to society. ✓✓
- E.g. cash grants to the poor, e.g. child grants and cash grants to vulnerable people ✓
- Economic equity has improved (BEE, affirmative action, gender equity) and led to an improvement in economic equality. ✓✓ (Max. 26)

ADDITIONAL PART

Evaluate the success of the government in achieving economic equity during the Covid-19 pandemic.

The government has been successful in achieving economic equity, because:

- Government has increased the amounts of the UIF payable to the unemployed and to those who have lost their jobs. ✓✓
- Social grants, such as the child grants, old-age pensions, etc. were increased ✓✓
- Government supported the poor by distributing food parcels to the poor. ✓✓
- Those who lost their income/jobs were given certain tax breaks which were due to SARS. ✓✓
- The unemployed were given a monthly cash incentive of R350 to support the struggling unemployed in the country. ✓✓
- The taxi industry is also being compensated for the loss of income during the lockdown period. ✓✓

The government has not been successful because:

- Despite the increase in UIF & cash incentives, many people were not able to access this because of bureaucracy (red tape). ✓✓
- There was a shortage of food in stores because of the panic buying, so some people continued being unable to satisfy their needs. ✓✓
- Social grants were increased, but there was a concurrent increase in the price of basic essentials. ✓✓
- Many companies were reported to the competition commission during this time for excessive price increases. ✓✓
- The majority of marginalised people continued to depend on handouts and donations. ✓✓
- The degree of inequality was increased during the period of lockdown, with more people becoming destitute during this time, despite the interventions by government. ✓✓

(Accept any other relevant response highlighting the increase or decrease in inequality)

(Allocate a maximum of 2 marks for mere listing of facts/examples) (Max. 10)

CONCLUSION:

The government has achieved some successes, but the fulfilling of some of the objectives are compromised by factors like a lack of accountability, corruption, budgeting, nepotism and incompetence. ✓✓

(Accept any other correct higher order response) (Max. 2)

[40]

QUESTION 6: ECONOMIC PURSUITS

- **Discuss in detail the following supply-side approach to promoting growth and development in South Africa.**

  - **Business efficiency (13)**
  - **Factors of production (13) (26)**

- **How can the development of small businesses benefit the South African economy? (10)**

Introduction

A supply-side approach includes anything that can influence the aggregate supply of goods and services, with the focus on microeconomic components, e.g. competition and potential output. ✓✓ (Max. 2)
(Accept any other relevant introduction)

MAIN PART:

Business efficiency

- Rigid labour laws and regulations applying to businesses should be relaxed so that more people can be employed and entrepreneurs will be encouraged to start businesses. ✓✓
- Taxes: ✓ Both corporate and personal income taxes have been reduced over the past years. ✓✓ The effect of bracket creeping on personal income tax has been attended to. ✓✓
- Capital: ✓ Depreciation of capital goods used by business has been revised to encourage investment, also start-up capital and loans to SMMEs✓✓
- Human resources:✓ SETAs were established to facilitate post-school, world-related training.✓✓
- Free advisory services: ✓ In connection with the development of export markets, managing and running SMMEs, agricultural production, etc.✓✓ (Max. 13)

The factors of production

- Natural resources✓
  South Africa has a competitive advantage in respect of following:
  - Mineral resources: ✓ Gold and platinum base metals and coal. Raw materials such as gold and platinum base metals and coal can easily be exploited and exported. ✓✓
  - Vegetation and wildlife: ✓ There is great diversity of wildlife and vegetation. ✓✓
  - Coastline: ✓ Beautiful scenic coastline which is ideal for tourism. ✓✓
  - Location: ✓ Its geographical location makes it closer to European markets than its competitors such as Australia. ✓✓
- Human resources✓ – Economic growth depends upon the quality and size of the labour force so that labour may be productive in producing goods and services. ✓✓

The following can be done to improve the quality of labour:

- ❖ Improving education and training so that labour can be more productive ✓✓
- ❖ Improving the quality of health services ✓✓
- ❖ Limiting the power and influence of trade unions ✓✓

- In South Africa the quality of public education and health services is poor. ✓✓
- Trade unions often disrupt production through strikes and labour unrest often occurs. ✓✓
- Entrepreneurship✓ – Entrepreneurs contribute to the economic development of the local community.✓✓ Through their efforts economic growth occurs, ✓✓ the income of people increases which will lead to improved living standards, ✓✓ investment opportunities arise, ✓✓ and the tax base is enlarged by a greater number of new enterprises, ✓✓ technological developments occur and job opportunities arise. ✓✓
- Capital formation✓ – Capital formation is essential so that a country can grow and develop. ✓✓

Capital can be increased in a number of different ways:

- Increased savings by consumers can lead to larger investments. ✓✓ The problem is that the rate of savings among South African consumers is low and many are in debt. ✓✓
- Increased taxes by government which can be spent on capital investment. ✓✓ The problem in South is that less than 20% of the country's budget is spent on improving and maintaining existing infrastructure, while the largest part of budget goes to salaries. ✓✓
- Increased overseas investment✓ – labour unrest and threats of nationalisation, however, deter foreign investment. ✓✓
- Encouraging small and medium business enterprises ✓✓ (Max .13)

ADDITIONAL PART

How can the development of small businesses benefit the South African economy?

Small businesses can benefit the South African economy by:

- Providing guidance to create employment for structurally unemployed people that might lead towards a more inclusive economy ✓✓
- Promoting entrepreneurial development among women and the youth in rural areas where unemployment is very high ✓✓
- Helping in the diversification of the economy by promoting the upliftment of a variety of skills ✓✓
- Providing more targeted support to small businesses, to assist them in growing and impacting positively on the SA economy✓✓
- Small business will also be a small scale employer, and a provider of some goods or/and services, thereby contributing to the GDP✓✓
- Enhancing competition most needed to benefit the consumer, pricewise✓✓

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

CONCLUSION

Policy mix application can best help the government trade off strategies in dealing with the economy. ✓✓ (Max. 2)

(Accept any other correct higher order response) **[40]**

TOTAL SECTION C: 40

TOTAL: 150