GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

# REMOTE LEARNING ACTIVITY BOOKLET

# (RELAB)

## SUBJECT: ECONOMICS

## TEACHERS SOLUTIONS

## GRADE: 11

## TERM THREE & FOUR

GGT2030
GROWING GAUTENG TOGETHER

## A. INTRODUCTION AND PURPOSE OF THE RELAB

The COVID-19 pandemic has created the largest disruption of education systems in human history, affecting over a billion learners in more than 200 countries. Closures of schools, institutions and other learning spaces have impacted on the majority of the world's student population. This has brought far-reaching changes in all aspects of our lives. Social distancing and restrictive movement policies have significantly disturbed traditional educational practices. To control the coronavirus spread, most countries have been working to encourage parents and schools to help students continue to learn at home through distance learning. In South Africa, the implementation of a rotational timetable for non-matric learners has left a void in curriculum completion. The Gauteng Department of Education (GDE) has therefore embarked on an innovative initiative to develop learning activities to assist learners to continue their studies while at home through the Remote Learning Activity Booklet, also known as RELAB. This is in keeping with its Strategic Goal 2 which aims to promote quality education across all classrooms and schools.

The RELAB is underpinned by the following policies:

a) **The Department of Basic Education (DBE) Circular S13 of 2020** which requires the GDE to support the implementation of the Recovery Annual Teaching Plan (RATP); and

b) **GDE Circular 11 of 2020** which requires districts to issue learning activity packs to support schools for lockdown learning.

This is based on the premise that there are learning constraints at home whereby the majority of learners do not have access to devices or data to use for online learning. Many households are dependent on schools to provide them with learning resources packs.

RELAB is designed in a study guide format, where the content is explained briefly with related concepts as revision in the form of e.g. notes, mind-maps and content progression from the previous grade/s followed by exemplar exercises and practice exercises. The exercises are pitched at different cognitive levels to expose Grade 10 and 11 learners to the different cognitive levels of questioning as outlined in the Curriculum and Assessment Policy Statement (CAPS).

The RELAB is intended to ensure that learners work on exercises based on topics or skills taught while at school. These exercises must then be completed at home and feedback will be provided by educators. Educators will then diagnose learner responses, remediate where necessary and plan further intervention.

Educators are encouraged to create WhatsApp groups to remind learners of what is expected of them in a particular week. The prudent use of the RELAB will help alleviate the backlog in curriculum coverage and prepare learners for formal assessment.

## B. TABLE OF CONTENTS

***CONTENT PROGRESSION***

| Grade 10 | Grade 11 | Grade 12 |
|---|---|---|
| Growth, Development & Globalisation / <br><br> Economic Redress | Examination and debate of globalisation, its relevance to the North/South divide, and its effects (negative and positive) on South Africa. | Econ Growth and Development (North/South divide) Comparison of South African growth and development policies in terms of international benchmarks, and highlight the North/South divide |
| | Explanation of economic growth and development | South Africa's industrial development policies and their suitability in terms of international best practice |
| Unemployment | Factors of production and their remuneration (Term 1) | Economic and Social Indicators |
| None | None | Inflation |
| None | None | Tourism |
| | Environment deterioration | Environmental sustainability |
| Population and Labour force | Factors of production and their remuneration (Term 1) | |
| Labour Relation | | |
| | Composition of Money and Banking in SA | |
| | Wealth creation and patterns of distribution (inequality) | |

## ECONOMIC PURSUITS: ECONOMIC GROWTH

**SECTION A: TYPICAL EXAM QUESTIONS**

**SUB TOPIC:**

**QUESTION 1:** **Section A – Short Questions**

**HINT:** When answering Section A – short question, it is important not to rush but to read the questions carefully and to make sure you understand what the question is asking. Always remember one alternative is completely wrong, one is nearly correct and one is totally correct. It is easy to eliminate the completely wrong answer, but if you do not read the question carefully the nearly correct answer will also appear correct. The answer will **NEVER** be two options. Only **ONE** option is correct. Your answer will immediately be marked incorrect if you write TWO options.

**1.1 Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A–D) next to the question number.**

1.1.1 D. Lorenz curve ✓✓
1.1.2 C. Progressive✓✓
1.1.3 A. Per capita income✓✓
1.1.4 A. Property subsidy✓✓
1.1.5 A. 0 and 1✓✓
1.1.6 C. Greater degree of inequality
1.1.7 B. Economic growth rate ✓✓
1.1.8 B. Economic growth ✓✓
1.1.9 A. Level of per capita income✓✓
1.1.10 B. Perfectly unequal ✓✓
1.1.11. C. Standard of living✓✓
1.1.12 C To improve the lives of rural communities✓✓
1.1.13 C Help understand international conditions✓✓
1.1.14 B More calls are made in South Africa compared to other African countries✓✓

**1.2 Choose a description from COLUMN B that matches the item in COLUMN A. Write only the letter (A-I) next to the question number (1.2.1 – 1.2.8) in the ANSWER BOOK.**

1.2.1. L. Value of all assets that individuals, businesses and government own

1.2.2. E. A statistical measure used to express the inequality of income distribution

1.2.3 G. The practice of passing on wealth from one generation to the next.

1.2.4. A. This expresses the number of year a new born infant will live if the prevailing patterns of mortality remain the same throughout this person's life

1.2.5. K. The increase in the production capacity of the economy

1.2.6. B. Is the reward that owners of factors of production receive for using it in the production process

1.2.7 I. Refers to the wealth, comfort, material goods and necessities available to a certain socio-economic class in a certain geographical area.

1.2.8 C. Show how a nation's wealth is distributed across its population.

1.2.9 J. A measure of the total output of a country and divide it by the population size of a country.

1.2.10 D. This is used to help beneficiaries acquire ownership of fixed residential property.

**1.3 Provide the economic term/concept for each of the following descriptions. Write only the term/concept next to the question number. *No abbreviations will be accepted.***

1. 1.3.1 Per capita income ✓
1.3.2 Gini-Coefficient ✓
1.3.3 Productivity ✓
1.3.4 Lorenz curve✓
1.3.5 Statistics South Africa✓
1.3.6 Wealth ✓
1.3.7 Income distribution ✓
1.3.8 Preferential procurement✓
1.3.9 Equity✓
1.3.10 Standard of living ✓

## SECTION B

## QUESTION 2:

| |
|---|
| **HINT:** When the question requires you to "list" or "name", you need not write a sentence but merely few words or a phrase. This MUST be done in bullet form. This types of questions are applicable for 2.1.1, 3.1.1 and 4.1.1 |

2.1 **Name TWO social indicators related to income distribution.**
- Lorenz curve ✓
- Gini Coefficient✓
- Quintile Ratio✓
- Head Count Index✓
- Human Development Index✓
- Poverty Line/poverty gap✓

(Accept any other correct relevant response) (2x1)

**2.2 Name TWO factors that influence the income levels.**
- Level of education and tertiary qualifications✓
- Regional location with higher incomes in urban areas compared to rural areas. ✓
- Economic sector with primary sector earnings being lower than the tertiary sector earnings. ✓
- Extent employment equity where income differences are due to race and gender discrimination. ✓

(Accept any other correct relevant response) (2x1)

**2.3 Name TWO factors that promote economic growth**

- Greater capital investment ✓
- Labour productivity✓
- Availability of raw materials✓ and
- Technology✓ (2x1)

**2.4 List TWO ways in which wealth can be created**

- Savings ✓
- investments✓
- Inheritance✓
- Profits from running a business✓ (2x1)

(Accept any other correct relevant response)

**2.5 Mention any TWO uses of per capita GDP.**

- Compare standard of living ✓
- Indicate standard of living✓
- Indicate economic development✓ (2x1)

**2.6 Mention any TWO methods the government use to distribute income**

- Progressive income tax system ✓
- Transfer payments✓
- Land reform ✓
- Cash benefits ✓
- Benefits in kind ✓
- The National Minimum Wage✓ (2x1)

**QUESTION 3:**

| |
|---|
| **HINT:** This types of questions are applicable for 2.1.2, 3.1.2 and 4.1.2 |

**3.1 How is the standard of living in a country determined?**

- Per capita real GDP ✓✓
- The number of material goods✓✓
- Quality of life✓✓
- Number of holidays per year✓✓
- Number of patients per doctor✓✓
- Infant mortality rates✓✓
- Percentage population literacy✓✓
- Religion and participation in sporting activities✓✓ (1 x 2)

**3.2 What is the use of the Gini-coefficient?**

- Gini-coefficient measures income inequality✓✓

(Accept any other correct relevant response)

**3.3 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) (1x2)

**3.4 What effect does a low economic growth rate have on the economy?**

- Will cause increase in poverty✓✓
- Malnutrition✓✓
- Less job opportunities✓✓
- Hunger/ starvation ✓✓

(Accept any other correct relevant response) (1x2)

**3.5 Why does South Africa need to increase its economic growth rate?**

- Growth of the economy is important because the population is getting larger✓✓
- Job creation is essential as the population grows✓✓
- Provision of good and service ✓✓and
- Improve welfare of the people in South Africa✓✓

(Accept any other correct relevant response) (1x2)

**3.6 What is the meaning '*per capita income'*?**

- Measures the total output of a country and divides it by the total number of people in the country. ✓✓
- Per capita GDP is important when comparing one country to another✓✓
- It shows relative performance of countries ✓✓and
- A rise in per capita GDP signals growth in the economy and tends to translate as an increase in productivity. ✓✓

(Accept any other correct relevant response) (1x2)

**3.7 What is *'income inequality'* ?**

- Income distribution that is not in proportion to the number of persons in the population. ✓✓

(Accept any other correct relevant response) (1x2)

**3.8 What do we measure using the Lorenz curve?**

- Income and wealth inequality in the economy between households ✓✓ (1x2)

**3.9 What effect will an increase in the income tax rate have on the inequality gap between the rich and the poor?**

- The intention of a progressive income tax scale is to decrease the inequality gap between rich and poor / It might cause the poor to become poorer, as they pay a proportionally bigger part of their income on tax. ✓✓ (1x2)

**3.10 What effect will HIV/Aids have on future economic growth?**

- Future economic growth will decrease/decline. ✓✓ (1x2)

**3.11 How important is economic growth in the economy?**

- Reduction in poverty ✓✓
- Reduction in unemployment ✓✓
- Improvement in government's budget deficits ✓✓
- Improvement in standards of living ✓✓
- Higher average incomes✓✓
- Improved public services✓✓
- Money can be spent on protecting the environment ✓✓
- Encourages investment✓✓ (1x2)

**QUESTION 4:**

**4.1 DATA RESPONSE**

**4.1.1. What is represented by the graph above?** **(1)**
GDP growth rate per quarter. ✓

**4.1.2. In which year, South Africa's growth rate was at the lowest?** **(1)**
2019 (-3.2) ✓

**4.1.3. Describe the concept Gross Domestic Product.** **(2)**
Total value of final goods and services Π produced within the boundaries of the country for a given period of time. ✓✓

**4.1.4. Briefly explain why the South African growth rate was -2,0 in quarter 1of 2020.**
The economy contracted for the third consecutive quarter in Q1 2020, mining and manufacturing was the biggest drag on growth✓✓ (2)

**4.1.5. Distinguish between economic growth and economic development**
Economic growth is an increase in the amount of goods and services produced over a period. ✓✓

Economic development is structural changes in the economy that can lead to an increase in the standard of living and an increase in the economic welfare of the poor. ✓✓ (4)

**4.2 DATA RESPONSE**

**4.2.1 Name any other development strategy that has been used in South Africa.**

- Reconstruction and Development Programme (RDP) ✓
- National Growth Path (NGP) ✓
- Accelerated Shared Growth Initiative of South Africa (AsgiSA) ✓
- Expanded Public Works Programme (EPWP) ✓
- Growth, Employment and Redistribution (GEAR) ✓
- JIPSA✓ (1)

**4.2.2 Give an example of what the citizens of South Africa can do to uplift** themselves.

- Open their own businesses / self-employment. ✓
- Get more training / skills. ✓
- Be involved in community projects. ✓
- Attend ABET classes ✓ (1)

**4.2.3 Briefly describe the term economic development**

- It is an improvement in the standard of living of the people of a country. ✓✓ (2)

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

- To eliminate poverty and reduce inequality by 2030✓✓ (2)

**4.2.5 How will South Africa's skills base be improved through the NDP** implementation?
South Africa's skills base will be improved by investing in education and training. ✓✓
- increasing enrolment in higher education institutions by implementing free higher education. ✓✓
- forming partnerships with the private sector to create more learning-on-the- job opportunities / learnership. ✓✓
- creating more job opportunities ✓✓ (4)

**4.3. DATA RESPONSE**

**4.3.1 Which economic concept is depicted in the graph above?**
- Lorenz curve. ✓ (1)

**4.3.2 Provide the label for line A.**
- Line of equality ✓ (1)

**4.3.3 Briefly describe the term wealth.**
- Wealth is assets that are owned by individuals, enterprises and the Government. ✓✓ (2)

**4.3.4 Why does South Africa have one of the highest rates of inequality in the world?**
- The legacy of apartheid caused racial inequalities in income and wealth. ✓✓ (2)
(Accept any correct relevant response)

**4.3.5 Explain the relationship between the Gini coefficient and the Lorenz curve?**
- Mathematically, the Gini coefficient is derived from the Lorenz curve by dividing the area of inequality by the total area of the Lorenz curve✓✓.
- If the area of inequality increases, the Gini coefficient will increase proportionately ✓✓
- The Gini coefficient measures income inequality and the Lorenz curve is a graphical illustration of income distribution. ✓✓
(Accept any relevant correct response) (4)

**4.4. DATA RESPONSE**

**4.4.1 Name the type of indicator under which life expectancy is classified**
- Social indicator ✓ (1)

**4.4.2 Give ONE reason for low life expectancy levels in Africa.**
- HIV/Aids/Poverty ✓
(Accept any other correct relevant response) (1)

**4.4.3 Explain the term life expectancy.**
- This expresses the number of year a new born infant will live if the prevailing patterns of mortality remain the same throughout this person's life ✓✓ (2)
(Accept any other correct relevant response)

**4.4.4 What impact will HIV/AIDS have on productivity levels**
- Production levels will decrease due to ill health, ✓✓
- High level of absenteeism, ✓✓
- hospitalisation, etc.✓✓ (2)
(Accept any other correct relevant response)

**4.4.5 Describe the factors which brought about the improvement in life expectancy from 52,1 years to 61,2 years**

- More affordable medication/ free antiretroviral drugs✓✓
- Availability of antiretroviral drugs✓✓
- A healthier life style✓✓
- Education and awareness campaign ✓✓ (4)

(Accept any other correct relevant response)

**4.5 DATA RESPONSE**

**4.5.1 Which international institution provided the data in the extract?**

- World bank✓ (1)

**4.5.2 When did the income disparities in South Africa increase drastically**

- 2009✓ (1)

**4.5.3 Explain the term *'Gini coefficient'***

- **The Gini coefficient** is a summary of a numerical measure of how unequally one variable is related to another. It is a number between 0 and 1, where perfect equality has a Gini coefficient of 0 and absolute inequality yields a Gini coefficient of 1. ✓ (1)

**4.5.4 Explain why South Africa has one of the highest rates of inequality in the world**

- Inequality inherited from the apartheid regime✓✓
- Poverty ✓✓
- Unemployment✓✓
- Life expectancy✓✓
- Land ownership✓✓
- Increase in population✓ ✓ (2)

(Accept any other correct relevant response)

**4.5.5 Briefly describe any TWO constraints to economic growth.**

- A Low level of investment/lack of capital investment✓✓
- A cumbersome regulatory environment✓✓
- Low levels of education and training/a lack of skilled workforce✓✓
- A low level of productivity✓✓
- The overvaluation and volatility of South Africa's currency. ✓✓
- Deficiencies in state organisation, capacity and leadership. ✓✓
- Lack of infrastructure✓✓ Any 2 x2 (4)

4.6 **DATA RESPONSE**

**4.6.1 What percentage is the enrolment in secondary education?**

- 57%✓ (1)

**4.6.2 What impact does the literacy rate have on wealth?**

- Few job prospects✓ (1)

**4.6.3 What has led to the low enrolment in tertiary education?**

- Matric failure✓✓
- Failure to meet admission requirements✓✓
- Lack of motivation✓✓
- Socio-economic reasons✓✓
- Teenage pregnancy✓✓
- Poverty✓✓
- Drug abuse✓✓ (2)

(Accept any other correct relevant response)

**4.6.4 Explain how lack of education can lead to low standard of living.**

Lack of education can lead to:

- Low income per capita✓✓
- Lower access to goods and services✓✓
- Poor housing✓✓
- Low standard of health✓✓
- Low life expectancy✓✓

(Accept any other correct relevant response) (2)

**4.6.5 How should higher education inequalities be addressed to improve the standard of living of South Africa**

The standard of living could be improved by:

- Proper training and skilling of school management to became efficient and effective. ✓✓
- Provisioning of sound educational infrastructure in the form of laboratories and libraries. ✓✓
- Up skilling and reskilling of teachers. ✓✓
- Insisting on a sound teaching and learning atmosphere. ✓✓ (4)

(Accept any other correct relevant response)

**4.7 DATA RESPONSE**

**4.7.1 Identify the curve (Z) in the above graph**

- Lorenz curve ✓ (1)

**4.7.2 What does the straight-line OB imply?**

- Line of equality ✓ (1)

**4.7.3 Identify the shaded area (Y).**

- Area of inequality ✓✓ (2)

**4.7.4 What is the relationship between line OB and curve Z?**

- The more the Lorenz curve (Z), deviates from the straight line (OB), the more the uneven is the distribution of wealth. ✓✓ (2)

**4.7.5 Briefly explain the concept Gini coefficient.**

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

- The Gini coefficient can vary from zero (meaning perfect equality/fairest distribution) to one (meaning perfect inequality/unfair distribution). ✓✓ (4)

**4.8 DATA RESPONSE**

**4.8.1 Name the curve that is used to represent the above data.**
- Lorenz curve✓ (1)

**4.8.2 Which country has the highest income inequality?**
- Namibia✓ (1)

**4.8.3 Which country has the most equality level?**
- Japan with 24.9%✓✓ (2)

**4.8.3 What is income distribution?**
- Income redistribution refers to the processes used to distribute income and wealth more evenly among the inhabitants of a country. ✓✓ (2)

**4.8.4 Convert the Gini Indexes to Gini coefficient for South Africa and France**
- South Africa: 57,8/100 = 0.578✓✓
- France: 32,7/100 = 0.327✓✓ (4)

**4.9 DATA RESPONSE**

**4.9.1 Mention ONE other sources of wealth other than inheritance**
- Savings✓
- Gifts✓
- Appreciation of assets✓
- Entrepreneurial activities✓
- luck✓ (1)

**4.9.2 Give an example of what the citizens of South Africa can do to uplift themselves**
- open their own business/ self-employment✓
- get mire training/skills✓
- be involved in community projects✓
- Attend ABET classes✓ (1)
  (Accept any other correct relevant response)

**4.9.3 Name TWO methods used to measure inequality of wealth**
- Lorenz Curve ✓
- Gini coefficient ✓ (2)

**4.9.4 What makes wealthy people to be essential in the economy?**
- They are essential for economic growth and development through saving and investment ✓✓ (2)

**4.9.5 Explain how individuals create wealth.**

- Individual save when they abstain from consuming all their incomes ✓✓
- They accumulate wealthy when they hold on to cash, makes deposits, pay premiums on assurance policies, and carry out investments✓✓ (4)

**4.10 DATA RESPONSE**

**4.10.1 Identify the stakeholder/ organisation concerned about income and wealth distribution in South Africa**

- COSATU✓ (1)

**4.10.2 What is the purpose of implementing redistribution methods?**

- To reduce income and wealth inequality✓ (1)

**4.10.3 Explain the term *'living below the poverty line'*.**

- The poverty line is the minimum level of income (based on international standards) deemed necessary to achieve an adequate standard of living in a certain country. ✓✓(2)

**4.10.4 Who should be responsible for creating job in the economy?**

- The state, private sector and entrepreneurs should all create jobs✓✓ (2)

**4.10.5 Differentiate between land redistribution and land restitution.**

- Land redistribution aims to give more black people access to agricultural land. ✓✓
- Land restitution is an opportunity to reclaim land lost during Apartheid. ✓✓ (2 x 2) (4)

(Accept any other correct relevant response)

**4.11 DATA RESPONSE**

**4.11.1 Name any characteristic of developing countries.**

- Low standard of living ✓
- Low per capita income✓
- Unequal distribution of income ✓
- Low life expectancy ✓
- Lack of education ✓ (1)

(Accept any other correct relevant response)

**4.11.2 Which indicator is used in measuring HDI?**

- life expectancy ✓
- education ✓
- GDP per capita✓ (1)

(accept any other correct relevant response)

**4.11.3 Briefly describe the term economic development.**

- it is an improvement in the standard of living of the people of a Country. ✓✓

(accept any other correct relevant response) (2)

**4.11.4 Explain the use of per capita figures.**

- to measure standard of living in a country. ✓✓
- to compare prosperity levels of different countries. ✓✓ (2)

(accept any other relevant correct response)

**4.11.5 How can the South African government improve the quality of Human resource?**

The government can:

- invest in quality education✓✓
- provide in-service training ✓✓ (4)

| |
|---|
| **HINT:** All section B questions have TWO 8 marks questions, numbered according to questions not like in this document. |

**QUESTION 5** **Paragraph type questions – Middle Cognitive**

**5.1.1 Briefly Explain two main factors that causes economic growth**.

**Increase in aggregate supply (productive capacity)**

causes economic growth when there is:

- Increased capital
- Increase in working population
- Increase in Labor productivity
- Discovering new raw materials
- Technological improvements to improve the productivity of capital and labor

**Aggregate Demand**

can increase for the following reasons:

- Lower interest rates
- Increased wages
- Increased government spending
- Fall in value of the rand
- Increased consumer confidence
- Lower income tax which increases disposable income. (8)

**5.1.2 Discuss reasons for the unequal distribution of income.**

Unequal holding of wealth ✓ As wealth generate income in the form profits, interest and dividends, differentials in wealth cause differences in income ✓✓

- Differences in the composition of households✓ ✓
- Some households are big and others are small ✓✓
- Differences in skills and qualifications✓ Those with advanced skills and qualifications are likely to earn high income. ✓✓
- Discrimination✓ The income of some groups is adversely affected by discrimination in terms of employment opportunities, pay and promotion chances. ✓✓ (8)

**QUESTION 5.1 Paragraph type questions – Lower - cognitive**

**5.1.3 Differentiate between economic growth and economic development** (8)

| Economic growth | Economic development |
|---|---|
| • Is an increase in the productive capacity of the economy✓✓ | • Is an increase in the standard of living of people in a country✓✓ |
| • Is measured as a percentage change in real GDP ✓✓ | • Deals with issues such as education, literacy, healthcare, employment and environmental sustainability ✓✓ |
| • Concerned with goods and services✓✓ | • Concerned with people and human development✓✓ |
| • Is necessary input for economic development✓✓ | • Growth should lead to development✓✓ |

**5.1.4 Differentiate between physical wealth and financial wealth.**

- **Physical wealth** consists of real assets ✓✓
- such as land, buildings, trading stock, machines, furniture and clothes that are owned by the participants of the circular flow. ✓✓
- **Financial wealth** consists of monetary assets such as cash, bank deposits, investment, loans and shares. ✓✓
- Money alone is not wealth it is a component of wealth. ✓✓ (8)

(Accept any other correct relevant response)

**5.1.5 Discuss the availability and use of factors of production as a way of growing the economy.**

**Labour** ✓

an increase in economic growth depends largely on the availability of suitable qualified and skilled labour. ✓✓

Training and reskilling must be conducted on an ongoing basis. ✓✓ The South African government has established 25 SETAs to train workers in the skills needed in their employment sectors. ✓✓

**Capital**✓

- is divided into physical, financial and human capital. ✓✓
- To increase output (GDP), a country must have all these forms of capital in large quantities. ✓✓

**Natural resources**: ✓

- The availability of **natural resources** in large quantities is essential to increase economic growth. ✓✓
- Natural resources are the source of all production. ✓✓
- A country with an abundance of natural resources such as minerals, forestry and fisheries stands a good chance of increasing its economic growth. ✓✓

**The entrepreneur**✓

Is a risk-taker who invests money in a project in the hope it will yield a return. ✓✓

No production can take place without entrepreneurs. ✓✓
Countries with many enterprising and business-minded people have many enterprises and their economies are growing. ✓✓
(Accept any other correct relevant response) (8)

**5.1.6 Discuss how income is redistributed in South Africa.**

- A country's income distribution shows how the total income is distributed among its population. ✓✓
- This may be even or uneven. ✓✓
- If there is unequal distribution of income, small number of people will be rich and the majority will be poor. ✓✓
- Not everyone receives the same income. ✓✓
- Spending patterns will also differ, the poor will have limited choices, ✓✓while the rich would be privileged to have a large range of goods and services at their disposal✓✓
(Accept any other correct relevant response) (8)

**5.1.7 Briefly explain 'taxation' as a method of redistributing income and wealth**

- High income earners are taxed at a higher rate (progressive) ✓✓
- The income from the taxation is used to provide benefits tom poor people✓✓
- PAYE is used in South Africa as a method of redistributing wealth✓✓
- Wealth taxes – properties are taxed annually✓✓
- CGT is levied on gains earned on the sale of capital goods✓✓
- Transfer duties and taxes on securities are also levied✓✓
- Estate duties are levied on the estates of deceased person✓✓ (8)
(Accept any other correct relevant response)

**QUESTION 5.2 Paragraph type questions – Higher cognitive**

**5.2.1 Critically evaluate the reconstruction and development programme as a development strategy in South Africa.**
**Positive:**

- Was a labour-intensive public works programme ✓✓
- assisted in the reduction of poverty by providing more employment ✓✓
- It was a socio-economic policy framework that went through as a golden thread in every government plan✓✓
- Assisted in the development of human resources that the economy needs most for development✓✓
- Assisted in the increase of infrastructure development ✓✓
- Promoted the implementation of land reform ✓✓
- Helped in the provisioning of houses, water electricity and primary health care✓✓

**Negative:**

- Unemployment rate kept on rising. ✓✓
- Poverty and service delivery were never improved. ✓✓

(Accept any correct relevant response) (8)

**5.2.2 Analyse savings as a method used to create wealth.**

- Individual people can create wealth for themselves as follows improving their education and skills✓✓
- People with a post-school education (tertiary education) earn more than those without qualifications. ✓✓
- Improve an individual's employment prospects and create opportunities for wealth creation. ✓✓
- Save for the future. ✓✓
- Spending of all income in the present day means that no wealth is accumulated for the future. ✓✓
- Money should be put away for retirement or invested in some way, for example, the stock market. ✓✓ (8)

(Accept any other correct relevant response)

**5.2.3 Discuss capital formation as an important determinant economic growth?**)

- Capital goods increase the efficiency of labor and increase all the economic activities✓✓
- Increases the country's ability to produce wealth. ✓✓
- When the stock of fixed capital in a country grows at a rate that is greater than the growth rate of the labor force, it will lead to an increase in real GDP. ✓✓
- Creates jobs/job opportunities. ✓✓
- Shows how much of the new value added in the economy is invested rather than consumed✓✓

(Accept any other correct relevant response) (8)

**5.2.4 Outline entrepreneurship as the determinants of wealth creation**

- the entrepreneur is the agent that combines all the different production factors to create wealth. ✓✓
- In a modern economy, companies are often entrepreneurial agents who will employ the other factors of production ✓✓
- The wealth created through these companies will then belong to owners of companies and their wealth will increase. ✓✓
- When entrepreneurs are successful, they also increase the wealth of the owners of the production factors they use, as these all earn income through the production process✓✓

(Accept any other correct relevant response) (8)

**5.2.5 Evaluate South Africa's approach to redistribute wealth and income**

- **Black economic empowerment (BEE):** ✓BEE is a government intervention policy that was introduced in 1996 to address the inequalities of the past. ✓✓

The aims of the BEE include to:

• scrap the statutory policies that prevented the black majority from participating in the mainstream of the economy. ✓✓

• increase the number of black people who have ownership and control of existing and new enterprises. ✓✓

• increase the number of new black enterprises in priority sectors of the economy. ✓✓
• increase the number of black people in executive and senior management positions of enterprises. ✓✓
• ensure an increase in income levels of black people and reduce income inequalities between and within race groups. ✓✓

- **Broad-based black economic empowerment (BBBEE)**: ✓ BBBEE was introduced by the Department of Trade and Industry in 2003 to increase meaningful participation of black people in the management and ownership of businesses. ✓✓
- Businesses must show a commitment towards empowering black people if the business wants to benefit from government contracts. BBBEE has contributed to an 85% increase in black employment since 1993. ✓✓
- **The development and promotion of small business**: ✓ The National Small Business Act (1996) was introduced to create suitable environment for small, medium and micro-enterprises (SMMEs). ✓✓
- Several institutions were established to provide financial help to entrepreneurs. Institutions such as Khula and Ntsika were established to help finance SMME programmes. ✓✓
- **Labour market reforms**: ✓ Before 1994, the South African labour market had tremendous disparities in employment, occupations and incomes due to discriminatory laws and practices. ✓✓
- **The Employment Equity Act** ✓of 1998 is to ensure that employment of people is based on merit and not on any form of discrimination. ✓✓
- **The Skills Development Act** ✓of 1998 made provision for employers to pay a levy to the South African Revenue Service (SARS) for spending on staff training. ✓✓
- It also makes provision for **Sector Education Training Authorities** (SETA) to oversee training in each economic sector. ✓✓
- **The Basic Conditions of Employment Act**✓ of 1998 has improved working conditions of labour and prevented workers from being exploited. ✓✓
- **Land reform**: ✓ people who were forcibly removed from residential and farmland during apartheid or who were forced to sell their property for below market value to white buyers, have been given an opportunity to apply for **land restitution**. ✓✓
- This gives people the chance to have ownership restored or receive financial compensation. ✓✓
- Land restitution is an opportunity to reclaim land lost during apartheid. ✓✓
- **The New Growth Path**: ✓ the government's New Growth Path aims to speed up economic and social development by tackling joblessness, poverty and inequality. ✓✓
- It aims to do this by focusing on supporting knowledge and capital intensive industries such as IT, scientific research and manufacturing. ✓✓
- **Preferential procurement**: The Green Paper on Public Sector Procurement Reform of 1997 recommended that government use its purchasing power to improve black businesses. ✓✓
- Instead of government buying supplies directly from the market, it should award tenders to black people. ✓✓
- **Women empowerment**: legislation on the empowerment of women is aimed at elevating the status of women. ✓✓
- Women particularly in rural areas suffer the most poverty. ✓✓

- The Gender Commission advocates for gender equality in employment, society, business and political sectors. ✓✓ (8)

**5.2.6 How is the Lorenz curve related to the Gini coefficient?**

- The Gini coefficient index is calculated using the Lorenz curve. ✓✓
- The Gini coefficient is equal to the area of inequality as shown on the Lorenz curve, divided by the entire area below the equal distribution line on the Lorenz curve✓✓.
- The Gini coefficient is a number that is calculated to indicate the degree of income inequality. ✓✓
- The Gini coefficient measures precisely the degree of inequality shown on the Lorenz curve. ✓✓
- It is the ratio of the area between the Lorenz curve and the line of equal distribution and the total area below the line of equal distribution. ✓✓
- The Gini coefficient can vary from zero (meaning perfect equality/fairest distribution) to one (meaning perfect inequality/unfair distribution). ✓✓
- It can also be expressed as a number from 0 to 100 that is called the **Gini Index.** ✓✓

(8)

**5.2.7 Why are indigenous knowledge systems (IKS) important for the economic development of a country?**

- It is the key to sustainable social and economic development according to the Development Bank. ✓✓
- Learning from indigenous knowledge can help you to understand local conditions and provide a productive framework for activities aimed to help communities. ✓✓
- Indigenous knowledge offers problem-solving plans or strategies for local communities, especially the poor. ✓✓
- It represents an important contribution to global development knowledge. ✓✓
- Indigenous knowledge is an under-utilised resource in the development process. ✓✓

(8)

**5.2.8 Examine the impact of high population growth on a developing economy such as South Africa**

- When a developing country experiences a large increase in population growth, it will put strain on government's existing income and spending capacity which is already limited ✓✓such as building more public healthcare facilities ✓or increasing the number of grants or the amount of the grant✓
- Increases in population means that in the long run, more employment opportunities need to be created and increases in employment are limited in developing countries. ✓✓
- If the increased population is not contributing to the economy, they become a financial burden to working relatives✓✓ or taxpayers as taxes will be increased to ensure sufficient government income which will be used to support the poor and those in need. ✓✓
- High population growth can cause increases in pollution and settlements which may lead to disruptions in production or decreases in exports (loss of export earnings) due to the destruction of the environment/natural resources. ✓✓ (8)

**SECTION C**

| |
|---|
| **HINT:** All section C questions have TWO questions 5 & 6 NOT like in this document. In the examination, you will need to answer only one. |

**ESSAY STRUCTURE**

**HINT:** Section C – the long question, must be answered in FOUR sections: Introduction (definition), Body (headings and full sentences in bullets) additional part and conclusion (summarising). The mark allocations for Section C is as follows:

| STRUCTURE OF ESSAY: | MARK ALLOCATION: |
|---|---|
| **Introduction**<br>The introduction is a lower-order response.<br>• A good starting point would be to the main concept related to the question topic<br>• Do not include any part of the question in your introduction.<br>• Do not repeat any part of the introduction in the body<br>• Avoid saying in the introduction what you are going to discuss in the body | Max 2 |
| **Body**:<br>**Main part:** Discuss in detail/ In-depth discussion/ Examine/ Critically discuss/ Analyse / Compare/ Distinguish/ Differentiate/ Explain/ Evaluate<br>**Additional part:** Give own opinion/ Critically discuss/ Evaluate/ Critically evaluate/ Calculate/ Deduce/ Compare/ Explain Distinguish / Interpret/ Briefly debate/ How/ Suggest | Max 26<br><br>Max 10 |
| **Conclusion**<br>Any Higher or conclusion include:<br>• A summary of what has been discussed without repeating facts already mentioned in the body<br>• Any opinion or value judgement on the facts discussed<br>• Additional support information to strengthen the discussion/analysis<br>• A contradictory viewpoint with motivation, if required<br>• Recommendations.<br>• Draw a graph and explain | Max 2 |
| **TOTAL** | **40** |

**QUESTION 7**

- **Discuss the methods used by the government to redistribute income and wealth.**
- **Why do we have uneven distribution of income?**

**INTRODUCTION**

One of the macroeconomic objectives of the government is to ensure economic equity in the country. ✓✓

Therefore, the government must introduce measures to reduce the size of the income gap between the rich and the poor. ✓✓

(Any relevant introduction) (2)

**Redistribution methods**
**Taxation** ✓

- Taxation is one tool used by government to redistribute income. ✓✓
- Most governments use a progressive tax system to redistribute income.✓✓
- In terms of the progressive tax, those who earn more pay more tax. ✓✓
- The additional income generated by the change in the tax rate, can be used to finance social security programmes. ✓✓
- In this way, the government redistributes income from the rich to the poor.✓✓

**Social security** ✓

- Government uses revenue from taxation to pay for its social security programmes. ✓✓
- Transfer payments such as old-age pensions and disability grants are paid out of tax revenue. ✓✓
- The government also provide non-cash benefits such as food parcels, free education, and free medical services to the poor. ✓✓
- These benefits help to improve the standard of living of the low-income groups and reduce the inequality gap. ✓✓

**Minimum wage** ✓

- The government can impose a minimum wage requirement. ✓✓
- No employer is allowed is allowed to pay his workers a wage lower than a certain minimum ✓✓
- This is to ensure that workers meet at least the minimum standard of living. ✓✓

**Redress policies** ✓

- There are several policies that have been implemented by the South African government to redress the inequalities of the past. ✓✓
- A variety of policies have since been introduced to empower these previously disadvantaged groups. ✓✓

**Black Economic Empowerment** ✓

- BEE is a government intervention policy that was introduced in 1996 to address the inequalities of the past. ✓✓
- This act provides the foundation for the transformation of the South African economy so that black people who own and manage and control the country's economy can increase significantly and income inequalities will decrease substantially. ✓✓

**Land restitution and land redistribution** ✓
- The purpose is to return land to those who lost it because of racially discriminatory laws and practices. ✓✓
- Land redistribution focuses on land of residential and productive use. ✓✓
- It is based on a willing-buyer willing-seller-principle. ✓✓
- Government aims to redistribute 30% of the country's agricultural land to previously disadvantaged people. ✓✓
- Land is a major wealth asset if properly used. ✓✓

**Property subsidies** ✓
- Properties are used to help beneficiaries acquire ownership of fixed residential property. ✓✓
- The government housing subsidy scheme provides six funding options to all eligible people earning less than R3 500 per month. ✓✓
- The subsidy may also be used to supplement loans from banks. ✓✓

**ADDITIONAL PART**
**Why do we have uneven distribution of income?**

**Unequal holdings of wealth** ✓
- As wealth generates income in the form of profits, interest and dividends, differentials in wealth cause differences in income. ✓✓

**Differences in the composition of households**✓
- Some households are big and others are small. ✓✓

**Differences in skills and qualifications** ✓
- Those with advanced skills and qualifications are likely to earn higher incomes.

**Discrimination**✓
- The income of some groups is adversely affected by discrimination in terms of employment opportunities, pay and promotion chances. ✓✓ (10)

**CONCLUSION**
In South Africa, economic redress is applied to improve the standard of living of all people. This is done by improving everyone's access to economic resources through equal opportunities. ✓✓ (2 )
**(Any relevant conclusion accepted)** **[40]**

**QUESTION 8**
Discuss in detail the following methods used to redistribute income and wealth:
- Taxes (10 marks)
- Cash grants (8 marks)
- Natura benefits (8 marks)

Examine the government's efforts to redress economic inequality in South Africa (10 marks)
[40]

**INTRODUCTION**

Redistribution refers to processes that distribute income and wealth more evenly among the inhabitants of a country to reduce inequality.
(Accept any correct relevant introduction) (2)

**MAIN PART**

**Taxes**

- Several forms of taxes and wealth taxes have been implemented to address the uneven distribution of income in South Africa. ✓✓
- High income earners and wealthy people are taxed to provide cash benefits and benefits in kind to low-income earners and other poor people.
- Progressive individual income tax✓where high income earners are taxed at higher rates ✓✓
- Wealth taxes✓ in South Africa, properties such as houses and factory buildings in urban areas are taxed annually. ✓✓
- Capital gains tax (CGT) ✓is levied on gains (profits) earned on the sale of capital goods, e.g. properties and shares. ✓✓
- Transfer duties ✓are paid when properties are bought. ✓✓
- Inheritance tax ✓is levied when money is inherited from a deceased person or family member. ✓✓
- Estate duties ✓the estates of deceased persons above the value of R3,5 million are taxed ✓✓
- Land tax ✓on farms has been introduced to address income inequality.✓✓
- These taxes are used to finance development expenditures which benefit the poor more often✓✓ (Max. 10)

**Cash grants**

- The main cash grants in South Africa are old-age pensions, disability grants, child support grants and unemployment insurance. ✓✓
- These are also known as social security payments. ✓✓
- South Africa is the biggest welfare state in the world and has allocated R567 billion for 2019/2020 fiscal year. ✓✓
- These kinds of grants help redistribute income. ✓✓
- A major part of GDP is spent on social grants. ✓✓ (Max. 8)

**Natura benefits**

- These are payments in kind:
- These consist of primary health care, basic education, protection, and infrastructure ✓✓
- Poor households also receive welfare grants, free municipal services such as limited quantities of free water and electricity, sanitation, and housing subsidies per household per month. ✓✓
- These payments do not contribute to the accumulation of assets for generating long-term wealth. ✓✓
- They satisfy basic needs and help redistribute income and wealth ✓✓

(Max.8)

**ADDITIONAL PART**

**Examine the government's effort to redress economic inequality in South Africa**

The South African government has the following measures to redress economic inequality:

**Broad Based Black Economic Empowerment** ✓

- This act provides the foundation for the transformation of the South African economy so that the numbers of black people who own, manage and control the country's economy can increase. ✓✓
- Income inequalities will decrease substantially. ✓✓
- One indication of the level of transformation is black shareholding on JSE. ✓✓

**Land restitution and land redistribution** ✓

- Land restitution – purpose is to return land to those who lost it because of racially discriminatory laws after 1913 ✓✓
- Land redistribution – focuses on land for residential and productive. ✓✓
- The government aims to redistribute 30% of the country's agricultural land to previously disadvantaged people. ✓✓

**Property subsidies** ✓

- These are used to help beneficiaries acquire ownership of fixed residential property. ✓✓
- The government's housing subsidy scheme also (RDP houses) provides funding options to all eligible people earning less than R3 500 ✓✓
- Fixed residential properties are ideal wealth assets because they can also be used as collateral for loans of any kind ✓✓

**Affirmative Action** ✓

- The practice or policy of favoring previously disadvantaged groups. ✓✓
  (Accept any correct relevant response)

**CONCLUSION**

The South African government acted to intervene in the workings of the market system to ensure a more rapid redistribution of wealth and income. ✓✓
(Accept any correct higher order conclusion.) (2)

**QUESTION 9** **[40]**

- Discuss the methods used to increase economic growth in detail. (26)
- How can human and natural resources be used to ensure economic development? (10)

**INTRODUCTION**

Economic growth means an increase in the production of goods and services in a country (over a year) in physical terms (in numbers). ✓✓
Economic growth is therefore measured and expressed in terms of real GDP. ✓✓
(Any relevant introduction) (2)

BODY MAIN PART

Methods of growing the economy

**a. Increases in productivity** ✓

- Productivity can be described as the relationship between real output (the quantity of goods and services produced) and one unit of factor input. ✓✓
- Productivity increases can occur in five ways: ✓✓

1 Output increases while input remains the same.
2 Output increases faster than input. ✓✓
3 Output increases while input declines. ✓✓
4 Output remains constant while input declines. ✓✓
5 Output declines at a slower rate than input. ✓✓

**b. Availability and utilisation of factors of production** ✓

- In terms of the labour force, growth will occur if the ratio of the working population to the total population increases. ✓✓
- In terms of land and natural resources an increase is rarely possible. ✓However, land, for example, can be used for new purposes that will render better returns (for example to grow canola rather than wheat). ✓✓
- In terms of capital, capital widening and deepening should be pursued to achieve growth. ✓✓

**c. Technological change** ✓

- Technology is any instrument or technique, product or process, physical equipment or method whereby something is made or done, which extends human ability. ✓✓
- If new ways are discovered so that more goods and services can be produced with similar inputs, technology has improved. ✓✓
- Most of the time, new technology is acquired through capital investments. ✓✓

**d. Effective government policies and administration**. ✓

- Effective policies mean policies that will ensure that pre-set objectives are met. ✓✓
- Government should have policies in place that will realise, for example, more exports, growth in tourism and the expansion of manufacturing industries. ✓✓
- Use of effective fiscal and monetary policies. ✓✓
- Efficient administration means that the policies are executed in a manner that minimises time wastage, inconvenience and costs. ✓✓
- Nepotism (favouritism), corruption (the use of public office for private gain) and indifference or laziness increase transaction costs for enterprises. ✓✓

**e. Investment**. ✓

- An increase in capital per worker will generally increase output✓✓ In other words, the more equipment used by people at work, the more likely they are to produce. ✓✓
- To increase capital requires investment and that investment requires savings. ✓✓

(Headings and examples max 8 marks) (26)

**ADDITIONAL PART**

- Natural resources are extracted through primary sector activities, which creates employment and income opportunities for unskilled and semi-skilled workers who make up the largest part of South Africa's labour force. ✓✓
- Global production relies on natural resources, creating export opportunities that create employment and income opportunities which increase living standards. ✓✓
- South Africa receives a lot of income from the tourism industry due to the availability of natural resources (environment) that are set aside for tourist attractions, improving the living standards of the individuals employed in the tourism industry. ✓✓
- People that are skilled will be able to find employment, which will increase income and living standards✓✓ therefore improving human resources through education and training can create economic development. ✓✓
- Increased health expenditure and upgrading public health services will ensure a healthier labour force (healthier human resources) ensuring workers attend work more frequently and do not suffer a loss of income due to illness
(consistent living standard). ✓✓
- (Accept any correct and relevant higher order response) (Max 10)

**CONCLUSION**

To improve the standard of living of all the people of South Africa, higher growth rates are needed. ✓✓ Under the Accelerated and Shared growth for South Africa (AsgiSA) programme, a continuous growth rate of 6% was identified as the minimum to reduce unemployment meaningfully. ✓✓The most recent target of the government, in terms of the NGP, is to realise a growth rate that will reduce unemployment by 5 million by 2020. ✓✓
(Any relevant higher order conclusion) (Max 2)

## ECONOMIC PURSUITS: ECONOMIC DEVELOPMENT

## SECTION A: TYPICAL EXAM QUESTIONS

**QUESTION 1:** **Section A – Short Questions**

**:** When answering Section A – short question, it is important not to rush but to read the questions carefully and to make sure you understand what the question is asking. Always remember one alternative is completely wrong, one is nearly correct and one is totally correct. It is easy to eliminate the completely wrong answer, but if you do not read the question carefully the nearly correct answer will also appear correct. The answer will **NEVER** be two options. Only **ONE** option is correct. Your answer will immediately be marked incorrect if you write TWO options.

HINT: Learners must know their concepts well, as this will assist in a better understanding of the content in general. Leaners are encouraged to revise these types of questions that are found in Section A of the paper

**1.1 Various options are provided as possible answers to the following questions.**

**Choose the answer and write only the letter (A–D) next to the question number.**

**ANSWERS**

1.1.1 A development✓✓
1.1.2 A level of per capita income✓✓
1.1.3 B Reducing child mortality✓✓
1.1.4 A per capita income✓✓
1.1.5 C Expanded Public Works Program✓✓
1.1.6 B Economic growth rate✓✓
1.1.7 C Reconstruction and Development Program✓✓
1.1.8 B RDP✓✓
1.1.9 D IDZ✓✓
1.1.10 B human✓✓
1.1.11 D Gross National Income✓✓

**1.2 Choose a description from COLUMN B that matches the item in COLUMN A. Write only the letter (A-I) next to the question number (1.2.1 – 1.2.8) in the ANSWER BOOK.**

**ANSWERS**

1.2.1 C (Unique practices of locals in a given culture or society) ✓
1.2.2 G (The change in the number of people in a country over time) ✓
1.2.3 D (A measure of standard of living) ✓
1.2.4 A (Measures the level of development of countries) ✓

1.2.5 I (Measures the level of development of countries) ✓
1.2.6 F (A policy aimed to increase the ownership of agricultural land to black people in the economy) ✓
1.2.7 H (This institution was established in 1983 to promote economic development in Southern Africa) ✓
1.2.8 E (A trade agreement between a group of emerging markets) ✓
1.2.9 B (Include protection, sanitation and water) ✓
1.2.10 K (The estimated minimum level of income needed to secure the necessities of life) ✓
1.2.11 M (Not wanted for itself but for its ability to help in producing other goods) ✓
1.2.12 L (A vocational skills training organisation in South Africa) ✓
1.2.13 J (A program in which government funding is invested in infrastructure development and educational skills development) ✓

**1.3 Provide the economic term/concept for each of the following descriptions. Write only the term/concept next to the question number. *No abbreviations will be accepted.***

**ANSWERS**

1.3.1 Land restitution✓
1.3.2 Per capita income✓
1.3.3 Indigenous Knowledge System✓
1.3.4 Human development Index✓
1.3.5 Developing country✓
1.3.6 Economic development✓
1.3.7 Social services✓
1.3.8 Productivity✓
1.3.9 Dependency burden✓
1.3.10 Sustainable development✓
1.3.11 Jipsa✓
1.3.12 AsgiSA✓

**QUESTION 2:**


**:** When the question requires you to “list” or “name”, you need not write a sentence but merely the word or a phrase. This MUST be done in bullet form. These types of questions are applicable for 2.1.1, 3.1.1 and 4.1.1

**2.1 List any TWO ‘development strategies’.**

- Development through trade in agricultural products / Natural resources ✓
- Development through labour intensive development programme. ✓
- Development through educational reform. ✓
- Developing the quality of human resources / Human development ✓
- Development through industrialisation of the economy. ✓
- Entrepreneurship. ✓
- Diversification of the rural economy. ✓
- Development through foreign investments, loans and aid. / Capital ✓
- Development by accessing modern technology / Technology ✓
- Development of infrastructure. ✓
- Providing a stable macro-economic environment. ✓

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

**2.2 List TWO groups of people that are marginalised in South Africa**

- Non-whites ✓
- Women ✓
- Immigrants/Refugees ✓
- Disabled people ✓

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

**2.3 List the TWO aims/purposes of government's intervention in the economy**

- To strengthen the functioning of the markets. ✓
- To promote economic growth and development. ✓
- To ensure the redistribution of income and wealth. ✓

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

**2.4 Mention any TWO uses of per capita GDP.**

- Compare standard of living. ✓
- Indicate standard of living. ✓
- Indicate economic development. ✓

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

**2.5 List any 2 development policies that where implemented in South Africa since 1994**

- RDP ✓
- GEAR ✓
- Jipsa ✓
- AsgiSA ✓
- National Skills Strategy ✓

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

**2.6 In what TWO ways can a country ensure the promotion of quality human resources?**

- Implementing programs to improve healthcare and nutrition and to control diseases ✓
- Improving education, reducing illiteracy rate and training workers in productive skills ✓
- Trained employees can use capital equipment effectively and efficiently ✓

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

**2.7 State any TWO characteristics of developing countries.**

- Low standard of living ✓
- Low levels of productivity ✓
- High population growth ✓
- Dependency burdens ✓
- High levels of unemployment ✓
- Dependent on the primary sector ✓
- Deficient infrastructure ✓

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

**2.8 Name any TWO of South Africa's developmental endeavours.**

- Reconstruction and Development Programme (RDP) ✓
- Growth, Employment and Redistribution (GEAR) ✓
- Joint Initiative on Priority Skills Acquisition (JIPSA).
- Accelerated and Shared Growth Initiative for South Africa (ASGISA) ✓
- National Skills Development Strategy (NSDS) ✓

- Government Funding Institutions such as KULA Enterprises✓
  (Accept any correct relevant response) (2 x 1) (2)

**QUESTION 3:**


These types of questions are applicable for 2.1.2, 3.1.2 and 4.1.2. Answers must be provided in full sentences; learners must ensure that their answer addresses the question asked

**3.1 Why do you think the government should spend more on infrastructure development?**

- To promote economic growth ✓✓
- To reduce unemployment ✓✓
- To improve living standards ✓✓
- To reduce poverty ✓✓
- To promote industrial development ✓✓ (1 x 2) (2)

(Accept any other correct relevant response)

**3.2 What impact does the Expanded Public Works Programme have on your local community?**

- Community projects are earmarked ✓✓
- Jobs are created while at the same time, community upliftment takes place ✓✓
- Poverty is alleviated ✓✓
- An income for the unemployed is provided ✓✓ (1 x 2) (2)

(Accept any other correct relevant response)

**3.3 How can technology accelerate economic development in South Africa?**

- Technological development results in cost advantages and makes countries more competitive ✓✓
- Technological industries such as telephones and computers can significantly improve productivity in developing countries ✓✓
- Management training is essential to cultivate managers who are able to use technology and apply best practice techniques ✓✓

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

**3.4 How important is an efficient infrastructure for the economy?**

- In order for the economy to grow ✓✓
- Makes it possible to do business ✓✓

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

**3.5 How is the standard of living in a country determined?**

- Per capita real GDP ✓✓
- The number of material goods ✓✓
- Quality of life ✓✓
- Number of holidays per year ✓✓
- Number of patients per doctor ✓✓
- Infant mortality rates ✓✓
- Percentage population literacy ✓✓
- Religion and participation in sporting activities. ✓✓

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

**DATA RESPONSE**

All section B questions have TWO data interpretation questions – each total 10 marks. Section B consist of Questions 2-4 not as numbered in this document.

**QUESTION 4**

**4.1 Data-response**

**4.1.1 What is depicted in the cartoon above?**

- Unemployment ✓
  (Accept any relevant answer) (1)

**4.1.2 What is the age group of the economically active population in South Africa?**

• 15 – 65 years ✓ (1)

**4.1.3 What is the greatest threat to labour in SA?**

- An unproductive workforce due to illness e.g. HIV / Aids ✓✓ (2)

(Accept any relevant answer)

**4.1.4 How do nominal wages differ from real wages?**

- Nominal wage is the amount that the worker receives each day, week or at the end of the month, whereas real wage is the amount of goods and services that a person can buy with the nominal wage. ✓✓
  (Accept any relevant answer) (2)

**4.1.5 Why do developing countries have a large supply of unskilled workers? Substantiate your answer.**

- Developing countries are characterised by high levels of illiteracy levels and low levels of education. ✓✓
- Large population growth with lack of education ✓✓
  (Accept any relevant answer) (2 x 2) (4)

**4.2 Data-response**

**DATA RESPONSE**

**4.2.1 What percentage is the enrolment in secondary education?**

57% ✓ (1)

**4.2.2 What impact does the literacy rate have on wealth?**

- Higher literacy will lead to higher wealth prospects and visa versa / lower literacy leads to lower wealth prospects ✓ (1)

**4.2.3 What has led to the low enrolment in tertiary education?**

- Matric failure ✓✓
- Failure to meet admission requirements ✓✓
- Lack of motivation ✓✓
- Socio economic reasons ✓✓

- Teenage pregnancy ✓✓
- Poverty ✓✓
- Drug abuse ✓✓

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

**4.2.4 Explain how lack of education can lead to a low standard of living.**

Lack of education can lead to:

- Low income per capita ✓✓
- Lower access to goods and services ✓✓
- Poor housing ✓✓
- Low standard of health ✓✓
- Low life expectancy ✓✓

(Accept any other correct relevant response) (2)

**4.2.5 How should higher education inequalities be addressed to improve the standard of living of South Africa?**

The standard of living could be improved by:

- proper training and skilling of school management to become efficient and effective ✓✓
- provisioning of sound educational infrastructure in the form of laboratories and libraries ✓✓
- up skilling and reskilling of the teachers ✓✓
- insisting on a sound teaching and learning atmosphere ✓✓

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

4.3 **Data response**

**4.3.1 Identify ONE previous strategies in the information above that were used to improve economic growth in South Africa.**

- GEAR – Growth, Employment and Redistribution ✓
- NGP – New Growth Path ✓
- NSDS – National Skills Development Strategy ✓ (1)

**4.3.2 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✓
- Low per capita income✓

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

**4.3.3 What is the main aim of the NDP?**

It provides a road map to government for 2030 / poverty relief / economic growth / economic transformation / sustainable job opportunities / income distribution ✓✓
(Accept any other correct relevant response). (2)

**4.3.4 What negative impact will the NDP have on the taxpayers?**

- For implementation of the NDP the state will increasingly need more revenue ✓✓ more and higher taxation will be needed ✓✓
- Reduce disposable income even more ✓✓

- Higher levels of fraud and corruption affecting services to the poor ✓✓
  (Accept any other correct relevant response) (2)

**4.3.5 How successful will the implementation of the NDP be in the South African economy?**

- Good progress has been made since 2014 in the construction of renewable energy sources ✓✓e.g. solar farms and wind farms ✓
- Standard of living might improve that will reduce poverty levels ✓✓ e.g. housing, social grants ✓

AND / OR

- Since 2014 there has been no improvement in the unemployment rate and this scenario might continue to exist ✓✓e.g. unemployment might increase even further ✓
- As is evident since the start of the pandemic; millions of people are now unemployed ✓✓
- The gap between rich and poor might increase further ✓✓
- The following targets set out in the NDP will be difficult to reach: an economic growth rate of 5 % (currently 0,8%) job creation of 5 million per annum ✓✓
  (Accept any other correct relevant response) (2 x 2) (4)

**4.4 Data-response**

**4.4.1 Identify the policy in the extract that was implemented in 2006 to address the country's chronic problem of unemployment and skills shortage**
Jipsa ✓ (1)

**4.4.2 What do the Acronym AsgiSA stand for?**
Accelerated and shared growth initiative for South Africa ✓ (1)

**4.4.3 What is the main aim of the NDP?**
NDP aims to eliminate poverty and reduce inequality of the past. (2)

**4.4.4 Briefly describe the term *economic development*.**
An increase in the overall living standard of all the people in a country. ✓✓ (2)

**4.4.5 How can South Africa realise the main aim in NDP identified above?**

- By drawing to the energies of its people ✓✓
- Growing an inclusive economy ✓✓
- Building capabilities ✓✓
- Enhancing the capacity of the state ✓✓
- Promoting leadership and partnership throughout the society ✓✓ (2 x 2) (4)

**4.5 Data-response**

**4.5.1 Why do female traditional healers implement a strategy for management of indigenous knowledge systems?**

- To improve the lives of rural communities ✓
- Sustainable use of natural resources with nutritional and medicinal value ✓ (1)

**4.5.2 Name a health-related problem that can be cured by extracts of wild plants.**

- Coughs ✓
- Headaches ✓
- Heal wounds ✓ (1)

**4.5.3 Describe the term *Indigenous Knowledge System (IKS*).**
Local knowledge that is unique to a certain culture or society ✓✓
(Accept any other correct relevant response) (2)

**4.5.4 Explain the importance of indigenous knowledge systems as part of local community development.**

- It provides culture-fit, problem-solving solutions ✓✓
- Provides knowledge that has practical application for a local community's daily survival ✓✓
- Is seen as key to sustainable social and economic development according to the Development Bank ✓✓
- Learning from IKS can help you to understand local conditions ✓✓ and provide a productive framework for activities aimed to help communities ✓✓
- Represents an important contribution to global development process ✓✓
  Accept any other correct relevant response). (2)

**4.5.5 Why does the government implement policies to protect and promote indigenous knowledge systems?**

- To consult local communities for their views and ideas before development and projects are implemented ✓✓
- It is important for the welfare of the majority of South Africans. ✓✓
- 25% of modern medicines are made from plants first used traditionally ✓✓
  (Accept any other correct relevant response). (2 x 2) (4)

All section B questions have TWO 8 marks questions. One is a M**iddle order** paragraph, the other is a **Higher order** paragraph

**QUESTION 5 Paragraph type questions – Middle Cognitive**

**5.1 Differentiate between a developing economy and a developed economy**

**Developing economy:**

- A developing economy would be an economy where all citizens do not yet have the resources available to live free, healthy and safe lives ✓✓
- The gap between the rich and the poor is very large in the developing countries ✓✓
- These countries are mostly in the southern hemisphere ✓✓
  (Accept any other relevant answer) (Max. 2 x 2) (4)

**Developed economy:**

- A developed economy would be an economy where all citizens enjoy a standard of living that enables them to live free, healthy and safe lives ✓✓
- These countries are in the northern hemisphere ✓✓
  (Accept any other relevant answer) (Max. 2 x 2) (4)

**5.2 Differentiate between economic growth and economic development.**

**Economic growth**

- It focuses on the production of goods and services ✓✓
- It is the increase in the real GDP over a period of time ✓✓
- Increase in the production capacity of the country ✓✓
  (Accept any other relevant answer) (Max. 2 x 2) (4)

**Economic development**

- It is the increase in the real per capita GDP ✓✓
- It focuses on the increase in living standards ✓✓
- It focuses on the society's wellbeing ✓✓
  (Accept any other relevant answer) (Max. 2 x 2) (4)

OR

| Economic growth | Economic development |
|---|---|
| • Is an increase in the productive capacity of the economy✓✓ | • Is an increase in the standard of living of people in a country✓✓ |
| • Is measured as a percentage change in real GDP ✓✓ | • Deals with issues such as education, literacy, healthcare, employment and environmental sustainability ✓✓ |
| • Concerned with goods and services✓✓ | • Concerned with people and human development✓✓ |
| • Is necessary input for economic development✓✓ | • Growth should lead to development✓✓ |

5.3 **Explain *low life expectancy* and *lack of education* as the characteristics of developing country.**

**Low life expectancy**

- Developing country has a low life expectancy, average 51 years, compared to 75 years for developed countries. ✓✓
- Means that a smaller portion of a developing country's population is available as an efficient labour force. ✓✓
- They are fighting an endless battle against diseases, ill health, malnutrition. ✓✓
  (Accept any other relevant answer) (2 × 2) (4)

**Low standard living**

- Low living standards are also related to low levels of education. ✓✓
- The level and effectiveness of education are expressed by the adult literacy rate.✓✓
- This is a percentage of people aged 15 years and above who can read, write and speak. ✓✓
- Literacy rates in developing countries are low compared to those in developed countries. ✓✓
- Education deficiencies and the apartheid legacy have caused severe skills shortages in South Africa. ✓✓
- The most important way of escaping poverty for individuals is education. ✓✓
- An improved education system is necessary to grow the economy as a whole. ✓✓
  (Accept any other relevant answer) (2 x 2) (4)

**5.4 Discuss the objectives of GEAR.**

- To increase exports drastically for economic growth ✓✓
- To reduce the fiscal deficit to 3% of the GDP ✓✓
- Budget reforms aimed at strengthening the distribution effect. ✓✓
- Tax reforms and other incentives to promote job creation. ✓✓
- Expanding on infrastructure and increased government expenditure ✓✓
- To control inflation between the target area. ✓✓
- Expansion of infrastructure and increase in government investments. ✓✓
  (Accept any other relevant answer) Any (4x2) (8)

**5.5 Discuss the aims of *Small Enterprise Development Agencies (SEDA)* and the *National Skills Development Strategy (NSDS)* as strategies for development.**

**Small Enterprise Development Strategy: (SEDA)**

- Involved with the provision of information / technology to small business. ✓✓
- Provides funding for the establishment of small business. ✓✓
- Also provides information on possible markets for small business. ✓✓
  (Accept any other correct relevant response) (Max. 4)

**National Skills Development Strategy: (NSDS)**

- The NSDS provides a framework for skills development in the workplace. ✓✓
- The aim was to develop a culture of high quality lifelong learning. ✓✓
- The NSDS further aimed to accelerate BBE empowerment and employment equity in the workplace. ✓✓
- The latest objectives are towards institutional learning, linked to occupationally directed programmes. ✓✓ (Max. 4)
  (Accept any other correct relevant response)

**5.6 Discuss 'low levels of productivity' as one of the characteristics of developing countries.**

- Developing countries are characterised by low levels of labour productivity. ✓✓
- Low standards of education and training. ✓✓
- Lack of physical capital such as machinery and technology. ✓✓
- Malnutrition leads to poor human development. ✓✓
- Poor management of factors of production. ✓✓
- Lack of good public services such as drinking water, sanitation, waste disposal etc. ✓✓
- High incidence of water-borne and environmental diseases. ✓✓
  (Accept any other correct relevant response) (4 x 2) (8)

**5.7 Briefly explain any TWO elements of IKS.**

Elements of IKS:

**The economic element** ✓

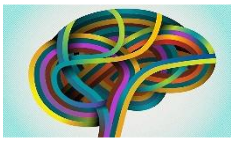
Includes

- Agricultural activities, e.g. livestock and crop farming. ✓✓
- Mining e.g. gold, iron and copper. ✓✓
- Manufacturing e.g. farming equipment such as ploughs household's utensils, craft and jewellery. ✓✓
- Services e.g. health care, medicine, medical treatment and grooming ✓✓

**The social (cultural) element** ✓

Includes

- religion and religious activities e.g. relaxation and education. ✓✓
- Living by principles of Batho-Pele (put people first) and Letsema (volunteer to do more). ✓✓
- The governance (political) element ✓✓
- Includes the authority system, e.g. kings, chiefs and headman, and judicial system, e.g. hearing and punishment. ✓✓
- (Accept any other correct relevant response) (Any 2 x 4) (8)



**TYPICAL EXAM QUESTION: THESE HIGHER ORDER QUESTIONS REQUIRE THE LEARNERS TO USE HER/ HIS CRITICAL THINIKING SKILLS.**

***Higher order questions are grounded in the content. These types of questions test critical thinking, where candidates should be able to apply their knowledge, through logical reasoning and also have an awareness of their current economic climate. Content (covered by*** discuss/ examine/ describe/ analyse/explain/evaluate/compare/assess/justify/construct/calculate) ***can be assessed as higher-order questions. Answers will not necessarily be found in textbooks.***

**QUESTION 6** **Paragraph type questions – Higher cognitive**

**6.1 Examine the impact of high population growth on a developing economy such as South Africa.**

- When a developing country experiences a large increase in population growth, it will put strain on government's existing income and spending capacity which is already limited✓✓ such as building more public healthcare facilities ✓or increasing the number of grants or the amount of the grant. ✓
- Increases in population means that in the long run, more employment opportunities need to be created and increases in employment are limited in developing countries. ✓✓
- If the increased population is not contributing to the economy, they become a financial burden to working relatives✓✓ or taxpayers as taxes will be increased to ensure sufficient government income which will be used to support the poor and those in need. ✓✓
- High population growth can cause increases in pollution and settlements which may lead to disruptions in production or decreases in exports (loss of export earnings) due to the destruction of the environment/natural resources. ✓✓

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

**6.2 Why is South Africa regarded as a developing economy?**

- Low standard of living✓ Majority of citizens have a low income per capita / poor housing / low standards of health / high infant mortality rates / high levels of malnutrition / and a lack of education. ✓✓
- Low levels of productivity✓✓. Have low levels of labour productivity compared to industrialised countries because of low education standards / low level of health among workers / investment in physical capital / experienced management / lack of access to technology. ✓✓
- High population growth and dependency burdens✓. Have a high population growth rate due to high birth rates. A high population growth rate causes a number of problems such as unemployment, pressure on housing, education and health services. ✓✓

- High levels of unemployment✓ Low levels of education and training and entrepreneurial knowledge add to high rates of unemployment. ✓✓
- Dependence on the primary sector✓. Mainly dependent on agriculture or other primary sector activities, for example, fishing. A high proportion of people is employed in this sector usually at lower salaries than in other sectors. ✓✓
- Deficiency of infrastructure✓: Infrastructure such as roads, power generation facilities, communication systems are often lacking or poorly maintained, resulting in poor access to markets. ✓✓

(Accept any correct relevant response) (4 x 2) (8)
(max of 2 marks for mere listing of facts/headings)

**6.3 How can investment in social (human) capital improve economic development in South Africa?**

- Social capital is also known as human development. ✓✓
- The labour force can undergo training and skills development which can lead to better paying employment opportunities and therefore an increase in the satisfaction of wants. ✓✓
- This will improve productivity and work ethic. ✓✓
- A well-trained labour force will assist in the increase of competitive products in markets. ✓✓
- Output can therefore increase and economic growth can expand, this will have a positive impact on economic development. ✓✓
- This can lead to job creation and higher wages and can affect the general standard of living✓✓

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

**6.4 How does the South African government promote indigenous knowledge systems?**

- Indigenous knowledge systems in South Africa refer to the body of knowledge. ✓✓
- This body of knowledge is part of African philosophy and social practices that have evolved over many centuries. ✓✓
- The IKS (Indigenous Knowledge Systems) Policy was adopted by the Cabinet in 2004. ✓✓
- It laid the basis for recognising that indigenous knowledge continues to be very important in the survival and welfare of the majority of South Africans. ✓✓
- It recognises the importance of IKS and aims to promote and protect all aspects of this knowledge. ✓✓
- Scientists are working with indigenous communities to promote sustainable agriculture and good ecological practices. ✓✓
- IKS can also be used to reduce poverty. ✓✓
- Local-level knowledge and organisations provide the foundation for development. ✓✓

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

**6.5 Analyse the standard of living and low levels of productivity as characteristics of developing countries.**

**Low standard of living**

- Standards of living are measured in terms of per capita GNI, or in terms of real per capita GNI if measured over time is involved. ✓✓
- The standard of living in developing countries is generally low, mainly due to the low income levels. ✓✓
- Resulted in poverty, inadequate housing, poor health, limited education, high infant mortality rates and low life expectancy. ✓✓

- People struggle to meet their basic needs and do not fulfil their potential. ✓✓
  (Accept any correct relevant response) (2 x 2) (4)

**Low levels of productivity**

- Productivity levels are low due to the lack of expertise especially in key areas like sciences and technology. ✓✓
- Other conditions such as poor health, poor nutrition and lack of innovation are also common. ✓✓
  (Accept any correct relevant response). (2 x 2) (4)

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

IKS is important 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 global development of knowledge. ✓✓
- Underutilising resource in the development process ✓✓
  (Accept any other correct relevant response) (4 x 2) (8)

**ESSAY STRUCTURE**

Useful Tips: All section C questions have TWO questions 5 & 6 NOT like in this document. In the examination you will need to answer only one.

**HINT: Section C – the long question, must be answered in FOUR sections: Introduction (definition), Body (headings and full sentences in bullets) additional part and conclusion (summarizing). The mark allocations for Section C is as follows:**

| STRUCTURE OF ESSAY: | MARK ALLOCATION: |
|---|---|
| **Introduction**<br>**The introduction is a lower-order response.**<br>• **A good starting point would be to the main concept related to the question topic**<br>• **Do not include any part of the question in your introduction.**<br>• **Do not repeat any part of the introduction in the body**<br>• **Avoid saying in the introduction what you are going to discuss in the body** | **Max 2** |
| **Body:**<br>**Main part: Discuss in detail/ In-depth discussion/ Examine/ Critically discuss/ Analyse / Compare/ Distinguish/ Differentiate/ Explain/ Evaluate**<br>**Additional part: Critically discuss/ Evaluate/ Critically evaluate/ Calculate/ Deduce/ Compare/ Explain Distinguish / Interpret/ Briefly debate/ How/ Suggest/ Construct a graph** | **Max 26**<br><br>**Max 10** |
| **Conclusion**<br>**Any Higher or conclusion include:**<br>• **A brief summary of what has been discussed without repeating facts already mentioned in the body**<br>• **Any opinion or value judgement on the facts discussed**<br>• **Additional support information to strengthen the discussion/analysis**<br>• **A contradictory viewpoint with motivation, if required**<br>• **Recommendations** | **Max 2** |
| **TOTAL** | **40** |

**QUESTION 7**

- Critically analyse the following developmental strategies used in support of the development of countries.
  - Human resources
  - Natural resources
  - Technology (26 marks)
- Why are Indigenous Knowledge Systems (IKS) important for the economic development of a country? (10 marks)

**INTRODUCTION**

Different strategies can be used to fast-track economic development and all strategies depend on improving the quality and utilisation of the available factors of production. ✓✓
(Accept any relevant introduction.) (Max 2)

**BODY**
**MAIN PART**

**Human resources**

- Refers to the labour force of the country ✓✓
- The quality of labour can be improved in different ways. ✓✓
- Education and training contributes to economic growth and development. ✓✓
- Improved literacy levels are essential for training. ✓✓
- Trained workers can use capital equipment effectively and efficiently. ✓✓
- The ability to work depends on the health of the workers. ✓✓
- Healthy people are more productive. ✓✓
- A country has to ensure that its population can be supported by the available natural resources. ✓✓
- Employment can be created through labour intensive development programmes. ✓✓
(Accept any other correct relevant response)

**Natural resources**

- An increase in agricultural production leads to an increase in the buying power of the population. ✓✓
- Supply of natural resources cannot be increased. ✓✓
- Fertilizers must be used to increase land productivity. ✓✓
- Secondary industries must be established to process primary products. ✓✓
(Accept any other correct relevant response)

**Technology**

- Technological developments can be used to reduce costs and improve competitiveness. ✓✓
- Countries must develop technologies that are good for them. ✓✓
- Technological developments will improve productivity. ✓✓
- Science and Management training is necessary for the use of technology. ✓✓
- Indigenous Knowledge Systems (IKS) can also be used. ✓✓
(Accept any other correct relevant response) (26)

**Additional Part**

**Why are Indigenous Knowledge Systems (IKS) important for the economic development of a country?**

- The development strategy should be one where people are the agents, means and end of the development process. Self-reliance at household and community levels are important. ✓✓
- IKS is seen as the key to sustainable social and economic development according to the Development Bank. ✓✓
- Learning from indigenous knowledge can help you to understand local conditions and provide a productive framework for activities aimed to help communities. ✓✓
- Indigenous knowledge offers problem-solving plans or strategies for local communities especially the poor. ✓✓
- It represents an important contribution to global development knowledge. ✓✓
- Indigenous knowledge is an under-utilised resource in the development process. ✓✓
- Indigenous knowledge is passed down from generation to generation. It is based on experience, often tested over years and years of use, adapted to local culture and environment, dynamic and changing. ✓✓
- The Indigenous Knowledge System Policy was adopted by the cabinet of SA in 2004. It recognises the principle that indigenous knowledge is important for the welfare of the majority of South Africans and as such has to be applied in branches of modern medicine, ecological practices and programs to reduce poverty. ✓✓

(Accept any relevant answers.) (10)

**CONCLUSION**

Development strategies applied in developing countries differ from country to country, South Africa has excellent policies, but the implementation of these policies is lacking, and therefore the country seems to stagnate in this area. ✓✓

(Accept any relevant conclusion.) (Max 2)

**[40]**

**QUESTION 8: ECONOMIC PURSUITS**

- **Discuss in detail the characteristics of developing countries. (26)**
- **Explain income inequality with the aid of a graph, making specific reference to SA in your answer. (10)**

**INTRODUCTION**

Developing countries have relatively low levels of industrialisation in comparison to developed countries, which have a highly industrialised economy. ✓✓
(Accept any other correct relevant response.) (Max 2)

**BODY: MAIN PART**

1. Low standards of living✓
    - Standards of living are measured in terms of per capita GNI, or in terms of real per capita GNI if measuring over time is involved. ✓✓
    - Low living standards express poverty. ✓✓
    - Almost one third of the total population of developing countries is poor. ✓✓
    - It is worse in Africa than elsewhere✓✓

    (Accept any other correct relevant response)

2. Low per capita income✓
    - 80% of developing countries is living on less than one fifth of the total world's income. ✓✓
    - Together, the per capita income of all developing countries, is on average one 20th of the income of the rich developed nations. ✓✓
    - Developing countries have slower growth of per capita real GNI than developed countries. ✓✓
    - Since 1990 the income gap between the developed and developing countries has narrowed. ✓✓

    (Accept any other correct relevant response)

3. Unequal distribution of income✓
    - The income gap between rich and poor people in the same country is generally greater in developing countries than in developed countries.✓✓
    - This income gap is also referred to as income inequality. ✓✓
    - It is usually measured by means of the Gini coefficient. ✓✓
    - Another method to measure income inequality is the quintile ratio. ✓✓
    - The gap between rich and poor is generally greater in developing than in developed countries. ✓✓

    (Accept any other correct relevant response)

4. Low life expectancy✓

- Many people in developing countries fight a constant battle against malnutrition, disease and ill health. ✓✓
- In South Africa life expectancy was 52 years in 2010. ✓✓
- Some 90 % of people who are HIV-positive live in developing countries. ✓✓

  (Accept any other correct relevant response)

5. Low levels of education✓
   - Low living standards are also related to low levels of education. ✓✓
   - The level and effectiveness of education are expressed by the adult literacy rate. ✓✓
   - This is the percentage of people aged 15 yrs. and above who can read, write and speak. ✓✓
   - Literacy rates in developing countries are low compared to those in developed countries. ✓✓
   - This is in spite of the fact that education takes the largest share of government budgets and that enrolment for primary education increases all the time. ✓✓

     (Accept any other correct relevant response)

6. Low levels of productivity✓
   - Levels of labour productivity (output per worker) in developing countries are extremely low compared to those in developed countries. ✓✓
   - Low levels of productivity can be explained as follows:
     - there is an absence or severe lack of complementary factor inputs, ✓✓ such as physical capital, technology, materials ✓and / or experienced management✓
     - There are too few financial resources and / or inadequate education and training to build up the stock of human capital✓✓ (e.g. managerial and entrepreneurial skills) ✓
     - Poor nutrition during childhood often severely restricts mental as well as physical growth. ✓✓
     - In adulthood it causes ill health, absenteeism and a negative attitude towards work. ✓✓

       (Accept any other correct relevant response)

7. High population growth and dependency burdens✓
   - In 2011, the world population was approximately 7 billion people. More than five out of six of these people lived in developing countries. ✓✓
   - Population growth: In developing countries, birth rates are very high and death rates are declining, because of the growing availability of modern medicines. ✓✓
   - Children under 15 years old are non-productive members of society and must be supported by their families and other limited resources. ✓✓
   - People older than 64 years who rely on their families for a livelihood add to the dependency burden. ✓✓

     (Accept any other correct relevant response)

8. High levels of unemployment✓
   - Developing countries, in general, do not make optimal use of their labour force. ✓✓

     They suffer from:
     - Under-employment: ✓ (people both rural and urban) who are working less than they are capable of, e.g. daily, weekly or seasonally. ✓✓

- Open unemployment: ✓ those who are able and often eager to work but for whom no jobs are available, and who are unable to create employment for themselves. ✓✓

(Accept any other correct relevant response)

9. Dependency on agriculture or primary sector
   - The vast majority of people in developing countries live and work in rural areas. ✓✓
   - Over 61 % live in rural areas and roughly 55 % of the labour force is engaged in agriculture. ✓✓
   - Productivity in agriculture is very low because of a lack of capital goods e.g. tractors, veterinary skills and fertilizers. ✓✓

   (Accept any other correct relevant response)

10. Exports
    - Primary sector goods such as agricultural produce, minerals, raw materials, fuel and forestry products are the main export goods. ✓✓
    - In developed countries most exports are manufactured goods and services. Some 50 % of South Africa's exports are manufactured goods. ✓✓

    (Accept any other correct relevant response)

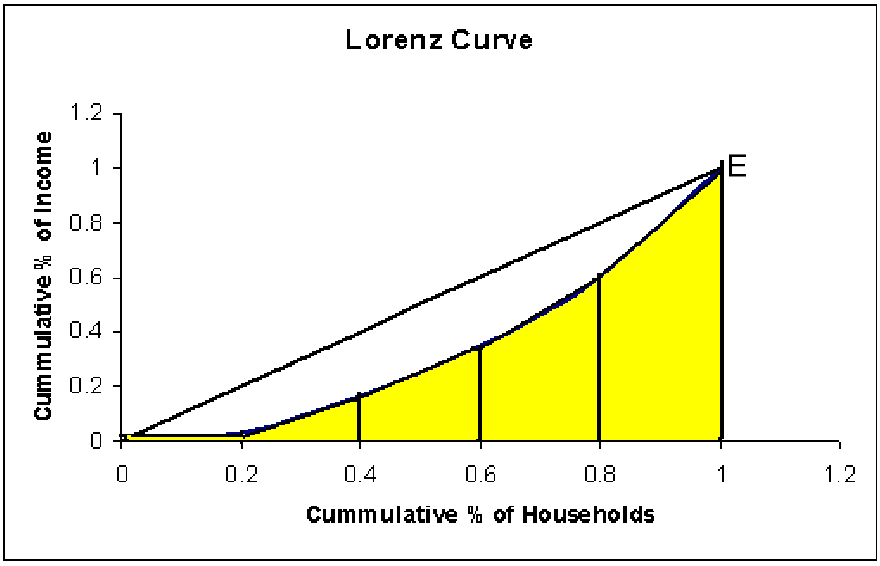
11. Deficient Infrastructure✓
    - It is almost impossible to describe the deficiencies in physical, legal, monetary and market infrastructures in developing and specifically low-income countries. ✓✓
    - Infrastructure is almost non-existent especially in rural areas. ✓✓
    - A major problem in most developing countries is that infrastructure such as roads, power generation facilities and communication systems✓ are often lacking or poorly maintained. ✓✓
    - This lack of infrastructure results in poor access to markets. ✓✓

    (Accept any other correct relevant answer.)
    (Allocate a maximum of 8 marks for mere listing of facts / examples.)
    (The rest of the 18 marks is for discussion of the headings.)

(Max 26)

**ADDITIONAL PART**

Explain income inequality with the aid of a graph, making specific reference to SA in your answer.




**Mark allocation for the Lorenz Curve**

| |
|---|
| • 1 mark for the line of equality✓<br>• 1 mark for the Lorenz curve✓<br>• 1 mark for area of inequality✓<br>• 1 mark for labelling of the vertical axis✓<br>• 1 mark for labelling of horizontal axis✓ |
| Max. 4 marks |

- The Lorenz curve is a graphical illustration of wealth / or visual illustration of income distribution. ✓✓
- The further away the Lorenz curve is from the line of equality (OE), the more unequal is income distribution. ✓✓
- The area between the 45-degree line and the Lorenz curve, is the area of inequality. ✓✓
- South Africa has one of the highest income inequality levels, which is being exacerbated by Covid-19✓✓ (6 marks for explanation.)

**CONCLUSION**

Developing countries have poor economies, low / middle-income and low-income countries where their citizens have less access to goods and services than those in developed countries. ✓✓

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

**[40]**

**QUESTION 9**

- Discuss characteristics of developing countries. (26 marks)
- How have basic services, such as health and welfare, improved in South Africa? (10 marks)

**BODY: MAIN PART**

Low standards of living✓

- Standards of living are measured in terms of per capita GNI, or in terms of real per capita GNI if measuring over time is involved. ✓✓
- For comparisons between countries, the US dollar is used. ✓✓
- Low living standards express poverty. ✓✓
- Almost one third of the total population of developing countries is poor. ✓✓
- It is worse in Africa than elsewhere✓✓

  (Accept any other correct relevant response)

Low per capita income✓

- 80% of developing countries is living on less than one fifth of the total world's income. ✓✓
- Together, the per capita income of all developing countries, is on average one 20th of the income of the rich developed nations. ✓✓
- Developing countries have slower growth of per capita real GNI than developed countries. ✓✓
- Since 1990 the income gap between the developed and developing countries has narrowed. ✓✓

  (Accept any other correct relevant response)

Unequal distribution of income✓

- The income gap between rich and poor people in the same country is generally greater in developing countries than in developed countries. ✓✓
- This income gap is also referred to as income inequality. ✓✓
- It is usually measured by means of the Gini coefficient. ✓✓
- Another method to measure income inequality is the quintile ratio. ✓✓
- The gap between rich and poor is generally greater in developing than in developed countries. ✓✓

  (Accept any other correct relevant response)

Low life expectancy✓

- Many people in developing countries fight a constant battle against malnutrition, disease and ill health. ✓✓
- In South Africa life expectancy was 52 years in 2010. ✓✓
- Some 90 % of people who are HIV-positive live in developing countries. ✓✓

  (Accept any other correct relevant response)

Low levels of education✓

- Low living standards are also related to low levels of education. ✓✓
- The level and effectiveness of education are expressed by the adult literacy rate. ✓✓
- This is the percentage of people aged 15 yrs. and above who can read, write and speak. ✓✓
- Literacy rates in developing countries are low compared to those in developed countries. ✓✓
- This is in spite of the fact that education takes the largest share of government budgets and that enrolment for primary education increases all the time. ✓✓

  (Accept any other correct relevant response)

Low levels of productivity✓

- Levels of labour productivity (output per worker) in developing countries are extremely low compared to those in developed countries. ✓✓
- Low levels of productivity can be explained as follows:
  - there is an absence or severe lack of complementary factor inputs, ✓✓ such as physical capital, technology, materials ✓and / or experienced management✓
  - There are too few financial resources and / or inadequate education and training to build up the stock of human capital✓✓ (e.g. managerial and entrepreneurial skills) ✓
  - Poor nutrition during childhood often severely restricts mental as well as physical growth. ✓✓
  - In adulthood it causes ill health, absenteeism and a negative attitude towards work. ✓✓

    (Accept any other correct relevant response)

High population growth and dependency burdens✓

- In 2011, the world population was approximately 7 billion people. More than five out of six of these people lived in developing countries. ✓✓
- Population growth: In developing countries, birth rates are very high and death rates are declining, because of the growing availability of modern medicines. ✓✓
- Children under 15 years old are non-productive members of society and must be supported by their families and other limited resources. ✓✓
- People older than 64 years who rely on their families for a livelihood add to the dependency burden. ✓✓

  (Accept any other correct relevant response)

High levels of unemployment✓

- Developing countries, in general, do not make optimal use of their labour force. ✓✓

  They suffer from:
- Under-employment: ✓ (people both rural and urban) who are working less than they are capable of, e.g. daily, weekly or seasonally. ✓✓
- Open unemployment: ✓ those who are able and often eager to work but for whom no jobs are available, and who are unable to create employment for themselves. ✓✓

(Accept any other correct relevant response)

Dependency on agriculture

- The vast majority of people in developing countries live and work in rural areas. ✓✓
- Over 61 % live in rural areas and roughly 55 % of the labour force is engaged in agriculture. ✓✓
- Productivity in agriculture is very low because of a lack of capital goods e.g. tractors, veterinary skills and fertilisers. ✓✓

  (Accept any other correct relevant response)

Exports

- Primary sector goods such as agricultural produce, minerals, raw materials, fuel and forestry products are the main export goods. ✓✓
- In developed countries most exports are manufactured goods and services. Some 50 % of South Africa’s exports are manufactured goods. ✓✓

  (Accept any other correct relevant response)

Deficient Infrastructure✓

- It is almost impossible to describe the deficiencies in physical, legal, monetary and market infrastructures in developing and specifically low-income countries. ✓✓
- Infrastructure is almost non-existent especially in rural areas. ✓✓
- A major problem in most developing countries is that infrastructure such as roads, power generation facilities and communication systems✓ are often lacking or poorly maintained. ✓✓
- This lack of infrastructure results in poor access to markets. ✓✓
  (Accept any other correct relevant answer.)
  (Allocate a maximum of 8 marks for mere listing of facts / examples.)
  (The rest of the 18 marks is for discussion of the headings.)

(Max 26)

**ADDITIONAL PART**
**How have basic services, such as health and welfare, improved in South Africa?**

- The welfare system assists disadvantaged groups through transfer payments. ✓✓
- Some examples of these groups are individuals who need child support or disability grants. ✓✓
- Basic municipal services have improved, especially in areas where previously disadvantaged groups live. ✓✓
- These services include sewerage systems; access to clean water and electricity, and basic infrastructure such as roads. ✓✓
- Access to health care has increased significantly. ✓✓
- More clinics have been established in rural areas. ✓✓
- More recently the state has given the public the opportunity to obtain free HIV/AIDS counselling as well as free distribution of antiretroviral (ARVs) drugs, ✓✓ which can add many productive years to the life of a person living with HIV/AIDS. ✓✓
  (Accept any other correct relevant response) (10)

**Conclusion**

Developing countries should improve the quality and quantity of the labour force through improved health services, education and training. ✓✓
(Accept any other correct relevant higher order response) (2)

**[40]**

**QUESTION 10**

- Discuss the methods used to increase economic growth in detail. (26 marks)
- How can human and natural resources be used to ensure economic development? (10 marks)

**INTRODUCTION**

Economic growth means an increase in the production of goods and services in a country (over a year) in physical terms (in numbers)/Economic growth is therefore measured and expressed in terms of *real* GDP. ✓✓
(Any relevant introduction) **(Max. 2)**

**BODY**

**MAIN PART**

**Methods of growing the economy**

a. Increases in productivity ✓

- Productivity can be described as the relationship between real output (the quantity of goods and services produced) and one unit of factor input. ✓✓
- Productivity increases can occur in five ways:

1. Output increases while input remains the same. ✓✓
2. Output increases faster than input. ✓✓
3. Output increases while input declines. ✓✓
4. Output remains constant while input declines. ✓✓
5. Output declines at a slower rate than input. ✓✓

b. Availability and utilisation of factors of production ✓

- In terms of the labour force, growth will occur if the ratio of the working population to the total population increases. ✓✓
- In terms of land and natural resources an increase is rarely possible. ✓
- However, land, for example, can be used for new purposes that will render better returns (for example to grow canola rather than wheat). ✓✓
- In terms of capital, capital widening and deepening should be pursued to achieve growth. ✓✓

c. Technological change ✓

- Technology is any instrument or technique, product or process, physical equipment or method whereby something is made or done, which extends human ability. ✓✓
- If new ways are discovered so that more goods and services can be produced with similar inputs, technology has improved. ✓✓ Most of the time, new technology is acquired through capital investments. ✓

d. Effective government policies and administration✓

- Effective policies mean policies that will ensure that pre-set objectives are met. ✓✓
- Government should have policies in place that will realise, for example, more exports, growth in tourism and the expansion of manufacturing industries. ✓✓
- Use of effective fiscal and monetary policies. ✓✓
- Efficient administration means that the policies are executed in a manner that minimises time wastage, inconvenience and costs. ✓✓ Nepotism (favouritism), corruption (the use of public office for private gain) and indifference or laziness increase transaction costs for enterprises. ✓✓

e. Investment. ✓

- An increase in capital per worker will generally increase output In other words, the more equipment used by people at work, the more likely they are to produce. ✓✓
- To increase capital requires investment and that investment requires savings. ✓✓
  (Accept any other correct relevant response)
  **(Headings and examples max 8 marks)**

**(26)**

**ADDITIONAL PART**

- Natural resources are extracted through primary sector activities, which creates employment and income opportunities for unskilled and semi-skilled workers who make up the largest part of South Africa's labour force. ✓✓
- Global production relies on natural resources, creating export opportunities that create employment and income opportunities which increase living standards. ✓✓
- South Africa receives a lot of income from the tourism industry due to the availability of natural resources (environment) that are set aside for tourist attractions, improving the living standards of the individuals employed in the tourism industry. ✓✓
- People that are skilled will be able to find employment, which will increase income and living standards ✓✓ therefore improving human resources through education and training can create economic development. ✓✓
- Increased health expenditure and upgrading public health services will ensure a healthier labour force (healthier human resources) ensuring workers attend work more frequently and do not suffer a loss of income due to illness (consistent living standard). ✓✓

(Accept any correct and relevant higher order response) (**Max 10)**

**CONCLUSION**

To improve the standard of living of all the people of South Africa, higher growth rates are needed. ✓✓Under the Accelerated and Shared growth for South Africa (AsgiSA) programme, a continuous growth rate of 6% was identified as the minimum to reduce unemployment meaningfully. ✓✓The most recent target of the government, in terms of the NGP, is to realise a growth rate that will reduce unemployment by 5 million by 2020. ✓✓
(Any relevant higher order conclusion) **(Max 2)**

**[40]**

**ECONOMIC PURSUITS: MONEY AND BANKING**

SECTION A
1.1.1. C real wealth ✓
1.1.2. B M3✓
1.1.3. B repo✓
1.1.4. C South African Mint Company✓
1.1.5. A supply✓
1.1.6. A coin deposits✓
1.1.7. A free floating✓
1.1.8 D bank failure ✓
1.1.9 C bad management of liquidity ✓
1.1.10 B monetary system ✓

1.2

1.2.1 E.
1.2.2 D
1.2.3 G.
1.2.4 A
1.2.5 H
1.2.6 B
1.2.7 F
1.2.8 C
1.2.9 J
1.2.10 I

**1.3 Provide the economic term/concept**

1. 1.3.1 Legal tender ✓
2. 1.3.2 Micro lending ✓
1.3.3 South African Reserve Bank ✓
3. 1.3.4 Monetary Policy ✓
1.3.5 Repo rate ✓
1.3.6 Collateral ✓
1.3.7 Bankruptcy ✓
1.3.8 Treasury Bills ✓
1.3.9 Moral Suasion✓
1.3.10 M1✓

1.3.11 Cheque ✓
1.3.12 Currency ✓
1.3.13 Micro financing. ✓
1.3.14 National credit Act. ✓
1.3.15 Capital Market. ✓
1.3.16 Prime lending rate. ✓
1.3.17 Registrar of Banks. ✓
1.3.18 Money market. ✓
1.3.19 Credit creation ✓
1.3.20 Forex/Foreign exchange markets. ✓

## SECTION B

2.1 Answer the following questions:

**2.1.1 Name TWO money associated instruments**

- Cheques ✓
- Debit cards✓
- Credit cards ✓
- Travelers cheques ✓
- Postal orders ✓
- Electronic fund transfer ✓ (2)

**2.1.2 TWO functions of money**

- Money as a medium of exchange ✓
- Money is a unit of account ✓
- A bearer of value ✓
- Money as a standard of different payments ✓ (2)

**2.1.3 Give the TWO forms of modern money**

- coins✓
- banknotes✓
- deposit money✓
- fiat money ✓ (2)
-

**2.1.4 List any TWO examples of credit instruments.**

- bills of exchange ✓
- shares ✓
- bonds ✓
- bills of acceptance ✓ (2)

**2.1.5 List TWO properties a commodity must have in order to serve as money.**

- Uniformity ✓
- limited supply✓
- Durability ✓
- Divisibility ✓
- general acceptance ✓
- portability / Must possible to carry it ✓ **(2)**

**2.1.6 Name TWO aims of monetary policy**

- price stability ✓
- interest-rate stability✓
- stability of financial markets✓
- stability in foreign exchange ✓ (2)

**QUESTION 3:**

| **HINT:** This types of questions are applicable for 2.1.2, 3.1.2 and 4.1.2 |
|---|

**3.1 How do credit cards contribute positively to the economy?**

- Increasing the level of borrowing in the economy which in turn stimulates production. ✓✓
- The economy will grow and more people will be employed. ✓✓
  (Accept any other relevant correct answer)

**3.2 How is Covid -19 impacting the financial sector?**

- Social distancing requirements mean that few customers are able to be served in a physical branch putting additional strain on channels like telephone support, online and social media ✓✓
- Banks now have opened many more virtual support services, to allow clients to transact✓✓
- Many clients are savvier with online banking operations ✓✓

**3.3. How are short term borrowings made by the government from the central bank?**

- The Government sells treasury bills to central bank for short term borrowings ✓✓

**3.4 How effective is high interest as an "inflation fighter"?**

- high interest is an effective anti-inflation tool. Of course plunging the country into a deep recession will cut labour's wage demands and will cause some business firms to make price concessions ✓✓

**3.5 How does the SARB change the money supply?**

- By increasing or decreasing the amount of bank reserves which the member banks of the SARB have to their credit on the books of the SARB. Second, by **regulations which tell the member banks the maximum amount of bank deposits they may create per RAND of reserves.** ✓✓

**3.6 How do currency and coin enter the money supply?**

- It normally amounts to about 20 percent of the money supply, with bank deposits accounting for the other 80 percent. ✓✓

**3.7 How will an increase in the quantity of money affect prices of goods and services and the value of money?**

The increase in the quantity of money will be affected by:

- Increasing the prices of goods and services because of the quantity theory of money. ✓✓
- Decreasing the value of money and its purchasing power. ✓✓ (4)

## QUESTION 4

## DATA RESPONSE

| |
|---|
| **HINT:** All section B questions have TWO data interpretation questions – each total 10 marks. Section B consist of Questions 2-4 not as numbered in this document |

4.1 Study the picture below and answer the questions that follow

4.1.1 **What is illustrated above that is put in place by SARB?**

M1 ✓ 1

4.1.2 **Name any ONE secondary instrument used as a payment method in South Africa** 1

- Bank deposits✓
- Electronic funds transfer (EFT) ✓
- Cheques (up to 2020) ✓

4.1.3 **Describe how does inflation affect money as a store of value**

- Inflation erodes the buying power of money ✓✓
- The price of the imported goods may rise because of the depreciation of the local currency against the currency of the country which we import from. ✓✓
- The producers have to pay more for the importing of goods and therefore they will increase the prices of the local products that they produce. ✓✓
- If the producers decide to raise their profit margins, then the cost of production will increase and the products will be more expensive. ✓✓

**4.1.4 Discuss the aims of monetary policy**

- To protect the value of the currency in order to ensure economic growth in the country ✓✓
- To control money supply and credit levels in the financial sectors. i.e. banks must not be at risk of failure ✓✓
- To establish interest rates that will encourage investments and savings but are affordable to those wanting to borrow money ✓✓
- To obtain exchange rates that are to the advantage of the country ✓✓

**4.2 Study the following article and answer the questions that follow**

**4.2.1 What role does Mr Lesetja Kganyago play in South African Reserve Bank currently?**

- Governor of the South African Reserve bank

**4.2.2 What is the current inflation rate of South Africa?**

- 3%-6% ✓

**4.2.4 How will businesses be affected by cutting repo rates by a few basis points**

- A reduction in the repo rate will lead to the rand becoming more vulnerable to inflation, thus makes the business to drop in profit in the long run. ✓✓

**4.2.5 Differentiate between micro-lending industry and village financial services cooperatives.**

- Micro-lending industry is the provision of small, low-interest loans to low-income individuals and groups. ✓✓
- Village financial services cooperatives- Member-owned and controlled and provide helpful access to financial services in rural communities. ✓✓

4.3 **DATA RESPONSE**

**4.3.1 Identify the cost responsible for the skyrocketing of small money loans?**
The initiation fee ✓

**4.3.2 Name one cost that will remain constant?**
The monthly service fee ✓

**4.3.3 Describe the effect on the cost of the loan if the monthly service fee is removed?**
It will decrease the cost of credit / make credit more affordable because the consumer will pay less ✓✓

**4.3.4 Calculate the total cost of credit for a R500 loan over one month.**
R25 + 79+50✓=R154✓

**4.3.5 What impact will this high cost on small money loans have on low income earners?**
The cost of credit will become too expensive for poor people / unaffordable✓✓

- Poor people will have less money to spend on goods and services / more poverty✓✓
- Poor people will struggle to pay their loans✓✓
- People might default on the loans and be blacklisted making access to future credit very difficult ✓✓

(Accept any other correct relevant response)

4.4 Study the table below and answer the questions that follow.

**4.4.1 Name TWO risks that banks face**

- Liquidity risk ✓
- Credit risk ✓
- Interest rate risk ✓
- Investment risk ✓
- Capital risk

**4.4.2 How does the South Africa Reserve bank deal bank failures?**
The South African reserve bank ensures that banks are managed in terms of the Banks Act, and that depositors are not exposed to unnecessary risk ✓✓
(Accept any other correct relevant response) (2)

**4.4.3 Who are the victims of bank failure**
Depositors ✓
Shareholders ✓

**4.4.4 Briefly explain medium of exchange and measure of value as functions of money**
**Medium of exchange**
It is generally accepted as a means of payment. ✓✓Goods, services and labour are exchanged for money. ✓✓

**Measure of value**
Money provides a measure that enables us to put a value on goods and services. ✓✓
If a price is allocated to something, money serves as a measure of value. ✓✓

**4.5 DATA RESPONSE**

**4.5.1 Name the central bank in South Africa**
South Africa Reserve bank ✓

**4.5.2 Mention any other instrument of the used in monetary policy, besides interest rates.**

Open market transactions✓
Moral suasion ✓
Cash reserve requirements ✓
Exchange rate control / exchange rate policy ✓

**4.5.3 Briefly describe the term *repurchase rate***
It is the rate at which commercial banks borrow funds from the Reserve Bank to meet the gap between the demand for loans and how much they have on hand to lend. ✓✓
(Accept any other correct relevant response.)

**4.5.4 Briefly explain government's banker as a function of the central bank**

The central bank is the main banker of the state;
It renders services to the state similar to those commercial banks render to their clients. ✓✓
Government departments deposit their funds with the central bank and draw cheques on their accounts. ✓✓
The central bank also provides loans, foreign exchange and financial advice to the government (the Treasury) ✓✓
(Accept any other correct relevant response) (Any 1 x 2)

**4.5.5 How will a cut in interest rates influence consumer spending?**

A cut in interest rates will result in:

- the commercial banks lowering the prime lending rate ✓✓
- A low prime rate encourages people to borrow more. ✓✓
- Increasing amount of money available for spending. ✓✓
- Spending on goods and services also increasing. ✓✓

(Accept any other correct relevant response)

**4.6 DATA RESPONSE**

**4.6.1 Name any TWO major banks in South Africa according to this picture**

First National Bank (FNB) ✓
Standard bank✓
ABSA ✓

**4.6.2 Mention a value-added service provided by banks**

- Financial advice ✓
- Insurance products ✓
- Safety deposits boxes✓
- Stock brokering services
  Accept any other relevant correct response

**4.6.3 Explain why money can retain its value over a long time**

- Used to restore personal wealth ✓✓
- A good medium for the storage of wealth ✓✓
- Value of money must not change with the passage of time ✓✓

(Accept any other correct relevant response)

**4.6.4 What are the basic principles of credit creation by banks**

- Making loans available ✓✓
- The banks use deposits to create credit ✓✓
- They make the funds deposited by some clients available to other members in the form of loans ✓✓

(Accept any other correct relevant response)

4.7 Study the information below and answer the questions that follow

**4.7.1 Name ONE financial intuitions which deals with coins**

FNB✓
STANDARD BANK ✓
CAPITEC BANK✓
ABSA✓
NEDBANK✓
TYMBANK

**4.7.2 Use the information above to calculate the value of M1,M2 and medium-term deposits**

M1 = cash + demand deposits = R140m + R980m = R1 120m ✓

**4.7.3 Briefly explain the term endogenous money**

Endogenous money means there is not independent money supply curve, but that money supply depends on the demand for money and the cost of credit✓✓

**4.7.4 Discuss the basic function of a financial intermediary**

The role of a financial intermediary is to receive funds from surplus units in the form of deposits , and transfer it to deficit units by granting credit to the deficit units. ✓✓

**4.7.5 Explain what a security is and why it is created**

A security represents a contract that implies certain an amount or amounts that are owed to another party✓✓. When a surplus unit provide funds to an intermediary or a deficit unit, a contract is compiled that will indicate that the value that the surplus unit provide will be repaid on a particular date, plus interest which is the amount that will be paid for the privilege of using the funds ✓✓

The date on which the security will expire will also be indicated on the security. On this date the amount that was borrowed (called the capital amount) should be repaid. The dates on which interest will be paid will also be indicated on the security. The holder will benefit because the capital amount as well as the interest will be paid to the holder of the security✓✓

## 4.8 DATA RESPONSE

**4.8.1 Who is crying for help on the illustration above**

- Consumers /bankers ✓

**4.8.2 Name one essential function of a bank?**

- accepting deposits from the people✓
- giving loans and advances to them

**4.8.3 Briefly explain the concept *cash reserve ratio* (crr)**

- CRR refers to that minimum percentage of deposits with the commercial banks which the commercial banks must keep with the central bank. ✓✓

**4.8.4 What is an overdraft facility**

- In overdraft facility, a current account holder is allowed to withdraw more than his balance in the account up to an agreed limit. ✓✓

**4.8.5 Discuss the advantages of e-banking**

- It is safe and convenient ✓✓
- There is no need to carry large amounts of cash✓✓
- Funds are transferred instantly ✓✓

## QUESTION 5 Paragraph type questions – Middle Cognitive

**HINT:** All section B questions have TWO 8 marks questions, numbered according to questions not like in this document.

5.1 **Discuss money as a *medium of exchange* and a *store of value*.**

**Money as a medium of exchange**

- Money is generally accepted and approved by law as means of payment all over the world
- Goods are exchanged for money. ✓✓
- This makes exchange much easier. ✓✓
- Employees can get paid in money for their efforts. ✓✓
- Consumers can buy the things they desire with money and satisfy their needs and wants in this way. ✓✓
- It gives more choices of what to buy and where to buy it than in the case of barter. (Max 4)

**Money as a store of value**

- Money has value and it can retain value over a long time. ✓✓
- People do not have to spend all the money they earn – they can hold the money and spend it over time. ✓✓
- Money can be saved (stored) to accumulate wealth or to be used for future wants ✓✓
- Without money, you would only be able to store physical goods, for example, storing grain in earlier times. ✓✓
- Perishable items had to be traded immediately, because of the risks involved in storing it. ✓✓ (Max 4)

**5.2 Discuss the quantity theory of money**

- This theory states that whenever the quantity of money increases ceteris paribus, prices will increase and therefore ✓✓
- The value of money will decrease ✓✓
- The amount of money used in the period (MV) is equal to the money value of all transactions in a period (PT) ✓✓
- If anyone component of the money side increases, the goods side must also increase ✓✓ (8)

**5.3 Discuss the success of the establishment of the Micro Finance Regulatory Council (MFRC).**

The establishment was successful because:

- Interest rates have been restricted to 10 times the prime lending rate ✓✓
- The micro-lenders must ensure that the consumer's rights are protected. ✓✓
- Micro-lenders are compelled to register with the authority. ✓✓
- The council aims to promote sustainable growth of the money-lending industry. ✓✓
- Role players must now assess the financial situation of the borrower before they are permitted to grant the loan✓✓

**5.4 Why would there be so many different rates of interest existing at the same time?**

There could be many different rates of interest existing at the same time because of the following reasons:

- Loan amount – the bigger the loan the higher the interest rates ✓✓
- Duration or term of the loan- the longer the term the higher the interest rates ✓✓
- Creditworthiness/ risk-the higher the risk the higher the interest rate will be ✓✓
- Costs – costs of the intermediary to administrate and manage its venture will determine the gap between the interest earned by lenders and paid by borrowers, the higher the costs, the bigger the gap will be . ✓✓ (8)

**5.5. Distinguish between direct and indirect financing**

- Direct financing takes place when deficit units borrow directly from surplus units ✓✓ without the assistance of a financial intermediary ✓✓
- Indirect financing takes place when surplus units deposit funds with financial intermediaries, ✓✓and deficit units borrow from financial intermediaries✓✓

**5.6. Explain why money will not be a good measure to preserve wealth during periods of inflation.**

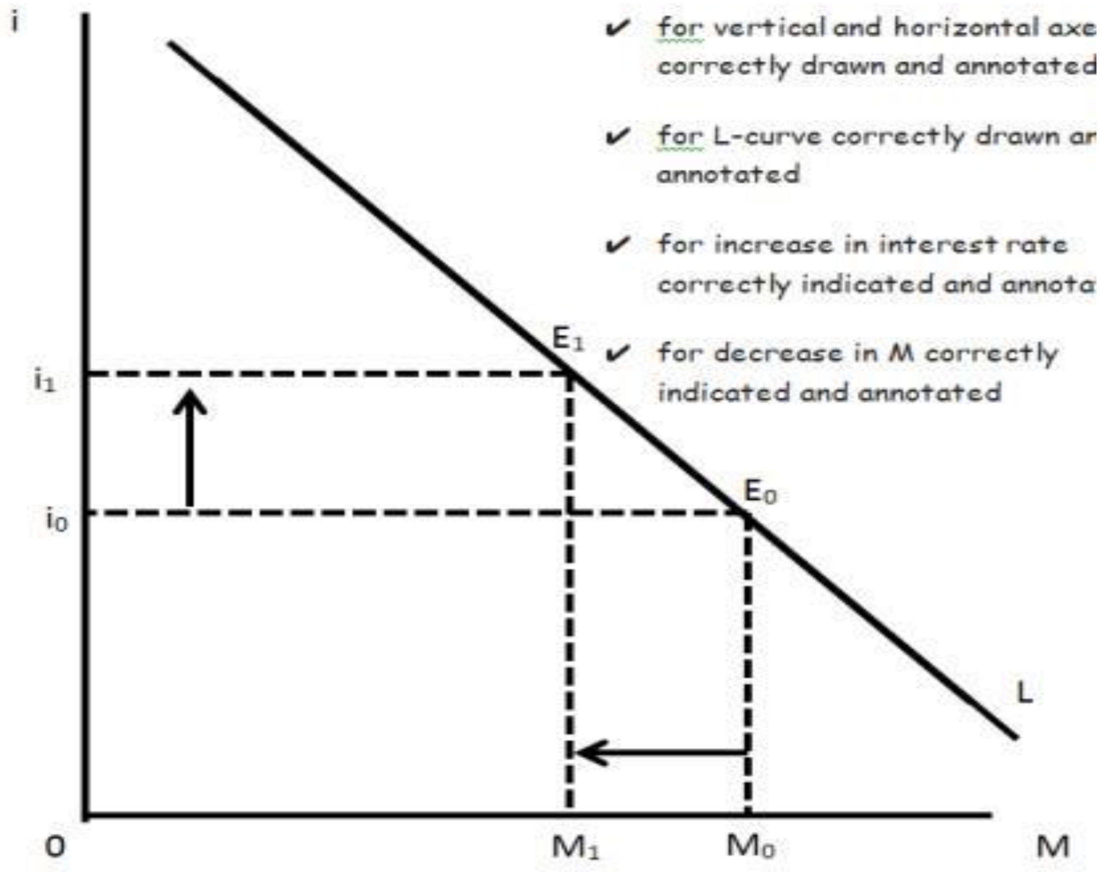
- During inflation the prices of goods and services increase, i.e. the amount of money that you have to pay to acquire the goods and services increases ✓✓
- If you hold your wealth in the form of money the value will not increase with inflation, ✓✓ therefore you will be able to buy less goods and services due to inflation (the purchasing power of your money decreases) ✓✓
- Holding wealth in the form of money therefore does not preserve the value of your wealth during periods of inflation ✓✓
  (Accept any other relevant correct explanation)

**5.7 Explain with the aid of a diagram why the SARB may decide to increase the repo rate and how this increase in the repo rate will affect the money market.**

The intermediate objective of the SARB is to keep the inflation rate low . The tool that the SARB uses to attain this target is the short-term interest rate level which is determined by the level of the repo rate✓✓.
When the inflation rate is expected to increase, the SARB will increase the repo rate ✓✓

We can use a diagram to explain how the money supply will be affected:

When the repo rate increases, the interest rate at which banks provide credit to consumers and businesses also increase (e.g. from i0 to i1) . At a higher interest rate (i1) the demand for credit will be lower ✓, therefore the banks will be able to provide fewer loans and thus less money will be created. The money supply will decrease (M1)
When the repo rate increases, the interest rate at which banks provide credit to consumers and businesses also increase (e.g. from i0 to i1) ✓. At a higher interest rate (i1) the demand for credit will be lower ✓, therefore the banks will be able to provide fewer loans and thus less money will be created. The money supply will decrease (M1) ✓.




**5.8 Briefly discuss the qualities of money.**

General Acceptability

It is the very essence of money. Unless a person knows that the money which he accepts in exchange for his goods or services will be taken without any objection by others as well, he will not accept it

It will cease to be current. In order to possess general acceptability, a commodity should have some intrinsic utility independent of its value for monetary purpose. Gold and silver are generally acceptable to all without any hesitation because they are used for ornamental and other purposes and can be easily sold as bullion, besides being used for monetary purposes.

Portability

A commodity fit to be used as money must be such that is can be easily and economically transported from one place to the other. In other words, it must possess high value in small bulk. Precious metals possess this quality. In the case of oxen and grain, a small value occupies a large bulk and weight; hence, they are unsuited as money commodity.

Durability

As money is passed from hand to hand and is kept in reserve, it must not easily deteriorate, either in itself or as a result of wear and tear. "It must not evaporate like alcohol, nor purely like animal substance, nor decay like wood, nor rust like iron.

Destructible articles, such as eggs, dried cod fish, cattle or oil has certainly been used as currency; but what is treated as money one day must not soon afterwards be eaten up.” Gold coins are very lasting; they take about 8,000 years to wear out completely. Silver coins are not equally lasting but wear out fairly slowly. As such gold and silver are considered to be excellent money commodities.

Homogeneity

All portions or specimens of the substance used as money should be homogeneous, that is, of the same quality, so that equal weights have exactly the same value. In order that a commodity may be used as a measure of value, it is essential that its units are similar in all respects. Gold and silver are of the same quality throughout; their various parts are similar in chemical and physical composition and their consistency is the same throughout the mass

Divisibility

The money material should be capable of division; and the aggregate value of the mass after division should be almost exactly the same as before. If we use diamond as money and by chance it drops from our hand and breaks, we will suffer an enormous loss. This is not the case with precious metals. Their portions can be melted and remelted together any number of times without much loss.

Malleability

The money material should be capable of being melted, beaten and given convenient shapes. It should be neither too hard nor too soft. If the former, it cannot be easily coined; If the latter, it would not last long. It should also possess the attribute of impressionability so that it may easily receive the impressions.

Recognisability

By it, we mean the capability of a substance for being easily recognised and distinguished from all other substances. As a medium of exchange, money has to be continually handed about; and it will cause great inconvenience if every person receiving it has to scrutinise, weigh and test it.

It should have certain distinct marks which nobody can mistake. Gold and silver are at once recognised by their distinctive colour, metallic and heavy weight for small bulk, and, as such, satisfy this condition admirably.

Stability of Value

Money should not be subject to fluctuations in value. Fluctuating standard of value is just like a changing yard or kilogram. The value of a material, which is used to measure the value of all the other materials, must be stable.

The ideal money commodity should, as such, possess utility, portability, durability, homogeneity, divisibility, malleability, Cognoscibility and stability of value

**QUESTION 6** **Paragraph type questions – Higher cognitive**

**6.1 How can the government stabilize the value of money in a country?**

The government stabilise the value of money by:

Stabilising the general price level. ✓

Impossible to keep the price level constant. ✓✓

Keeping inflation at a minimum level. ✓✓

Using monetary policy as an instrument to control inflation e.g. interest rates. ✓✓

Increasing the interest rate if inflation rises above the Reserve Bank’s upper limit✓✓, to curb spending and decrease demand, again stabilising the value of money. ✓✓
(Accept any other correct relevant response)

**6.2 Analyse the consequences of bank failures**

The bank will be unable to pay deposits to depositors. ✓✓
Confidence in the banking sector is lost, resulting in widespread cash withdrawals ✓✓
Investors will be unable to obtain loans to expand or start businesses, leading to a decline in economic growth ✓✓
Employers of the bank will become unemployed, increasing the burden on government ✓✓
Bank failures have a negative multiplier effect on the economy – decline in investments, decrease in demand, retrenchments all leading to a recession. ✓✓
(Accept any other correct relevant response) (8)

**6.3 Analyse the instruments that the SARB has available to influence the liquidity deficit of the banking sector.**

Cash-reserve requirement ✓: since banks have to keep 2.5% of their cash reserves with the SARB as part of their cash-reserve requirement✓, this increases the liquidity deficit of the banking sector✓. Tax-and-loan account✓: when funds are transferred from the government's tax-and-loan accounts with commercial banks to the government's account with the SARB✓, the cash reserves available to the banks decreases and thus the liquidity deficit of the banking sector increases✓ Open market operation✓: when the SARB sells government stock in the open market✓, the amounts used to pay for these stocks flow to the SARB, therefore the cash reserves of the banks decrease and the liquidity deficit of the bank increases✓. (8)

**6.**4 **Analyse the role of the SARB in maintaining financial stability**

Financial stability has to do with making sure that the financial sector and financial institutions operate smoothly✓.
It involves the following: Bank supervision ✓: involves issuing of banking licenses and ensuring that banks adhere to capital and liquid asset requirements✓.
Overseeing the National Payment System✓ to ensure a safe payment environment✓.
Acting as banker to other banks✓: holds cash reserves of the banking sector and transfer amounts owed by banks to the other banks✓.
Sole issuer and destroyer of banknotes and coins✓.
Act as lender of last resort✓ to ensure that a bank's depositors will not be at risk✓. (8)

**6.5 How and why the central bank can influence the money supply**

The central bank can use interest rates ✓ to influence the amount of money that is created in the economy. When the interest rate is high, the demand for credit is low and less money will be created ✓. When the interest rate is low, the demand for credit is high, and more money will be created ✓.
The central bank may at times try to limit the growth in the money supply by increasing the interest rate level ✓, as excessive growth in the money supply may cause an increase in prices (inflation) ✓.

However, for the economy to grow it is necessary that adequate money is created ✓.Therefore the central bank may at times try to encourage growth in the money supply by decreasing the interest rate level, to allow for economic growth (8)

**6.6 How can banks influences the growth of economies**

1) Create employment
One of the biggest economic benefits emanating from the banking function is that they create employment to a number of a country's citizens. As they go along serving their clients bank need manpower in the form of human labour and thus in that regard, they become critical catalysts for economic growth. ✓✓
2) Facilitate national payments
Banks in the main make any economy tick. They facilitate national payments under the supervision of the Central Bank. A country's citizens are able to access their salaries through banks, international trade and other cross border payments are facilitated through commercial banks which make them pivotal in economic development. ✓✓
3) Attract funds from depositors and on lend to deficit units of the economy there by encouraging economic growth.
Through their branch infrastructure, banks are able to tap resources in the form of savings from surplus units of the economy and they then on lend that mostly to large corporations who in turn use the money to grow commerce and industry thus developing the economy. In the case of governments, the government borrows mostly to fund infrastructure development which acts as a catalyst for economic development. ✓✓
4) Cut (Reduce) Transaction costs
As intermediaries one of the functions of a bank is to minimize transaction costs. Through intermediation, banks provide an avenue/platform for parties that are unfamiliar to each other to meet and transact thus in the process reducing cost of doing business with one another. Banks gather information on borrowers in bulk, and by the mere fact that they have that infrastructure that both borrowers and lenders utilizes, this results in the cost of doing business going down for parties ✓✓
5) Facilitate and participate in the dissemination of monetary policy objectives.
Banks are an agent to The Central Bank of any country. They assist in the dissemination of monetary policy objectives. As an example when there is a fight against inflation spearheaded by the Central Bank, banks are the main tool that the central bank will use in terms of curbing growth in money supply. When The Central Bank changes the repo rate either way, banks are expected to adopt that and allow that to filter to the rest of the economy thus impacting negatively or positively on interest rates depending on the main drive from the Central Bank
6) Maturity transformation and risk transformation.
Converting short-term liabilities to long term assets (banks deal with large number of lenders and borrowers, and reconcile their conflicting needs and in the process, they aid in economic development) Banks also play a big role in converting risky investments into relatively risk-free ones. (Lending to multiple borrowers to spread the risk) ANY 4 X 2 = 8

**<u>SECTION C</u>**

| |
|---|
| **HINT:** All section C questions have TWO questions 5 & 6 NOT like in this document. In the examination you will need to answer only one. |

ESSAY STRUCTURE

**HINT:** Section C – the long question, must be answered in FOUR sections: Introduction (definition), Body (headings and full sentences in bullets) additional part and conclusion (summarising). The mark allocations for Section C is as follows:

| STRUCTURE OF ESSAY: | MARK ALLOCATION: |
|---|---|
| **Introduction**<br>The introduction is a lower-order response.<br>• A good starting point would be to the main concept related to the question topic<br>• Do not include any part of the question in your introduction.<br>• Do not repeat any part of the introduction in the body<br>• Avoid saying in the introduction what you are going to discuss in the body | Max 2 |
| **Body**:<br>**Main part:** Discuss in detail/ In-depth discussion/ Examine/ Critically discuss/ Analyse / Compare/ Distinguish/ Differentiate/ Explain/ Evaluate<br>**Additional part:** Give own opinion/ Critically discuss/ Evaluate/ Critically evaluate/ Calculate/ Deduce/ Compare/ Explain Distinguish / Interpret/ Briefly debate/ How/ Suggest | Max 26<br><br>Max 10 |
| **Conclusion**<br>Any Higher or conclusion include:<br>• A brief summary of what has been discussed without repeating facts already mentioned in the body<br>• Any opinion or value judgement on the facts discussed<br>• Additional support information to strengthen the discussion/analysis<br>• A contradictory viewpoint with motivation, if required<br>Recommendations | Max 2 |
| **TOTAL** | **40** |

QUESTION 6: ECONOMIC PURSUITS 40 MARKS – 40 MINUTES

- **Discuss the main functions of the SARB (26 marks)**
- **What causes bank failures? (10 marks)**

**INTRODUCTION**

- The Central bank is an institution that issues banknotes and is responsible for controlling money supply and credit in a country in the interests of everyone ✓✓

(Accept any other correct relevant answer) **(Max. 2)**

**MAIN PART**

- The bank supervises and controls all the activities of commercial banks and financial institutions ✓✓
- All banks that operate in South Africa have to register and submit reports to the central bank✓✓
- Banking is a risky business and therefore the Reserve Bank as lender of last resort has to monitor them carefully✓✓

**The SARB issues coins and banknotes** ✓

- The SARB has the sole right to produce, issue and destroy banknotes and coins in South Africa ✓✓
- -The SA Mint Company, a subsidiary of the bank, mints all the coins on behalf of the Reserve

Bank ✓✓
- The SA Note Company, another subsidiary of the bank, prints all banknotes on behalf of the Reserve Bank ✓✓

**The SARB acts as banker to the government** ✓
- It conducts a cheque account for the government ✓✓
- It administers the financial accounts of the central government and provincial governments and various State-owned enterprises. ✓✓
- The SARB acts as custodian of the cash reserves of banks ✓✓
- In terms of the Bank Act 94 of 1990, all banks are required to keep a minimum cash reserve deposited at the SARB ✓✓
- This requirement prevents commercial banks from lending out too much money in the form of bank credit ✓✓
- It acts as a clearing bank to settle claims between banks ✓
- The SARB keeps accounts of the various banks ✓✓
- The claims between banks are settled on a daily basis ✓✓
- Clients from Bank A deposit cheques from Bank B into their accounts and these cheques have to be cleared ✓✓

**ADDITIONAL PART**

**What cause a bank to fail?**
- A poor economic environment makes it difficult for banks to make a profit ✓✓
- Weak and fraudulent management ✓✓
- Over-exposure to micro-lending and bad debts ✓✓
- Bad management of liquidity ✓✓
- Poor credit control (for example, not ensuring the credibility of borrowers and not monitoring loans and overdrafts carefully enough) ✓✓
- Banks fail when the SARB does not intervene ✓✓
- Banks fail when bank reserves are too low ✓✓

(Accept any other correct relevant answer) Max (10)
CONCLUSION
The primary goal of the SARB is to protect the value of the Rand and to control inflation. ✓✓ Max. 2
(Accept any other correct relevant answer)

[40]

**QUESTION 7: ECONOMIC PURSUITS 40 MARKS- 40 MINUTES**

- **Discuss the functions of the South African Reserve Bank under the following headings:**
  - **Government's banker (8)**
  - **Bank of issue (8)**
  - **Banker's bank (10) 26 marks**
- **How will the Governor of the Reserve Bank use monetary policy to influence the quantity of money of the country? 10 marks**

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

## MAIN PART

- Government as banker
  - The Reserve bank is the main banker of the state. ✓✓
  - It renders services to the government which are similar to those commercial banks render to their clients ✓✓
  - Government departments deposit their funds with the Reserve Bank and draw cheques on their accounts ✓✓
  - The Reserve Bank also provides loans, foreign exchange and financial advice to the government ✓✓
  - Also provides monetary advice to the government ✓✓ Max. 8

- Bank of issue
  - SARB has the sole right to issue bank notes and coins. ✓✓
  - The South African Mint Company mints South Africa coins. ✓✓
  - Both these companies are subsidiaries of the SARB. ✓✓
  - In the issuing of bank notes and coins, the Bank is guided by the needs of the economy ✓✓ Max. 8

- Banker's bank
  - SARB declares and keeps the minimum cash reserves that all banks are required to hold to stay solvent. ✓✓
  - SARB acts as a clearing bank by settling inter-bank obligations. ✓✓
  - The banks do not have to repay the various cheques to one another, but the SARB will settle the balances between the banks. ✓✓
  - The SARB is the lender of last resort. ✓
  - It grants loans to the commercial banks when these banks have a liquidity problem. ✓✓
  - The SARB oversees the commercial banks. ✓✓
  - It ensures that the banks are operating in accordance with the Banks Act. ✓✓
  - The SARB makes sure that all the banks implement monetary policy ✓✓

Max. 10 marks

Max. 26 marks

**ADDITIONAL PART**

**How will the government of the Reserve Bank use monetary policy to influence the quantity of money of the country?**

The SARB can influence the quantity of money of the country by:

- increasing the supply of money by adding money to the economy ✓✓
- or decreasing the supply of money by withdrawing money from the economy ✓✓
- contraction of economic activities will happen in times of recession and depression ✓✓
- stimulating the economy by increasing the supply of money ✓✓
- cooling down the economy by reducing the supply of money during inflation ✓✓
- stimulating the economy by decreasing repo rate using interest rates and banks will decrease interest rates ✓✓

- influencing the supply of money by changing percentage of deposits that banks must keep as cash reserve ✓✓
- limiting the supply of money by selling securities to the banks or can do the opposite when it wants to increase the supply of money ✓✓
- convincing moral persuasion to ask banks to be more careful with the granting of loans or to encourage loans ✓✓
  (Accept any other correct relevant response) Max. 10 marks

**CONCLUSION**

The mission of the SARB is to protect the internal and external value of the rand; It has control over all money-related issues in South Africa. ✓✓
(Accept any other correct relevant conclusion) Max. 2 marks
(10) [40]

## CONTEMPORARY ECONOMIC ISSUES: TOPIC 1 GLOBALISATION

| SECTION A: TYPICAL EXAM QUESTIONS |
|---|

**QUESTION 1:** **Section A – Short Questions**

| **HINT:** When answering Section A – short question, it is important not to rush but to read the questions carefully and to make sure you understand what the question is asking. Always remember one alternative is completely wrong, one is nearly correct and one is totally correct. It is easy to eliminate the completely wrong answer, but if you do not read the question carefully the nearly correct answer will also appear correct. The answer will **NEVER** be two options. Only **ONE** option is correct. Your answer will immediately be marked incorrect if you write TWO options. |
|---|

**1.1 Various options are provided as possible answers to the following questions.**

1.1.1 C (Consumption) ✓✓
1.1.2 B (Capital) ✓✓
1.1.3 B (WTO) ✓✓
1.1.4 A (Comparative) ✓✓
1.1.5 A (Botswana) ✓✓
1.1.6 B (3) ✓✓
1.1.7 C (has increased) ✓✓
1.1.8 D (Agriculture) ✓✓
1.1.9 D (developing world) ✓✓
1.1.10 C (IMF) ✓✓
1.1.11 B (It sells products in several countries)✓✓
1.1.12 D making trade rules the same all over the world ✓ ✓
1.1.13 B France ✓✓
1.1.14 A the free movement of goods and services ✓✓
1.1.15 D IMF ✓✓
1.1.16 A trade blocks ✓✓
1.1.17 A globalisation ✓✓

**1.2 Choose a description from COLUMN B that matches the item in COLUMN A. Write only the letter (A-I) next to the question number (1.2.1 – 1.2.8) in the ANSWER BOOK.**

1.2.1 D ✓
1.2.2 G ✓
1.2.3 E ✓
1.2.4 C ✓
1.2.5 A ✓
1.2.6 H ✓ **( 6 x 1) (6)**

**1.3 Provide the economic term/concept for each of the following descriptions. Write only the term/concept next to the question number. *No abbreviations will be accepted.***

1.3.1 Internationalisation ✓
1.3.2 Multinational Enterprises ✓
1.3.3 Economic integration ✓
1.3.4 G20 ✓
1.3.5 The World Bank ✓
1.3.6 Free trade area ✓
1.3.7 Quotas ✓
1.3.8 Multinational corporations ✓
1.3.9 Free trade ✓
1.3.10 Absolute advantage ✓
1.3.11 Globalisation ✓
1.3.12 Integration ✓
1.3.13 Regionalisation ✓
1.3.14 Trade block / trade agreement ✓
1.3.15 Foreign direct investment ✓
1.3.16 Quota ✓
1.3.17 Import substitution ✓
1.3.18 African continental Free Trade Area (NOT AfCFTA) ✓

**SECTION B**

**QUESTION 2:**

**HINT:** When the question requires you to "list" or "name", you need not write a sentence but merely few words or a phrase. This MUST be done in bullet form. This types of questions are applicable for 2.1.1, 3.1.1 and 4.1.1

**2.1 State two characteristics of internationalisation.**

- Increased quantities ✓
- Increased numbers ✓ (2 x 1) (2)

**2.2 Name any TWO member countries of BRICS.**

- Brazil ✓
- Russia ✓
- South Africa ✓
- India ✓
- China ✓ (Any 2 x 1) (2)

**2.3 Name any TWO Multinational Enterprises.**

- **Microsoft** ✓
- Apple ✓
- IBM ✓
- Coca cola ✓ (Any 2 x 1) (2)

**2.4 List any TWO territorial divisions of the world.**

- Local ✓
- National ✓
- Regional ✓
- Global ✓ (Any 2 x 1) (2)

**2.5 State any TWO key structures of trade.**

- Production ✓
- Communication ✓
- Logistics ✓ (Any 2 x 1) (2)

**2.6 Give any TWO elements of globalisation.**

- Trade ✓
- ICT ✓
- Interaction✓ (Any 2 x 1) (2)

**2.7 Mention TWO major divisions of the global economy.**

- North divide ✓
- South divide ✓ (2 x 1) (2)

**2.8 Give any TWO member states of the SADC region.**

- Angola ✓
- Botswana ✓
- DRC ✓
- Lesotho ✓
- Madagascar ✓
- Malawi ✓
- Mauritius ✓
- Mozambique ✓
- Namibia ✓
- Seychelles ✓
- South Africa ✓
- Swaziland ✓
- Tanzania ✓
- Zambia ✓
- Zimbabwe ✓

(2 x 1) (2)

**2.9 List any TWO causes of globalisation**

- Transportation ✓
- Changes in communication technology and global information systems ✓
- Development of technology ✓
- Trade liberalization ✓
- Capital liberalization ✓
- Multi-national Enterprises ✓
- Standardisation ✓
- Foreign direct investments ✓
- Trade agreements, i.e. GATT, WTO, MDG's, Free Trade Zones ✓ (2 x 1) (2)

**2.10 List any TWO positive consequences of globalisation**.

- Economic growth ✓
- Employment opportunities ✓
- Foreign direct investment ✓
- Balance of payments ✓
- Poverty alleviation ✓
- Increased competition ✓
- Spread of culture ✓
- Spread of education ✓
- Increased flow of data ✓
- Free movement of people ✓

(Accept any other positive consequence) (Any 2 x 1) (2)

**QUESTION 3:**

| |
|---|
| **HINT:** This types of questions are applicable for 2.1.2, 3.1.2 and 4.1.2 |

**3.1 Describe the term internationalisation**.

- It is the extension of economic activities across the national borders. ✓✓ (1 x 2)

**3.2 Describe the term globalisation**

- The ability to connect with global markets at the local level. ✓✓ (2)

**3.3 Why is it beneficial for a country to engage in free trade?**

Free trade causes international specialisation as it enables the different countries to produce goods in which they have an advantage. ✓ ✓
It promotes international trade and also promotes foreign direct investment. ✓✓
(Accept any other correct relevant response.) (2 )

**3.4 What is the purpose of AfCFTA?**

- The fifty-five member states of the Africa Union (AU) established the **African Continental Free Trade Area** (**AfCFTA**) to create a single **continent**-wide market for goods and services and to promote the movement of capital and natural persons ✓✓ (1 x 2)

**DATA RESPONSE**

| |
|---|
| **HINT:** All section B questions have TWO data interpretation questions – each total 10 marks. Section B consist of Questions 2-4 not as numbered in this document |

**QUESTION 4:**

**4.1.1 What is the message of the cartoon?**

- Globalisation caused the spread of Covid 19 / Globalisation should be stopped ✓
Any other relevant correct response ✓ **(1)**

**4.1.2 State one negative impact of globalisation.**

- Countries dependent on others for basics / unable to produce certain things ✓ **(1)**

**4.1.3 Define the term *globalisation***

- Globalisation is the worldwide interfacing and interaction of economies with trade as the key element and ICT making it possible. ✓✓ **(2)**

**4.1.4 Why should globalisation be stopped?**

- To combat the spread of the virus. ✓ ✓ **(2)**

**4.1.5 What will be the impact of stopping globalization on South African's economy?** **(4)**

- Production will decrease as the country relies on importing capital. ✓✓
- FDIs decrease resulting in increase in unemployment. ✓✓
- Producers will not be able to export their products to other nations. ✓✓
(Accept any other correct relevant response)

**4.2.1 What is the extract about?**

**Internationalisation ✓✓** **(1)**

**4.2.2 State the first step international businesses take when establishing themselves**

- The first step is to establish offices abroad. ✓ **(1)**

**4.2.3 Describe the term *economic integration***

- The process in which two or more states in a broadly defined geographic area reduce a range of trade barriers to advance or protect a set of economic goals. ✓✓ **(2)**

**4.2.4 Briefly explain increased quantities as a characteristic of Internationalisation.**

- The quantity to be produced changes from all dimensions. ✓✓
- For example, more steel is produced therefore more ore, electricity, labour, capital ✓

**4.2.5 Differentiate globalization from internationalisation).**

- Globalisation
  -The process by which a company bring its business to the rest of the world. ✓✓
- Internationalisation
  -It is the practice of designing products, services and internal operations to facilitate expansion into international markets. ✓✓ **(4)**

**4.3 DATA RESPONSE**

**4.3.1 What is the message of the picture?**

- Negative effects of globalization ✓ **(1)**

**4.3.2 Which group of countries cause pollution?**

- Industrialised countries/ developed countries ✓ **(1)**

**4.3.3 Describe the term *global warming*.**

- It is climate change that is long-term rise of planet's temperatures. ✓✓ **(2)**

**4.3.4 Why are developing countries more affected by climate change than industrialised nations?**

- The economic importance of climate sensitive sectors such as agriculture. ✓✓
- Low adaptive capacity- lack of human capacity and financial capacity to respond to the threads of climate change. ✓✓ **(2)**

**4.3.5 Explain environmental degradation as a consequence of globalisation.**

- Growth is damaging the planet ✓✓
- State of the environment is continuously declining and various renewable resources e.g. fresh water, forests, plants and animals are species are being exhausted ✓✓ **(4)**

4.4 Study the cartoon below and answer the questions that follow.

**4.4.1 Name ONE main function of the World Trade Organisation (WTO)**

- Promotes free trade ✓
- Provides the benefits of economic development for all countries ✓
- Negotiate lower rates ✓
- Clears trading disputes (1)

**4.4.2 Why is the USA regarded as a first word country?**

Because the USA:

- Is economically better developed ✓
- Residents have a higher life expectancy ✓
- Has an effective and functional education and health system ✓
- Has a highly developed infrastructure ✓
- Have high production and consumer levels ✓
- Is an industrialised country ✓
- Average income is very high

(Accept any other relevant answer) (1 x 1) ()

**4.4.3 Briefly describe the concept *free trade***

It is the removal or reduction of trade tariffs such as import quotas and import duties✓✓

**4.4.4 Why are trade barriers bad for the economy of a country?**

People will not have access to all the products that are available in other countries; less trade ✓✓

Any other relevant response

**4.4.5 What do countries stand to gain from a free trade policy?**

- Increased access to higher quality and low-priced good✓✓
- Increased economic growth ✓✓
- Improved efficiency and innovation ✓✓
- Promotion of competition and fairness ✓✓

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

4.5 Study the picture below and answer the questions that follow.

**4.5.1 What does the above picture represent?**

- North/South divide ✓ (1)

**4.5.2 From the picture above, which part of the globe represent developing countries?**

- South / lower part / below the equator ✓ (1)

**4.5.3 Briefly describe the term *wealth.***

A stock of assets that have financial value and are owned by individuals, enterprises and government. ✓✓

(Accept any other relevant correct response) (2)

**4.5.4 Differentiate between countries in the North and those in the South in terms of levels of education.**

Countries in the North have higher levels of education than countries in the South. ✓✓ (2)

**4.5.5 What are the positive effects of globalisation on South Africa?**

- More access for South Africa to world markets.✓✓
- Companies benefit from increased trade. ✓✓
- Global financial markets help to finance investment boom in South Africa and contribute to a sound banking system ✓✓
- The lowering of trade barriers has resulted in a wider variety of products and services available to consumers ✓✓

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

4.6 DATA RESPONSE

**4.6.1 Explain the economic message portrayed by the cartoon above.**

North / South divide ✓

Countries of the South have fewer industries than those of the North while these in the South are dependent on countries of the North ✓ (1)

**4.6.2 From the cartoon, name the continent that is in the hands of the short man.**

Africa ✓ (1)

**4.6.3 Name TWO institutions established to manage the flow of trade between countries.** (2)

- World Trade Organisation ✓
- IMF ✓
- World Bank ✓ (2)

**4.6.4 Explain the effect of globalisation on the developing countries.**

- Globalisation has a negative effect of developing countries✓✓
- Loss of culture and identity✓✓
- The pollution of mass production in developed countries lead to drought, floods and natural disasters in developing countries✓✓ **(2)**

**4.6.5 Which factors contributed to the above scenario?**

- Capitalism ✓Is known to lead to inequality because it is based on the profit motive and the accumulative of wealth ✓✓
- Globalisation; ✓ leading cause of inequality across the world. Some developed countries exploit poor countries to a point where developing countries become dependent on developed countries for survival✓✓
- Immigration; ✓ When immigration patterns between countries are uneven, it leads to inequality✓✓
- Rate of development ✓ Countries of the North and South have different levels of economic growth. A slow rate of developing refers to developing or under-developed countries in the South, while a high rate refers to development refers to the North. ✓✓
- Emergence of economic powers ✓ Developed countries with access to capital obtain economic power. They can produce goods most efficiently, develop and produce new technologies, and export most goods to other countries. ✓✓

- The competition between emerging power economies makes it difficult for developing economies to survive✓✓
- International infrastructure ✓Countries of the North have the most transport systems✓✓ International communications networks are almost completely under the control of the countries of the North and the South pays heavily for these services✓✓
- New technologies ✓ The research, development and production of new technologies are in the hands of large corporations in the North✓✓
- Financial aid and debt ✓ Many countries in the South obtain funds on credit from wealthy countries in the North, usually at high interest rates✓✓. These high interest rates cause debt to accumulate, borrowers end up paying out more than they receive in the form of investment✓✓ (2 x 2) (4)

4.7

**4.7.1 What is globalisation?**

Worldwide interfacing and interaction of economies with trade as the key element ✓ ✓

**4.7.2 Does globalisation benefit all countries?**

No ✓ **(1)**

**4.7.3 Briefly describe concept *free trade*.**

- Free trade means that there is free movement of goods and services between countries ✓✓ (2)

**4.7.4 Discuss any negative impacts of free trade according to the cartoon.**

- Workers are losing their jobs ✓✓
- There are massive layoffs ✓✓
- Lack of rights for workers ✓✓
- Slave wages are paid. ✓✓ (2)

**4.7.5 Describe the role of the WTO.**

- Facilitate international trade agreements ✓✓
- Ensures that international trade agreements are honoured. ✓✓
- Acts as a mediator in trade disputes. ✓✓ Any 2 x 2) (4)

4.8 DATA RESPONSE

**4.8.1 Which economic concept do you associate with the phrase 'The world is round, we'll get there'**?

Globalisation ✓ (1)

**4.8.2 What does the abbreviation WTO stand for?**

World Trade Organisation ✓ (1)

**4.8.3 Briefly explain the concept *free trade.***

It is the removal or reduction of trade tariffs such as import quotas and import duties ✓✓ (2)

**4.8.4 Explain the relationship between comparative advantage and free trade**.

Free trade results in specialisation: a country will concentrate on products which can be produced at the least cost, compared to other countries ✓✓

(Accept any other correct relevant response) (2)

**4.8.5 What do countries stand to gain from a free trade policy?**

- Increase access to higher quality and low-priced goods ✓✓
- Increase in economic growth ✓✓
- Improves efficiency and innovation ✓✓
- Promotes competition and fairness ✓✓

(Accept any other correct relevant response) (4)

4.9 Study the information and answer the questions that follow

**4.9.1 Identify ONE country that forms part of BRICS**

- Brazil ✓
- Russia ✓
- India ✓
- China ✓
- South Africa ✓ (1)

**4.9.2 Has the BRICS agreement resulted in any significant improvements to the SA economy?**

- Yes – Trade agreements ✓

**4.9.3 Briefly describe the term *trade block.***

- A grouping of countries to get more control over the global economy

(2)

**4.9.4 What is an emerging economy?**

- Involves those economies that are not fully developed ✓✓
- Involves those economies that still depend largely on the primary sector ✓✓
- Involves those economies whose markets are very volatile ✓✓
- Developing countries that succeed in attracting fixed and portfolio investment from developed countries ✓✓
- Developing economies that show acceleration in industrialisation and economic growth ✓✓

Accept any other relevant correct answer (2)

**4.9.5 How can South Africa benefit from trade agreements such as BRICS?**

- New foreign direct investment in South Africa ✓✓
- Marketing opportunities for South African export products✓✓
- Cheaper imports of goods and services✓✓
- Larger choice of products ✓✓
- South Africa earns foreign revenue with exports✓✓
- Rebalancing the Balance of Payment ✓✓

Any relevant correct answer (2x2)(4)

| |
|---|
| **HINT:** All section B questions have TWO 8 marks questions, numbered according to questions not like in this document. |

**QUESTION 5** **Paragraph type questions – Middle Cognitive**

**5.1 Explain the advantages of internationalisation.**

- It grants a true independence from local market ✓✓
- Helps to improve a general firm's image ✓✓
- Enhances productive capacity ✓✓
- Allows firms to achieve economies of scale. ✓✓ (8)

**5.2 Briefly discuss the positive effects of globalisation.)**

- It allows firms to find lower-cost ways to produce their products. ✓✓
- It increases global competition which drives prices down and create a large variety of choices for consumers. ✓✓
- Lower costs help people in both the North and the South divide live better on less money. ✓✓
- It gives rise to new industries and more jobs in developing countries. ✓✓ **(8)**

**5.3 Discuss the advantages of Multinational Enterprises**

- saving on transport costs ✓✓
- the adjustment of product design to make products more acceptable to local markets ✓✓
- a reduction in corporate taxation ✓✓
- access to local labour and capital ✓✓
- transnational enterprises make globalization happen ✓✓ **(8)**

**5.4 Briefly discuss any TWO characteristics of globalisation.**

- Global market established ✓ where goods and services can be exchanged freely between countries. ✓✓
- Trade has become open ✓ as trade barriers such as tariffs have been removed. ✓✓
- Globalisation encourages free flow of investment ✓✓ between countries and there is free movement capital and finance across the world.✓✓
- Economic integration ✓✓ is necessary and no country can survive on its own; different countries and economies are interdependent. ✓✓
- The movement of people and goods ✓✓ across the national borders is facilitated by the development of transport and communication. ✓✓
- All countries have access to cheapest and best quality ✓✓products.
- Giant international co-operations play a very important role in world trade. ✓✓

(Any 2 x 4) (8)

**5.5 Briefly explain trade liberalisation and standardisation as causes for globalisation.**

Trade liberalisation

- Trade liberalisation means the removal or reduction of trade barriers that restrict trade between countries✓✓
- These barriers include tariffs, such as duties and surcharges and non-tariffs such as licencing rules and quotas. ✓✓
- Trade liberalisation promotes free trade which allows countries to trade goods without regulatory barriers. ✓✓ Max. 4

Standardisation

- Standardisation refers to making trade rules the same all over the world, making it easier for countries to trade and invest internationally – countries have to conform to a fixed set of rules.✓✓
- Those who are subjected to the rules behave in a similar manner, which promotes globalisation. ✓✓
- The institutions include the World Trade Organisation (WTO) which facilitated international trade agreements, tariff policies and the protection of intellectual property. ✓✓

(Accept any other relevant correct response) Max. 4 (8)

**5.6 Explain *changes in employment* conditions and *changes in culture* as consequences of globalisation.**

Changes in employment conditions:

- With globalisation MNEs make FDIs in business in developing countries generating employment ✓✓
- FDIs provide rewarding employment opportunities ✓✓
- Has led to job losses in developed countries ✓✓ (2 x 2)

Changes in culture:

- There is an increase in the desire to use foreign ideas ✓✓
- Globalisation has resulted in several cultures coming together ✓✓
- People of one culture discover shortcomings in their culture when they come into contact with other cultures ✓✓
- They adapt aspects of other cultures that are more in tune with the times✓✓
  (Accept any other correct relevant response) (2 x 2) (8)

**5.7 Explain improvement of communication and technology as a cause of globalisation.**

Improvement of communication and technology

- The development of communication and technology has enabled countries all over the world to be connected. ✓✓
- Internet and mobile technology have allowed greater communication between different countries ✓✓
- This takes place through the use of landlines, satellites, or underwater cables. ✓✓
- The speed at which information is transferred has also increased ✓✓
- Use of modern technology such as Skype makes it possible for people in different countries to see one another on the screen of the computer. ✓✓
- Information Communication Technology has made the world small ✓✓

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

**5.8 Discuss the positive effects of globalisation.**

- Globalisation has resulted in more access for South Africa to world markets and international forums ✓✓
- The well-developed financial institutions put South Africa in a favourable position when global crisis affects other developing countries ✓✓
- Certain companies have benefited greatly from increased trade, which has caused the gap between the rich and the poor widen ✓✓

- The focus on knowledge has increased and thereby the demand for skilled and professional labour has also increased. This resulted in increased salaries for well-educated and skilled workers ✓✓

**5.9 Discuss the disadvantages of globalisation**

- The country has to deal with increasing competition ✓✓
- Crises in the financial markets influence markets in less developed countries, including South Africa ✓✓
- Unstable conditions in neighbouring countries around South Africa negatively influence the perceptions that other countries have bout South Arica which often lead to the withdrawal of investment ✓✓
- the demand for less skilled workers has decreased
- The increased production levels have led to increase in pollution that are harmful ✓✓

**5.10 Tabulate TWO differences to illustrate the North-South divide.**

| NORTH | SOUTH |
|---|---|
| • Highly developed infrastructure ✓✓<br>• High level of consumption and production ✓✓<br>• Industrialised countries ✓<br>• Average incomes are very high<br>• Developed countries (Max 4) | • Weak infrastructure<br>• Low levels of production and consumption ✓✓<br>• Non-industrialised<br>• Average income are very low<br>• Developing countries (Max 4) |

(2 x 4) (8)

**QUESTION 6** **Paragraph type questions – Higher cognitive**

**6.1 What would South Africa gain from integrating with other economies?**

South Africa would benefit in the following ways:

- Reduction in the cost of trade ✓✓
- Improved availability of a wider selection of goods and services ✓✓✓
- Improvement in employment opportunities ✓✓
- The market tends to expand leading to technology sharing and cross border investment flows ✓✓
- Political cooperation amongst member countries leading to stronger economical ties ✓✓

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

**6.2 Why would a country prefer foreign direct investment as opposed to portfolio investments?**

- Foreign direct investment is when a country establishes a business enterprise in another country while portfolio investments are investments in shares. ✓✓
- It increases the gross domestic product of the recipient country. ✓✓
- The creation of jobs is enhanced, while portfolio investments do not have that much impact in changing the lives of people. ✓✓
- Expertise from the developed countries adds to the list of advantages. ✓✓
- This leads to the improvement in the standard of living. ✓✓
- Portfolio investments are easily moved from one country to the other, ✓✓ and with FDI's it is not that easy to disinvest – it is normally the last option✓✓

(Accept any relevant answers.) (4 x 2) (8)

**6.3 How can South Africa benefit from trade agreements such as BRICS?**

- New foreign direct investment in South Africa ✓✓
- Marketing opportunities for South African export products ✓✓
- Cheaper imports of goods and services
- Larger choice of products ✓✓
- South Africa earns foreign revenue with exports. ✓✓
- Rebalancing the Balance of Payments ✓✓

(Accept any other relevant correct answer) (2x2)

**6.4 Evaluate the effect of globalisation on the economy of South Africa.**

Economic costs

- Trade liberalisation favours competitive industries and penalises uncompetitive ones, thus favouring developed countries and not developing countries.✓✓
- It requires the reconstruction and reform of economies, which is costly and smaller economies cannot afford this.✓✓
- It encourages brain drain, which creates severe shortages of skilled labour in developing countries.✓✓

Social costs

- It increases drug trafficking as some people exploit the opportunities offered by globalisation. ✓✓
- It leads to an increase in human trafficking and people are forced to work as sex slaves or drug agents. ✓✓
- It leads to identity theft and the increase of cyber-crimes.✓✓

Health issues

- As people cross border lines, so do diseases. ✓✓

Environmental costs

- The overproduction leads to exploitation of natural resources.✓✓
- The manufacturing process leads to pollution, which negatively influences the environment.✓✓
- The over-consumption leads to shortages in natural resources such as water.✓✓

Indigenous knowledge systems

- Developing nations have lost their indigenous knowledge system in the quest to become developed and compete with the developed world. ✓✓

(Accept any other relevant correct response.)
(For only listing the negative causes award a max of 2 marks.) (8)

**6.5 Evaluate the effect of the Covid-19 pandemic on globalisation.**

- With the initial lockdown there was no travel allowed, but goods was still allowed to move between countries ✓✓
- People stopped travelling, but other means of contacting people became prominent ✓✓
- There was a greater move to procuring goods via online platforms, so globalisation has continued✓✓

- Improved technology means people have access to information and events in other countries, so the pandemic seems to have promoted globalisation ✓✓

(Accept any other relevant correct answer) (8)

**6.6 Discuss in detail the AfCFTA.**

- he African Continental Free Trade Area (**AfCFTA**) represents an **important** milestone in achieving an economically integrated Africa and governments should invest in basic education and skills development he African Continental Free Trade Area (**AfCFTA**) represents an **important** milestone in achieving an economically integrated Africa and governments should invest in basic education and skills development✓✓
- The overarching **objective** behind the **AfCFTA** is the elimination or reduction of tariff and non-tariff barriers amongst the 54 Countries✓✓
- that agreed to be members of the bloc by providing a single market for goods and services, ✓✓facilitated by movement of persons in order to deepen the economic integration and prosperity. ✓✓ (8)

## SECTION C

| |
|---|
| **HINT:** All section C questions have TWO questions 5 & 6 NOT like in this document. In the examination you will need to answer only one. |

ESSAY STRUCTURE

**HINT:** Section C – the long question, must be answered in FOUR sections: Introduction (definition), Body (headings and full sentences in bullets) additional part and conclusion (summarising). The mark allocations for Section C is as follows:

| STRUCTURE OF ESSAY: | MARK ALLOCATION: |
|---|---|
| **Introduction**<br>The introduction is a lower-order response.<br>● A good starting point would be to the main concept related to the question topic<br>● Do not include any part of the question in your introduction.<br>● Do not repeat any part of the introduction in the body<br>● Avoid saying in the introduction what you are going to discuss in the body | Max 2 |
| **Body**:<br>**Main part:** Discuss in detail/ In-depth discussion/ Examine/ Critically discuss/ Analyse / Compare/ Distinguish/ Differentiate/ Explain/ Evaluate<br>**Additional part:** Critically discuss/ Evaluate/ Critically evaluate/ Calculate/ Deduce/ Compare/ Explain Distinguish / Interpret/ Briefly debate/ How/ Suggest / Construct a graph | Max 26<br><br>Max 10 |
| **Conclusion**<br>Any Higher or conclusion include:<br>● A brief summary of what has been discussed without repeating facts already mentioned in the body<br>● Any opinion or value judgement on the facts discussed<br>● Additional support information to strengthen the discussion/analysis<br>● A contradictory viewpoint with motivation, if required<br>Recommendations | Max 2 |
| **TOTAL** | **40** |

**QUESTION 7**

- **Discuss in detail the causes of globalisation. (26 marks)**

- **Evaluate the negative impact globalization has on South African economy. (10 marks)**

**Introduction**

Globalisation is the worldwide interfacing and interaction of economies with trade as an important element, and ICT making it possible ✓✓ **Max 2**
(Accept any other relevant response)

**MAIN PART**

- **Discuss in detail the causes of globalisation. (26 marks)**

**Technological changes** ✓
-Globalisation has been made possible by technological changes. ✓✓
- Much of the changes are evolutionary and often unnoticed but extremely significant. ✓✓

- **Information technology** ✓
  - IT is based on the convergence of two initially separate technologies namely, communication technologies and computer technologies. ✓✓
  - Both technologies happen with the aid of computers and mobile phones are developed to perform similar functions. ✓✓

  -Information can be retrieved, studied, changed, distributed and stored again. ✓✓
- **New production processes** ✓
  -IT brought about new systems of production based on extensive communication and transportation networks at lower costs. ✓✓
  - e.g. components of motorcars are made in different parts of the world and assembled in other parts of the world ✓✓
  -IT permits services to be disconnected from production and traded or performed remotely e.g. accounting and call centres. ✓✓

- **Transportation and communication** ✓
  -Globalisation is very dependent on communication and transportation ✓✓
  -Transportation systems are means by which materials, products and other tangible things are transported from place to place ✓✓
  -Communication systems are the means by which information is transmitted from place to place in the form of messages, ideas, instructions, images, drawings etc ✓✓
  -IT transformed both the technologies of transportation and communication ✓✓

- **Trade liberalisation** ✓
  -Trade liberalization is the removal of restrictions ✓✓ e.g. tariffs and quotas✓
  Trade liberalization was a result of :
  The General Agreement on Tariffs and Trade (GATT) ✓
  - Members negotiated for the gradual removal of international trade restrictions and barriers and methods to increase participation and volumes of trade
  - The role was taken over by the World Trade Organisation (WTO) in 1994 ✓✓
  - WTO ensures that agreements that are reached are honoured and acts as mediator in trade disputes ✓✓

Export promotion ✓

-These are incentives the government give to manufacturers to encourage the manufacturing of goods that can be exported. ✓✓

- Part of it is to encourage foreign direct investment ✓✓

- EPZs were established ✓✓

Free trade area ✓

- countries remove all trade barriers among themselves on goods and services traded ✓✓

- each country however continues to operate its own trade barriers against the rest of the world ✓✓

**Multinational enterprises** ✓

-These are international businesses that produce goods and services in several countries without being concentrated in a single country ✓✓

Advantages include :

- saving on transport costs ✓✓
- the adjustment of product design to make products more acceptable to local markets ✓✓
- a reduction in corporate taxation ✓✓
- access to local labour and capital ✓✓
- transnational enterprises make globalisation happen ✓✓

**Capital liberalisation** ✓

-Together with free trade financial markets were also liberalised. ✓✓

-As exchange and investment controls were removed, capital was allowed to be traded in international markets ✓✓

-This allowed capital to move where it earns the highest returns. ✓✓

-For example, more rand is traded in London than in South Africa and the South African government has no control over it. The trading is done electronically. ✓✓

-Investors can move capital directly for portfolio and FDI purposes without the intermediation of banks or monetary authorities. ✓✓

**Standardisation** ✓

-It means making something confirm to a fixed set of rules. ✓✓

-Those who are subjected to the rules behave in a similar manner. ✓✓

- number of organisations were established to standardise the behaviour of countries with regard to a variety activities. ✓✓

These include:

The United Nations(UN) ✓

-works to standardise the rights of various groups of people. ✓✓ E.g. human rights, consumer rights, workers' rights and children's rights ✓

The International Monetary Fund (IMF) ✓

- Standardise trade, balance of payment and exchange rates, international lending and borrowing. ✓✓

The World Bank ✓

-Standardise economic development, measuring development

For example, HDI, rich and poor countries.

The World Trade Organisation (WTO) ✓

-Standardise international trade relationships, tariffs and other forms of protection arrangements, ownership of patents, royalties and intellectual property. ✓✓
The World Health Organisation (WHO) ✓
-Standardise healthcare, responsibilities of hospitals, clinics, and medical personnel and practitioners and training of health workers. ✓✓

The International Labour Office (ILO) ✓✓
-Standardise labour laws, worker behaviour and employer behaviour. ✓✓
(A maximum of 8 marks can be allocated for mere listing of facts and examples)
(Accept any other correct relevant response) **(Max 26)**

**Additional part**

- **Evaluate the negative impact globalisation has on South African economy. (10 marks)**

-Businesses, cities and regions that flourished in the years of isolation are in decline due to competition from abroad. ✓✓
-Globalisation brought new social and urban tensions worsened by crime and HIV and Aids. ✓✓
-There is an increase in the difference between the rich and the poor. (Increase in poverty) ✓✓
- The mass urbanisation of rural people and much greater degree of racial and cultural integration has weakened the traditional cultures. ✓✓
- Globalisation is leading to the spread of deadly diseases such as HIV and AIDS and Covid-19 resulting in a decline in economic growth. ✓✓
(Accept any other correct relevant response) **(Max 10)**

**Conclusion**
Globalisation helped the economies grow, reduced unemployment in developing countries and created markets for countries with absolute advantage. ✓✓ (Max 2)
(Accept any other correct relevant higher order response)

**QUESTION 8**

- **Compare the characteristics of the countries in the North with those in the South. (26 marks)**
- **How did the Covid-19 pandemic negatively impacted the South African economy. (10 marks)**

**Introduction**
North- South refers to the northern and southern hemisphere of the world. The South includes Latin America, Africa and Asia. **(Max 2)**
(Accept any other relevant response)
**Main Part**

- **Compare the characteristics of the countries in the North with those in the South. (26 marks)**

| Characteristic | North divide | South divide |
|---|---|---|
| Level of development ✓ | Consists of developed and well industrialised countries ✓✓ | Comprises of developing/ non-industrialised and semi-industrialised countries ✓✓ |
| Standards of living ✓ | People have high standards of living. ✓✓ | The economies are dominated by low standards of living (poverty) ✓✓ |

| | | |
|---|---|---|
| Population growth rate ✓ | There is low population growth rate as people want to maintain high standards of living. ✓✓ | The population growth rate is high as people believe security in their children when they get old. ✓✓ |
| Age composition ✓ | Population is dominated by the elderly as the countries have high life expectancy. ✓✓ | The population has low life expectancy therefore dominated by the young age. ✓✓ ✓✓ |
| Per capita income ✓ | The population has high per capita income.<br>Countries have high job opportunities. ✓✓ | The per capita income is very low since high proportion of the EAP is unemployed. ✓✓<br>For example, South Africa's unemployment rate for the first quarter of 2021 is 32.6%. ✓✓ |
| Infrastructure ✓ | Highly developed infrastructure. ✓✓ | The infrastructure is very weak. ✓✓ |
| Education ✓ | The education system is of high standards. ✓✓<br><br>Majority of the school going age population is attending school because they can afford. ✓✓ | The education system of low standards. ✓low standards. ✓✓<br><br>A high number of school drop outs as some parents cannot afford to send their children to school because they are unemployed. ✓✓ |

(A maximum of 8 marks can be allocated for mere listing of characteristics and examples)
(Accept any other correct relevant response) **(Max 26)**

**Additional part**

- **How did the Covid-19 pandemic negatively impacted the South African economy. (10 marks)**

-There was a tremendous decrease in GDP. ✓✓
- The economy contracted by 7.2% fourth quarter of 2020 as lockdown hampered the economy by disrupting trade and output. ✓✓
-Poverty increased as a result of an increase in unemployment from 32,5% in the fourth quarter of 2020 to 32,6% in the first quarter of 2021. ✓✓
-Fifty four percent of households have been pushed out of permanent jobs to informal or temporary contract. ✓✓
-Thirty four percent of households are likely to exit the middle class into vulnerability. ✓✓
-Inequalities within and among nations are being exposed and exacerbated by Covid-19, as the poor and vulnerable are unable to protect themselves. ✓✓
-The economy is losing highly qualified and experienced workforce. ✓✓ **(Max 10)**

**Conclusion**
Although there is a divide between North and South, this does not mean that all countries in the South or North are the same. The countries in the South are diverse in terms of their own power and development. Countries were impacted by the pandemic to different degrees. ✓✓
South Africa is the country with the fifth highest number of infections in the world and the highest of cases on the African continent. ✓✓

**CONTEMPORARY ECONOMIC ISSUES :ENVIRONMENTAL DETERIORATION**

**SECTION A: TYPICAL EXAM QUESTIONS**

**ENVIRONMENT MEMO**

**QUESTION 1:** **Section A – Short Questions**

**HINT:** When answering Section A – short question, it is important not to rush but to read the questions carefully and to make sure you understand what the question is asking. Always remember one alternative is completely wrong, one is nearly correct and one is totally correct. It is easy to eliminate the completely wrong answer, but if you do not read the question carefully the nearly correct answer will also appear correct. The answer will **NEVER** be two options. Only **ONE** option is correct. Your answer will immediately be marked incorrect if you write TWO options.

**1.1 Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A–D) next to the question number.**

1.1.1 D ✓✓
1.1.2 B✓✓
1.1.3 B✓✓
1.1.4 D✓✓
1.1.5 A✓✓
1.1.6 A✓✓
1.1.7 D✓✓
1.1.8 D✓✓
1.1.9 B✓✓
1.1.10 C✓✓
1.1.11 A✓✓
1.1.12 B✓✓
1.1.13 A✓✓
1.1.14 B✓✓
1.1.15 B✓✓
1.1.16 A✓✓
1.1.17 D✓✓
1.1.18 C✓✓
1.1.19 B✓✓

**1.2 Choose a description from COLUMN B that matches the item in COLUMN A. Write only the letter (A-I) next to the question number (1.2.1 – 1.2.16) in the ANSWER BOOK.**

1.2.1 G✓
1.2.2 J✓
1.2.3 E✓
1.2.4 L✓
1.2.5 O✓
1.2.6 B✓
1.2.7 H✓
1.2.8 K✓
1.2.9 F✓
1.2.10 M✓
1.2.11 I✓
1.2.12 A✓
1.2.13 D✓
1.2.14 C✓
1.2.15 P✓
1.2.16 N✓

1.3.1 Pollution
1.3.2 Endangered species

1.3.3 Environmental degradation
1.3.4 Sustainability
1.3.5 Deforestation
1.3.6 Conservation
1.3.7 Quotas
1.3.8 Climate change
1.3.9 Resource depletion
1.3.10 Desertification
1.3.11 Green tax /carbon tax
1.3.12 Environment sustainability
1.3.13 Conservation
1.3.14 Global warming✓
1.3.15 Preservation✓
1.3.16 The United Nations Conference on Environment and Development (UNCED) ✓

**QUESTION 2:**

**HINT:** When the question requires you to "list" or "name", you need not write a sentence but merely few words or a phrase. This MUST be done in bullet form. This types of questions are applicable for 2.1.1, 3.1.1 and 4.1.1

**2.1 Name any TWO policies and legislation introduced by the Department of Environmental Affairs to protect the environment.**

- The National Environmental Management : Protected Areas Act (57 of 2003) ✓
- The National Environmental Management Protected Areas Amendment Act (32 of 2004) ✓
- The National Environmental Management of Biodiversity (10 of 2004) ✓
- The Coastal Management Act: Integrated Coastal Management (24 of 2008) ✓
- The National environmental Management Waste Act (59 of 2005) ✓
- The new National Environmental Management Air quality Act (39 of 2004) ✓
- Measures to reduce fuel emissions
- Awareness campaign and partnership with various organisation
- Atmospheric Pollution Prevention Act (45 of 1965)
- Conservation of Agricultural Act (43 of 1983)
- Environmental Laws Rationalisation Act (151 of 1997)
- Mineral and Resources Development Act (151 of 1997)
- National Veld and Forest Act (101 of 1998)
- National Water Act (36 of 1998)

(Accept any relevant policy r legislation) (2 x 1) (2)

**2.2 Name any TWO examples of pollution.**

- Air ✓
- Water ✓
- Soil / ground ✓
- Noise ✓

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

**2.3 Name any TWO examples of consumer waste.**

- Paper; ✓
- Glass; ✓
- Bottles; ✓
- Cans; ✓
- Plastics ✓

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

**2.4 List any TWO examples of renewable resources**

- Forests ✓
- Fish ✓
- Recycled water ✓
- Oxygen ✓

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

**2.5 Name any TWO principles for sustainable development.**

- Good governance ✓
- Eradication of poverty ✓
- Economic recovery ✓
- Accountability ✓
- Transparency ✓
- Attention to social services ✓

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

**2.6 Name any TWO of the millennium development goals.**

- Eradicate extreme poverty and hunger.✓
- Achieve universal primary education.✓
- Promote gender equality and empower women.✓
- Reduce child mortality.✓
- Improve maternal health.✓
- Combat HIV / AIDS, malaria and other diseases.✓
- Ensure environmental sustainability.✓
- Global partnership for development.✓

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

**2.7 List TWO examples of fossils fuels?**

- Oil ✓
- Natural gas ✓
- coal ✓ (2x1)(2)

**QUESTION 3:**


These types of questions are applicable for 2.1.2, 3.1.2 and 4.1.2. Answers must be provided in full sentences; learners must ensure that their answer addresses the question asked

**3.1 What impact does HIV/Aids have on poverty?**

It focuses the world's attention on the problems and forces countries to deal with the issue✓✓

Accept any relevant correct answer (1x2)(2)

**3.2 How do Green Taxes contribute towards sustainability?**

Taxes discourage the use of resources as it will cause an increase in pollution✓✓

(1 x 2) (2)

**3.3 Why is it important for us to sustain the environment?**

The environment is an ecosystem which society and the economy depend on. If not taken care of, society would not survive, and the economy would not thrive ✓✓

(Any correct relevant response) (2)

**3.4 How do international protocols help sustainable development?**

- It focuses the world's attention on the problem, and forces countries to deal with the issue.✓✓

(Accept relevant answer) (1 x 2) (2)

**3.5 How would the Kyoto Protocol help the environment?**

- By reducing the emission of greenhouse gases, which lead to global warming✓✓
  (Accept any relevant answer) (1 x 2) (2)

**3.6How do international protocols help sustainable development?**

It focuses the world's attention on the problem, and forces countries to deal with the issue.✓✓
(Accept relevant answer)

**3.7 How do Green Taxes contribute towards sustainability?**

The introduction of the Marine Living Resources Amendment Act 1998 ✓✓

**3.8 How does granting property rights ensure environmental sustainability?**

People care for the things that belong to them, o when property right I granted they take good care of it✓✓

**3.9 What negative externality can be caused during the process of manufacturing** electricity?

Pollution✓✓

**3.10 How do environmental subsidies ensures environmental sustainability?**

Environmental subsidies reduce activities that cause environmental change ✓✓
These costs are recovered from taxation ✓✓
Subsidies could be for the development of new technology or equipment✓✓
Encourage product of environmentally subsidies ✓✓
Encourage recycling of waste such as bottles or cardboard

## DATA RESPONSE

| |
|---|
| **HINT:** All section B questions have TWO data interpretation questions – each total 10 marks. Section B consist of Questions 2-4 not as numbered in this document |

**QUESTION 4:**

4.1 Study the following and answer the questions that follow

**4.1.1 Identify any TWO ways from the above extract of protecting the environment.**

- Reduce the amount of water you use ✓
- Save on gasoline ✓
- Reduce the use of electricity ✓
- Prevent items from going into landfills ✓
- Save on natural resources ✓ (2 x 1) (2)

**4.1.2` Briefly describe the concept *ecosystem*.**

It is a localised group of interdependent organisms together with the environment that they inhabit and depend on ✓✓ (2)

**4.1.3 Explain price policy as a method of protecting the environment.**

- It is to increase the price of non-renewable resources especially for people who use them inefficiently ✓✓

- When supply is restricted and demand keeps on increasing, the equilibrium price will increase ✓✓
  (Accept any other correct relevant response) (1 x 2) (2)

**4.1.4 Why is it vital for human beings to protect the environment?**

- The ecosystem in which we live provides services for humans and all other species ✓✓
- Our forests remove carbon dioxide and other pollutants from the air we breathe, and also cools the temperature of the air ✓✓
- Our wet lands store storm water ✓✓
- Environment supports life ✓✓
- If the environment is protected, we are assured better health, food, quality air etc. ✓✓

(Accept any correct relevant response) (4)

**4.2 Study the cartoon below and answer the questions that follow**

**4.2.1 Identify TWO environmental issues (problems) that can be derived from the cartoon.**

- Cimate change ✓
- Loss of biodiversity / Deforestation ✓
- Energy crisis ✓
- Over-utilisation of ntural resources ✓
- Land degradation ✓
- Overpopulation ✓
- Pollution ✓
- Watse management ✓ Any (2 x 1) (2)

**4.2.2 Explain the term *sustainable economic development.***

Sustainable economic development is the development of an area using techniques and approaches that will help to protect the environment for future use ✓ ✓ (2 x 1) (2)

**4.2.3 Name action steps that husehold s can take to reduce the amount of toxic materail we use.**

- Households can retrieve cans, paper, plastic containers and bottles ✓
- Make more use of lift clubs and public vehices to reduce te number of vehicle on the roads ✓
- Use solar power and water-saving appliances ✓
- Use non-toxic detergents ✓
- Use of proper dumping sites, specially allocated for dumping✓
- Creating environmentally friendly gardens by planting indigenous trees, water saving plants, using organic waste compost and avoiding poisonous insecticides and herbicides ✓ ✓
  (Any relevant answer) (2 x 1) (2)

**4.2.4 What could the governeent do to prevent unsustainable use of the environment?**

- Appropriate government policies can increase the protection of the environment ✓✓
- Remove dangerous additives from petrol, such a lead ✓✓

- Encourage the use of environmentally friendly energy sources such a wind, wave and solar power, as opposed to power generated by fossil fuels ✓✓
- Implement regulations to reduce pollution, such as the successful policy to reduce the use of plastic shopping bags ✓✓

4.3 Study the information and answer the questions that follow

**4.3.1 Identify ONE environmental issue (problem)** (2)

- Climate changes
- Land degradation
- Overpopulation
- Loss of biodiversity / Deforestation
- Over-utilisation of natural resources
- energy crisis
- Pollution
- Waste management
- Global warming

any (1 x 1 ) (1)

**4.3.2 What are brown issues in the environment?**

- Brown issues focus mainly on effects on environmental health impacts, ✓ such as water pollution ✓, air pollution ✓, water and sanitation (1)

**4.3.3 Briefly explain sustainable economic development.**

- Sustainable economic development is the development of an area using techniques and approaches that will help to protect the environment for future uses✓✓ (2)

**4.3.4 Name action steps that households can take to prevent the amount of toxic material we use.** Households van retrieve cans paper, plastic containers and bottles✓✓

- Make more use of lift clubs and public vehicles to reduce number of vehicles on the road✓✓
- Use solar-power and water saving devices ✓✓
- Use non-toxic detergents ✓✓
- Use op proper dumping sites, specially allocated for dumping ✓✓
- Creating environmentally friendly gardens by plating indigenous, water-saving plants, using organic waste compost and avoiding poisonous insecticides and herbicides ✓✓ (2)
  (Any relevant correct answer)

**4.3.5 What could the government do to prevent the unsustainable use of the environment?**

- Appropriate government policies can increase the protection of the environment ✓✓
- Remove dangerous additives from petrol, such as lead✓✓
- Encourage the use of environmentally friendly energy sources such as wind, wave and solar power, as opposed to power generated by fossil fuels ✓✓
- Ensure that all new buildings are energy efficient ✓✓
- Implement regulations to reduce pollution, such as the successful policy to reduce the use of plastic shopping bags ✓✓
  (Accept any other relevant correct answer) (2 x 2) (4)

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

**4.4.1 Name ONE factor contributing the most to soil erosion**

- Overgrazing ✓
- Deforestation ✓ (1)

**4.4.2 What is a green environmental issue?**

- Green environmental issues focus mainly on effects on the environment impacts that affect future generations' climate change, mining, biodiversity and water management. (1)

**4.4.3 Briefly describe the term *conservation.***

- Conversation deals with the sustainable use and management of both renewable and non-renewable resources to ensure that they are available for use for future generations. ✓✓

**4.4.4 How can technological innovation be used to protect the environment?**

- Replace fossil fuels with sustainable energy resources such as wind tide movement, wave movement, sun energy, hydro energy, ✓✓
- Develop systems to reduce waste in all forms, such as recycling or the production of by-products. ✓✓
- Provide specifications to product developers to produce substitute products that are environmentally friendly. ✓✓ (2 x 2) (4)

**4.4.5 How does agriculture contribute to soil degradation?**

- By cultivating land over and over again without any break periods in between. ✓✓
- When farm land is ploughed, the exposed top soil is often blown away by wind or washed away by rain. ✓✓
  (Accept any other relevant response.) (4)

4.5 Read the extract below and answer the questions that follow:

**4.5.1 Which South African Department attended the UNFCCC?**

- The Department of Environmental Affairs ✓ (1)

**4.5.2 How many African countries were represented at UNFCCC?**

- 77✓ (1)

**4.5.3 Name TWO problems mentioned in the article, about climate change in Africa.**

- Irreversible effects of climate change on water and food security, ✓ health ✓and infrastructure✓ (2)

4.5.4 **Briefly describe the term *sustainable economic development.***

- Sustainable economic development is the development of an area using techniques and approaches that will help to protect the environment for the future. ✓✓ (2)

4.5.5 **What could the government do to prevent the unsustainable use of the environment?**

- Appropriate government policy can increase the protection of the environment. ✓✓ (Focus Economics),
- Remove dangerous additives from petrol, such as lead. ✓✓
- Encourage the use of environmentally friendly energy sources such as wind, wave and solar power, as opposed to power generated by fossil fuels.✓✓
- Ensure that all new buildings are energy efficient.✓✓
- Implement regulations to reduce pollution, such as the successful policy to reduce the use of plastic shopping bags.✓✓ – (Oxford Successful Economics & Solutions for Economics)

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

4.6 Read the extract and answer the questions that follow

**4.6.1 List any ONE factor that contribute to the loss of biodiversity**.

- habit loss ✓
- degradation ✓
- excessive nutrient load ✓
- air and water pollution ✓
- overexploitation and unsustainable use of natural resources ✓

(1 x 1) (1)

**4.6.2 What is the increase of global temperatures called?**

- Global warming ✓ (1)

**4.6.3 What is the main cause of climate change?**

Global warming ✓✓ (2)

**4.6.4 Briefly explain brown environmental issues**.

Brown environmental issues focus on the understanding that social issues cannot be separated from the environment ✓✓ (2)

**4.6.5 How does climate change affect the economic environment?**

- Loss of habitats and biodiversity negatively affects the tourism sector because tourists are attracted by the beauty of nature and indigenous plants ✓✓
- The agricultural sector is negatively affected as dry seasons are becoming longer, and wet seasons start late ✓✓
- The manufacturing of timber decreases because forests can be entirely lost ✓✓

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

4.7 Study the article below and answer the questions that follow:

**4.7.1 Why is it necessary for government to impose fishing quotas, according to the article above?**

The marine resources are dwindling/decreasing ✓ (1)

**4.7.2 Name a solution which government is planning to create alternative jobs for the communities**.

- They are planning a new harbour✓
- Looking at ecotourism✓ (1)

**4.7.3 Explain the quota system implemented by government.**

A quote system limits the quantity off fish that one person can catch per day/ restricts the number of fish that is allowed to be taken out of the ocean✓✓

**4.7.4 Discuss a reason why the poor fisherman will not benefit from these quotas.**

- The costs of having quota is very high ✓✓
- They do not have the same infrastructure as the larger companies ✓✓
- The quota is not is enough to cover costs and maintain a decent standard of living ✓✓
  (Accept any relevant explanation) (2)

**4.7.5 How could we prevent our "marine resources from dwindling"?**

- Stop the over-consumption of fish✓✓
- Stop the pollution of oceans that cause the death of some fish species✓✓
- Stop the big foreign ships from cleaning out our ocean from fish✓✓
- We should encourage fish breeding programs✓✓
  (Accept any relevant answer) (2 x 2) (4)

4.8 Read the extract below and answer the questions that follow

**4.8.1 How much did it cost Mpumalanga to neutralise the effects of acid rain?**

- 25 million per year ✓ (1)

**4.8.2 What is the introduction of waste matter into the environment, both directly and indirectly?**

- Pollution ✓

**4.8.3 Briefly describe the term *carbon dioxide emissions*.**

- It is a gas that creates the greenhouse effect leading to global warming. ✓✓
- Carbon dioxide emissions are those stemming from the burning of fossil fuels and the manufacture of cement. ✓✓
- They include carbon dioxide produced during the consumption of solid, liquid and gas fuels and gas flaring. ✓✓ (Any 1 x 2) (2)

**4.8.4 List TWO economic consequences of land degradation.**

- Dam sedimentation ✓
- High costs in cleaning water ✓
- Loss of jobs in farms ✓
-  Shortage of water ✓ (Accept any relevant answers.) (Any 2 x 1) (2)

**4.8.5 Distinguish between renewable and non-renewable resources.**

- A non-renewable resource is a natural resource that cannot be produced, grown or generated. once it is used up, there is no more available for future needs. ✓✓
- Renewable resources are resources that can replace themselves over a long period, such as forests, wild animals and fish. ✓✓ ( 2 x 2) (4)

4.9 DATA RESPONSE

**4.9.1 Give the name of ONE city in the extract where climate change conferences were held.**

- Kyoto ✓
- Berlin ✓
- Durban ✓

(1)

**4.9.2 Identify the international organisation in the extract above that initiates climate change conferences.**

United nations / UN ✓ (1)

**4.9.3 Describe how greenhouse gases contribute to global warming.**

Forms a blanket that traps the heat within the earth's atmosphere / A stronger greenhouse effect will warm oceans and partially melt glaciers and other ice, increasing sea level ✓✓

(Accept any other correct relevant response) (2)

**4.9.4 How can a green fund help to reduce global warming?**

It can enable the establishment and use of renewable (clean/eco-friendly) energy ✓✓ (Accept any other correct relevant response) (2)

**4.9.5 Why is global warming increasing despite the many international conferences on climate change?**

Global warming is increasing due to:

- Governments, as parties to international agreements, being unable or less interested in implementing the agreements ✓✓
- rising conflict between the goal of reversing global warming and that of increasing economic development ✓✓
- industries who are more interested in increase in profits, which is possible only when increase in production takes place ✓✓
- increased production accompanied by emission of greenhouse gases, which leads to global warming ✓✓

(Accept any other correct relevant answers) Any (2 x 2) (4)

4.10 DATA RESPONSE

**4.10.1 What is the main reason behind the poaching of Rhinos?**

Rhino horn/Money ✓

(Accept any other correct relevant response) (1)

**4.10.2 During which year did South Africa experience its worst year in Rhino poaching?**

2014 ✓ (1)

**4.10.3 Briefly describe the term *biodiversity.***

Biodiversity refers to the variety of plants and animals that inhabit the earth ✓✓

(Accept any other correct relevant response) (2)

**4.10.4 Give ONE example how an awareness of the natural fauna and flora can be created**.

- Making children and adults more aware of environmental issues through the media and school visits ✓✓
- Setting up community wildlife reserves as national parks ✓✓
- Field trips, guided environmental tours ✓✓
- Use the media like Facebook or the radio to create an awareness ✓✓

(Accept any other correct relevant response) (2)

**4.10.5 How will conservation benefit the people living near the Rhino habitat?**

Local people will benefit from all the spin-offs from the development of wildlife reserves by:

- using a variety of infrastructure like roads, water, transport and shopping facilities ✓✓
- enjoying more job opportunities that will lead to an increase in the standard of living ✓✓
- improving entrepreneurial abilities through manufacturing of handcrafts ✓✓
- enjoying social benefits like clinics and community activities ✓✓

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

**QUESTION 5 Paragraph type questions – Middle Cognitive**

**5.1 Explain basic conservation methods used to protect global natural resources**

- Conservation and biodiversity: ✓ Preserving biodiversity helps ecosystems to respond to damage or change. ✓✓ Plant species in natural areas can adapt to natural environmental changes, such a wildfire, drought and disease✓
- Forest conservation: ✓ Huge areas of the richest forests in the world have been cleared for wood fuel, timber products, agriculture and livestock. ✓✓ Effort to stop deforestation include legislation and boycotting of MNCs responsible for overexploitation✓✓
- Soil conversation: ✓ Humans have Accelerated wind and rain erosion processes by developing the land and clearing away the vegetation that holds water and soil in place✓✓
- Water conservation: ✓ The global supply of fresh water is unevenly distributed. ✓✓.Chronis water shortages exist in most of Africa and drought in common over much of the globe. ✓✓ Water pollution through urban sewerage is a serious problem✓✓
- Energy conservation: ✓✓ Energy is used for transportation, heating, cooling, lighting and industrial production. ✓ The energy supply of the world depends on many different resources. ✓✓ There is a global need to increase energy conservation and the use of renewable energy resources✓✓ (4x2)(8)

(Accept any other relevant correct answer)

**5.2 Discuss private property rights and voluntary agreements as approaches to sustaining the environment.**

Property rights

- If people had property rights to fauna and flora, they would care for them and prevent them from becoming extinct. ✓✓
- They could use their property rights for financial gain to allow guided tours. ✓✓
- When farmers get property rights to game on their farms, they look after the game and can earn income from tourists viewing the game. ✓✓
- This protects flora and fauna. ✓✓ (Any 2 x 2)

Voluntary environmental agreements:

- Organisations agree to comply voluntarily with the environmental laws and regulations. ✓✓
- An organisation that designs and implements an environmental management system which is certified by a controlling body. ✓✓
- It is regularly audited to ensure compliance with environmental regulations. ✓✓ (2 x 2) (8)

**5.3 In which way do international agreements protect the environment?**

The World Summit on Sustainable Development 2002

- Held in Sandton, Johannesburg 2002✓
- Discuss challenges like improving people's lives and conserving natural resources in a word with an ever-growing population ✓✓ and ever increased demand for food, water, shelter, sanitation, energy, health services and economic security✓
- Specific achievements
  - Biodiversity and conservation became important issues to reduce the rate of specific extinction
  - Access to sources of energy and water for poor have been increased
  - Lead has been removed from petrol

The Kyoto protocol

- The Kyoto protocol was negotiated in 1997 and signed in 2005
- The treaty was signed by 170 countries. The USA has the world's highest emissions of carbon dioxide and has not signed the Kyoto protocol✓✓
- The Protocol determined legal binding targets for cutting greenhouse gas emissions✓✓.

  Accept any relevant correct answers

The Millennium Development Goals✓

- The MDGs are eight international development goals to all 193 United nations member states✓✓
- Goal 1: Eradication of extreme poverty and hunger
- Goal 2: Achieve universal primary education
- Goal 3:Promote gender equality and empower woman✓✓
- Goal 4: Reduce child mortality rates
- Goal 5: Improve maternal health
- Goal 6: Combat HIV/AIDS, malaria and other diseases
- Goal 7: Ensure environmental sustainability
- Goal 8: Develop a global partnership for development
- Concerns over environmental sustainability, has the following aims
  - Integrating the principles of environmental sustainable development into countries' policies and programs to reverse loss of environmental resources
  - Reducing the rate of biodiversity loss significantly by 2010
  - Reducing of half the proportion of people without sustainable access to safe drinking water and basic sanitation
  - Achieving significant improvements in the lives of at least 100 million slum dwellers by 2020

    Accept any other relevant answer

COP 17 conference, Durban 2011

- COP 17 was the 17$^{th}$ conference of the parties to the Kyoto Protocol on climate change✓✓
- Cop 17 establishes Green Climate Fund to help developing counties to establish cleaner sources of energy and to adapt to climate change
- It is hoped that countries will contribute to the fund so that it can start operating in 2012

  Accept any relevant correct answer (4 x 2) (8)

**5.4 Briefly discuss South Africa's endeavour in renewable resources.**

- South Africa, which has always been heavily dependent on coal, is looking at ways to diversify its power-generating capacity✓✓
- The Development Bank, the Treasury and Eskom are working on renewable program that involves independent power producer✓✓
- The government is also looking to support sustainable green energy initiatives on a national scale through a diverse range of clean energy options as envisaged in the Integrated Resource Plan 2010✓✓
- In terms of this plan, which is a 20 year projection on the electricity demand and production, about 42% of electricity generated must come from renewable resources✓✓
- The Integrated Municipal Infrastructure Project will focus on 23 of the least-resources districts, and address all the upgrades and backlogs – including electricity – needed to serve the 17 million people in these areas✓✓
- Independent power production have been introduced. Including projects that cover solar, small hydro, wind, these privately held entities and facilities sell power to the government. Contributing to the country's energy mix. ✓✓

(4 x 2) (8)

**5.5 Explain FOUR ways to achieve environmental sustainability.**

- Impose charges for the use of the environment, e.g. Emission charges✓✓
- Tax could be imposed on the output or consumption of a product if the use of such product ha harmful effects on the environment✓✓
- Establish limits on the use of the environment and fine those who go outside those limits✓✓
- Extending private property rights that ensure that people care for that belong to them
- Focus on externalities – it becomes more and more important to find cleaner ways of producing things✓✓
- Command and control systems (CAC) – the traditional way of dealing with pollution is to allow it within certain limits and to fine those who go outside these limits✓✓
- Voluntarily agreements – government often enter into voluntary agreements with enterprises to reduce the amount of pollution. It's done by bonding contacts ✓✓
- Education – people like to contribute towards protecting the environment, therefore, education can play a major role (4 x 2) (8)

**5.6 Give FOUR downstream effects of soil erosion**

- Sediment build-ups along water courses and in dams reducing capacity
- Drinking water is contaminated
- Increasing runoff during rainstorms which causes flooding
- Roads are damaged (4 x 2) (8)

**5.7 Briefly discuss the granting of property rights as a measure to sustain the** environment.

- Granting of property rights has a conservation effect as people take care of things that belong to them. ✓✓
- Give people property rights over plants and animals to prevent them from becoming extinct. ✓✓
- Plants and animals may then be preserved at little cost to the taxpayer. ✓✓

- If property rights are expanded to common goods, like clean air, those suffering because of pollution could charge the polluters for the right to pollute. ✓✓
- It is impractical to extend private property rights to air ✓✓
- But the principle of polluters paying victims to reduce pollution is sometimes followed by governments ✓✓

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

**QUESTION 6** **Paragraph type questions – Higher cognitive**

**6.1 What role can society play in trying to save the environment from global warming?**

Learn about global warming.

- It is important to find and implement sources that do not pollute the environment. ✓✓
- Avoid veld fires as they lead to the emission of $CO_2$. ✓✓
- Recognise the consequences of global warming and inspire change. ✓✓
- Save energy, e.g. turning of the lights when there is no one in the room. ✓✓
- Eliminate wasteful activities during gardening. ✓✓
- Play the role of environmental activist. ✓✓
- Convince people around you to save energy e.g. recycle; this saves energy in manufacturing. ✓✓ (10)

**6.2 How does environmental degradation impact on South Africa's Economy?**

- South Africa's climate is affected by the change in global climate✓✓
- These changes I climate may have significant effects on various of South African society and the economy✓✓
- The increased temperature and changes in rainfall patterns can be expected to have severe impact on health-related issues such as skin cancer✓✓
- Climate changes could worsen desertification, land will become more ad agricultural output can be expected to decline in the absence of corrective measures being applied✓✓
- The food production which needs to increase to meet the needs of the growing population, is directly threatened by climate change✓✓
- Water supplies will decrease because of the decrease in rainfall and lead to increase in production cots✓✓
- Loss of resources, trees that may never again grow lead to deforestation✓✓

Any 4 x 2(4)

**6.3 Why do you think taking care of forests is important for the economy and the environment?**

Forests should be taken care of because:

- Human beings depend on them ✓✓
- They generate oxygen or the air that we breathe ✓✓
- They are used for the production of furniture, books and all other timber products ✓✓
- They provide habitats for animals ✓✓
- They offer watershed protection ✓✓
- They prevent soil erosion ✓✓
- They mitigate climate change ✓✓

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

**6.4 What problems would be experienced in the economy if non-renewable resources were consumed excessively?**

Many problems would be experienced if non-renewable resources are used excessively since:

- Non-renewable resources are mostly natural resources that cannot be used more than once e.g. oil, coal, minerals, natural gas. ✓✓
- They are mostly used by the secondary sector for manufacturing. ✓✓

Overuse of these resources would:

- Lead to them drying up and therefore negatively affect the manufacturing sector ✓✓
- Lead to a serious decline in economic activity ✓✓
- Lead to retrenchments and job losses being experienced in the economy ✓✓
- Cause excessive air pollution due to extraction of these resources ✓✓
- Cause acid rain which leads to global warming ✓✓ (8)

**6.5 How can humans positively impact on the environment?**

Humans may affect the environment in a positive way

- Cleaning lakes and the sea which will have positive effect on the environment✓✓
- Recycling waste and growing plants and vegetables and also planting trees will lessen the amount of waste on the environment✓✓
- Being involved in educational programs about how to conserve the environment – talking with others about the impacts of environmental degradation, making people aware of the damages they cause to the environment✓✓
- Avoiding littering or tossing waste into inappropriate places – consuming fewer resources will result ii a lower production and reduced waste ✓✓
- Conserving energy by using energy saving bulbs✓✓ Any (4 x 2) (8)

**6.6 In which way do international agreements protect the environment?**

The World Summit on Sustainable Development 2002

- Held in Sandton, Johannesburg 2002✓
- Discuss challenges like improving people's lives and conserving natural resources in a word with an ever-growing population ✓✓ and ever increased demand for food, water, shelter, sanitation, energy, health services and economic security✓✓
- Specific achievements
    - Biodiversity and conservation became important issues to reduce the rate of specific extinction ✓✓
    - Access to sources of energy and water for poor have been increased ✓✓
    - Lead has been removed from petrol✓✓

The Kyoto protocol

- The Kyoto protocol was negotiated in 1997 and signed in 2005
- The treaty was signed by 170 countries. The USA has the world's highest emissions of carbon dioxide and has not signed the Kyoto protocol✓✓
- The Protocol determined legal binding targets for cutting greenhouse gas emissions✓✓

  Accept any relevant correct answers

The Millennium Development Goals✓

- The MDGs are eight international development goals to all 193 United nations member states✓✓
- Goal 1: Eradication of extreme poverty and hunger
- Goal 2: Achieve universal primary education
- Goal 3:Promote gender equality and empower woman
- Goal 4: Reduce child mortality rates
- Goal 5: Improve maternal health
- Goal 6: Combat HIV/AIDS, malaria and other diseases
- Goal 7: Ensure environmental sustainability
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- Concerns over environmental sustainability, has the following aims
    - Integrating the principles of environmental sustainable development into countries' policies and programs to reverse loss of environmental resources
    - Reducing the rate of biodiversity loss significantly by 2010
    - Reducing of half the proportion of people without sustainable access to safe drinking water and basic sanitation
    - Achieving significant improvements in the lives of at least 100 million slum dwellers by 2020

      Any relevant answer

COP 17 conference, Durban 2011

- COP 17 was the 17th conference of the parties to the Kyoto Protocol on climate change✓✓
- Cop 17 establishes Green Climate Fund to help developing counties to establish cleaner sources of energy and to adapt to climate change
- It is hoped that countries will contribute to the fund so that it can start operating in 2012

  Accept any relevant correct answer (2x4)(8)

**6.7 Explain how he state can aid preservation of the natural forest?**

- Make a regulation that forest cannot be destroyed✓✓
- The government can buy and manage sensitive forest area to protect it from being damaged✓✓
- Regulations that all developers have to commission an independent environmental impact study (EIA) and to take its recommendations into account before they start to develop land ✓✓
- Extend private property rights to communities that will take care of the things that belong to them ✓✓
- The pricing of the environment is another method used by government to impose environmental changes✓✓

  (Accept any relevant answer)

  (Allocate a maximum of 2 marks for headings, listing and examples) (8)

**6.8 How do environmental subsidies ensure environmental sustainability?**

- Environmental subsidies reduce activities that cause environmental damage ✓✓
- These costs are recovered by taxation✓✓
- Subsidies could be for development of new technology or equipment ✓✓
- Encourage production of environmentally friendly subsidies ✓✓
- Encourage recycling of waste such as bottles or cardboard✓✓ (4 x 2) (8)

  (Accept any relevant answer)

  (Allocate a maximum of 2 marks for headings, listing and examples) (8)

**6.9 How does environmental degradation lead to poverty?**

- In many African countries crop harvest are failing as consumption increases✓✓
- People are finding less nutrition food to eat✓✓
- One argument that is held is that while field are used to grow crops for bio-fuels, poorer countries, especially those around the equator are vulnerable to weather change, water shortage and urbanisation✓✓
- Al of those factor are increasing the heath ad lives of thousands✓✓
- Some scientist and environmentalists are asking that non-food items an agriculture waste be used as alternative fuel for vehicles instead✓✓

  (Accept any relevant answer)

  (Allocate a maximum of 2 marks for headings, listing and examples) (8)

ESSAY STRUCTURE

**HINT:** Section C – the long question, must be answered in FOUR sections: Introduction (definition), Body (headings and full sentences in bullets) additional part and conclusion (summarising). The mark allocations for Section C is as follows:

| STRUCTURE OF ESSAY: | MARK ALLOCATION: |
|---|---|
| **Introduction**<br>The introduction is a lower-order response.<br>● A good starting point would be to the main concept related to the question topic<br>● Do not include any part of the question in your introduction.<br>● Do not repeat any part of the introduction in the body<br>● Avoid saying in the introduction what you are going to discuss in the body | Max 2 |
| **Body**:<br>**Main part:** Discuss in detail/ In-depth discussion/ Examine/ Critically discuss/ Analyse / Compare/ Distinguish/ Differentiate/ Explain/ Evaluate<br>**Additional part:** Critically discuss/ Evaluate/ Critically evaluate/ Calculate/ Deduce/ Compare/ Explain Distinguish / Interpret/ Briefly debate/ How/ Suggest / Co struct a graph | Max 26<br><br>Max 10 |
| **Conclusion**<br>Any Higher or conclusion include:<br>● A brief summary of what has been discussed without repeating facts already mentioned in the body<br>● Any opinion or value judgement on the facts discussed<br>● Additional support information to strengthen the discussion/analysis<br>● A contradictory viewpoint with motivation, if required<br>● Recommendations | Max 2 |
| **TOTAL** | **40** |

**QUESTION 7**

- Discuss the various approaches that can be used to sustain the environment. (26)
- What role can society play in trying to save the environment from global warming? (10)

## INTRODUCTION

The environment is all living and non-living organisms that occur naturally on earth including the atmosphere, water, land, minerals, plants and animals. Sustainability means managing the environment in a proper manner. ✓✓
(Accept any relevant introduction.) (2)

## BODY

Environmental management approach The South African government has passed laws to implement environmental management as its contribution to sustainability of the environment.

Some of the laws are as follows:
Integrated Coastal Management Act, Act 24 of 2008 which is responsible for sustainability of fresh water and oceans. ✓✓
Air Management Act, Act 39 of 2004: for the sustainability of the atmosphere. ✓✓
Protected Areas Act, Act 57 of 2003: for the sustainability of land. ✓✓

Private property right✓
- People do not normally care for things that they do not own. ✓
- The government tries to resolve this by giving people property rights. ✓✓
- This changes people's attitudes and they in turn use land carefully and efficiently. ✓✓

Focus on externalities ✓
- Externalities apply when some of the costs or benefits of an activity spill over to third parties, ✓ e.g. when children in the vicinity of a coal-fired power station get asthma as a result of smoke. ✓
- This brings additional social costs to the residents who have to pay the doctors' bills for the negative externality (smoke). ✓✓

Command and control systems ✓
- This strategy deals with environmental issues that rely on legislation, prescriptive legislation and strict enforcement of compliance, ✓✓ e.g. allowing for a certain maximum level of emission. ✓

Voluntary environmental agreements ✓
- This approach allows organisations to agree to comply voluntarily with environmental laws and regulations. ✓✓
- An organisation designs and implements an environmental management system, ✓✓ it is certified by a controlling body, and is regularly audited to ensure compliance with the environmental regulations. ✓✓

Environmental charges, taxes and subsidies ✓
- This approach uses market mechanisms and economic incentives to achieve goals in environmental management. ✓✓
- Local authorities in South Africa impose environmental charges on consumers, businesses and other organisations of sewage disposal and rubbish collection. ✓✓

Ecosystems approach ✓

This approach aims to consider the entire system in decision-making, rather than to respond to specific issues and challenges. ✓✓
The decision-making processes will be a collective approach that involves stakeholders from the government departments, representatives from industries and environmental groups and communities. ✓✓

Education ✓
People generally would like to contribute towards protecting the environment if they know more about the consequences of their actions and the devastation that will be caused by environmental deterioration. ✓✓

Management of human consumption approach ✓
People are a major contributor to environmental deterioration. ✓✓
Consuming fewer resources will result in a lower production output and reduced waste. ✓✓
This approach involves educating people to make individual commitments to change their lifestyles and consumption patterns. ✓✓ (26)

**ADDITIONAL PART**

Society should do the following:

- Learn about global warming. It is important to find and implement sources that do not pollute the environment. ✓✓
- Avoid veld fires as they lead to the emission of CO2. ✓✓
- Recognise the consequences of global warming and inspire change. ✓✓
- Save energy, e.g. turning of the lights when there is no one in the room. ✓✓
- Eliminate wasteful activities during gardening. ✓✓
- Play the role of environmental activist. ✓✓
- Convince people around you to save energy e.g. recycle; this saves energy in manufacturing. ✓✓ (10)

**CONCLUSION**
Protecting the environment against global warming is a very selfless and noble act. It is very important so that future generations can also enjoy the environmental space that we are enjoying now and even better. ✓✓
(Accept any relevant conclusion.) (2)
[40]

**QUESTION 8**

- Explain in detail Absolute and Comparative Advantage and how it can help or hamper globalisation. (26 marks)
- How did globalisation negatively affect South Africa? (10 marks)

[40]

Introduction
World trade is to the advantage of a country if it can sell surplus production to other countries and buy what it cannot produce itself from other countries
(Accept any relevant definition)

BODY: MAIN PART
Absolute Advantage

- The theory of absolute advantage was developed by Adam Smith✓✓

- Certain counties have an advantage over other countries with regard to the availability or ability to produce certain goods and services✓✓
- An absolute advantage means that a country has monopoly on a product or can produce it at a lower cost or higher productivity✓✓
- Where one country can produce goods with fewer resources than another✓✓
- Having an absolute advantage means producing something more efficiently than any other country in the world✓✓
- Example: South Arica has the majority of the world's diamonds and has developed the best methods to extract and refine them, we have an absolute advantage when trading diamonds✓✓
- Developed countries will usually have an absolute advantage over developing countries in manufacturing high-value goods that need advanced technologies and highly skilled technicians to make✓✓
- Countries have different absolute advantages in producing goods because of differences in soil, climate and skills ✓✓
- Countries are best off producing what they are best at✓✓ (Max 10 marks)

Comparative advantage

- The English economics David Richard used the principle of comparative advantage to determine the products the countries should specialise in✓✓
- Where one country can produce goods at a lower opportunity cost – it sacrifices less resources in production✓✓
- Even if a country has no absolute advantage, it can benefit from trade on the basis of having a comparative advantage✓✓
- A country is equipped to produce a product at lower cost than another country when specialising in that product✓✓
- This advantage can arise from better technological development, better skills, a cheaper labour supply or higher productivity✓✓
- Countries will gain if they specialise in those areas where the cost of production are lower compared to other products and services✓✓
- Imports of those goods needed by the people of the country where local production costs are high in comparison with other products and service✓✓
- A country can develop its comparative advantage over time as knowledge nod skill of it labour force develops or by improving the infrastructure in the country✓✓

(Max 10 marks)

The advantages of trade based on absolute and comparative advantages

- Natural resources are distributed unevenly ✓ between countries and some countries are better in producing some products than others. ✓✓ international trade helps to distribute resources ore evenly✓✓
- Specialisation ✓ - Countries can specialise in producing those products at which they are best ✓✓
- Better choice of products ✓ - Countries can obtain the products they otherwise might not have. ✓✓ It increases the variety of goods available to consumers✓✓
- Higher volume of trade✓ - contribute to economic growth and therefor improved standards of living in countries✓✓
- Better standard of living and higher employment ✓ - New job opportunities can be created when trade flourishes and higher incomes for households and a better level of welfare as the basic infrastructure improves✓✓
- Economic growth ✓ - increased trade provides markets for products and this stimulate production and employment ✓✓ This leads to economic growth as it attracts foreign capital investment in new enterprises, state revenue increases and the infrastructure improves✓✓
- Greater awareness of global problems ✓ -it highlights social economic and environmental problems and stimulated id of these problems✓✓ (Max 8 marks)

**The disadvantages of trade based on absolute and comparative advantages**

- Market power ✓ - A country that  most powerful might force a less powerful country to trade at terms that are less beneficial to the weaker country✓✓
- Transport ✓ - costs involved in international trade increase production costs when there is some distance between the counties✓✓
- Trade barriers✓ -Obstacles to trade imposed such tariffs, quotas and other unfair barriers such as safety regulations will decrease the benefit from international trade ✓✓
- Dependency✓ - if a country becomes too dependent on one of a few industries and the price fall in that industry, massive unemployment will occur✓✓
- New / infant industries ✓ - international trade can damage infant industries in a country, because their production costs are high at the beginning✓✓
- Over-specialisation✓ - might have negative effects if a war starts or a natural disaster occurs and import-export ceases✓✓
- When import become higher than exports, the balance of payment of the country become negative✓✓ (Max 8 marks)
  (Allocate max 8 marks for headings, listing and examples)

ADDITIONAL PART
How did globalisation negatively affect South Africa?

- The country has to deal with increasing competition✓✓
- Crisis in the financial markets of developed countries influenced our markets✓✓
- Unstable conditions in the neighbouring countries around South Africa negatively influenced the perceptions that other countries have about South Africa which often lead to the withdrawal of investments✓✓
- The demand for less skilled workers has decreased✓✓
- The increased production levels have led to increased pollution and practices that are harmful to the environment✓✓
- The dumping of cheap products have collapsed industries like the clothing manufacturing industries, chicken industries and steel industries✓✓
- South Africa is measured by the ae standards as other developing countries and compete for Foreign Direct Investment. ✓✓ Downgrading by international agencies have a negative impact on our debt repayment of international loans ✓✓ as well as our ability to secure new loans to cover deficits on our Balance of Payment and National Budget✓✓ (Max 10)

Conclusion
The success of an economy and the living standards of its citizens depends on how efficient its economic sector utilize the functional integration of economic activities and international network formation, as well as using the benefits of regionalisation. ✓✓
(Accept any relevant conclusion) (Max 2)

**QUESTION 9 CONTEMPORARY ECONOMIC ISSUES**

**40 MARKS – 40 MINUTES**

- **Discuss in detail the advantages that a country has and should use, to produce goods and services in an international market. (26 marks)**

- **In which way is South Africa negatively affected by the North/South divide? (10 marks)**

**INTRODUCTION**
World trade is to the advantage of a country if it can sell surplus production to other countries and buy what it cannot produce itself from other countries. ✓✓
**OR**
Globalisation is the process by which the people of the world are incorporated into a single world society. ✓✓
**OR**

Globalisation is the breaking down of trade barriers to promote the free movement of goods and services, labour and capital in a global economy. ✓✓

**(Max 2)**

**BODY: MAIN PART**

**Absolute advantage** ✓

- Absolute advantage in trade exists when one country can produce a good using fewer resources (at a lower cost or more efficiently) than another country is able to. ✓✓
- Certain countries have an advantage over other countries with regard to the availability or ability to produce certain goods and services. ✓✓
- An absolute advantage means that a country has a monopoly on a product or can produce it at the lowest cost (or with higher productivity). ✓✓
- Having an absolute advantage means producing something more efficiently than any other country in the world. ✓✓
- Example: South Africa has the majority of the world's diamonds and has developed the best method to extract and refine them. Therefore South Africa has an absolute advantage when trading diamonds ✓ or Brazil has an absolute advantage in the production of coffee ✓and Mexico in silver,✓ etc.
- Developed countries usually have an absolute advantage over developing countries in manufacturing involving technology, as they have more capital available and highly skilled workers. ✓✓

**Comparative advantage**✓

- Comparative advantage in trade exists if a country has a lower relative cost of producing a good in comparison with another country. ✓✓
- Even if a country has no absolute advantage, it can benefit from trade on the basis of having a comparative advantage. ✓✓
- Comparative advantage means a country is equipped to produce a product at a lower cost than another country when specialising in that product. ✓✓
- This advantage can arise from better technological development, better skills, a cheaper labour supply or higher productivity. ✓✓

  Example: South Africa has a comparative advantage in certain agricultural products, precious stones and metals, making the country an important trading partner. ✓
- A country can develop its comparative advantage over time for, e.g. by developing the knowledge and skills of its labour force or by improving the infrastructure in the country. ✓✓

**Advantages of trade in absolute and comparative advantage**

- **Natural resources are distributed unevenly between countries**✓
  - Some countries are better at producing some products than others. / International trade helps to distribute resources more evenly. ✓✓
- **Countries can specialise** ✓
  - They produce those products at which they are best. ✓✓
- **Countries can obtain the products they might not have**. ✓
  - It increases the variety of goods available to consumers. ✓✓
- **Economic growth and development**✓
  - Higher volumes of trade contribute to economic growth and improved standards of living in countries. ✓✓
- **Better standard of living and greater employment**✓
  - New job opportunities can be created when trade flourishes under absolute and comparative trade, resulting in higher income for households and better level of welfare as the basic infrastructure, health care and education have improved. ✓✓

- **Greater awareness of global problems**✓
  - Highlight social, economic and environmental problems and stimulate aid. ✓✓

**Disadvantages**✓
- A country that is more powerful might force a less powerful country to trade at terms that are less beneficial to the weaker country. ✓✓

- **Transport** ✓
  - Transport costs involved in international trade increase production costs when there is some distance between the countries. ✓✓

- **Trade Obstacles** ✓
  - Obstacles to trade such as tariffs, quotas and other unfair barriers such as safety regulations imposed by some countries will decrease the benefits from international trade. ✓✓

- **Dependence**✓
  - If a country becomes too dependent on one or a few industries and the prices decrease in that industry, massive unemployment will occur. ✓✓

- **Protecting infant industries**✓
  - Infant industries find it difficult to compete and survive against established industries. ✓✓

- **Over-specialisation** ✓
  - This has negative effects if a war starts or a natural disaster occurs and imports-exports ceases. ✓✓

- **Balance of Payment problems**✓
  - If imports are higher than exports, the Balance of Payment of the country becomes negative. ✓✓

**(Headings and examples max 8 marks – max main section 26)**

**BODY: ADDITIONAL PART**

- **Dependency on the primary sector –** South Africa still depends largely on the primary sector as a source of income / minerals are exported to Northern countries ✓✓
- The countries in the South, including South Africa, are still densely populated in certain areas✓✓
- **Large unemployment levels** – South Africa has a large group of youth which is unemployed – even graduates do not easily find jobs / lack of funds for skills ✓✓
- **Low life expectancies in the country** – factors such as TB / malaria / HIV and Aids are major problems / insufficient healthcare, especially in rural areas ✓✓
- **Increasing levels of poverty** – estimates are that 50% of the South African population is in poverty / inability of government to create economic growth and FDI's. ✓✓
- **Lack of economic growth and development** – aspects such as droughts, corruption, mismanagement and disinvestments are major concerns. ✓✓

- **Low literacy levels and high school and tertiary dropout rates** – lack of direction, motivation, funds, etc. are negative factors. ✓✓
  (Any relevant answer)

**(Max 10)**

**CONCLUSION**

The world has become a global village and integration and trade are important for any economy to grow. All countries need to compete against each other for market share and the developing countries cannot compete with the highly subsidised developed countries' industries. ✓✓
(Any relevant answer)

**(Max 2)**