GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

REMOTE LEARNING ACTIVITY BOOKLET (RELAB)

SUBJECT: ECONOMICS

TEACHER GUIDE

GRADE: 10

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.

TABLE OF CONTENTS

MACROECONOMICS- CONTENT PROGRESSION

TOPIC	GRD 10	GRD 11	GRD 12
BASIC CONCEPTS	Economics, its methods and setting within the field and its relationship with other sciences	Principles, processes and practices of the economy. Factors of production and their remuneration. Community participation Accessibility of the economically marginalised groups.	
THE ECONOMIC PROBLEM	Problems that all economies try to solve regarding the basic processes of production, consumption and exchange, highlighting the promotion or violation of human rights and the environment.	Analysis of the economic structure of SA: Sectors, infrastructure and exclusion and discrimination in service provision and access to economic opportunity.	
CIRCULAR FLOW	Participants, markets, monetary and real flows in an open economy.	Analysis of the uses of economic goods and services in relation to GDP/GNI and the main aggregates: GVA, GNE and GNI.	Presentation of the circular flow model as a macroeconomic model: Deducing and analysing the national account aggregates: derive and apply the multiplier.
BUSINESS CYCLES	Reasons for business cycles. Explanation and illustration of their composition and noting their impact on the vulnerable		Analysis and explanation of business cycles and how they are used in forecasting.
ECONOMIC SYTEMS		Characteristics and foundations of South Africa's mixed economy and assessing its efficiency in terms of socio-economic services.	

MACROECONOMICS
TOPIC 1. ECONOMICS BASIC CONCEPTS
WEEK 1- 2

CONCEPTS

KEY CONCEPT	DESCRIPTION / DEFINITIOM
Economy	An area in which people manufacture or produce goods and services
Economics	A social science that studies the daily choices people make and how to satisfy their unlimited needs and wants with the limited means at their disposal in such a way that they achieve the maximum satisfaction
Resources	Things that can be used to achieve a certain goal, e.g. money that can be used to buy products
Needs	Goods and services the individual cannot do without
Wants	Goods and services the individual can do without
Factors of Production	Land, Labour, Capital and Entrepreneurship
Traditional Economy	The hierarchy within the society determines the allocation of the product, e.g. the food gathered is divided according to tradition and seniority within the tribe
Command economy	The authorities decide on the production and distribution of the products. Resources are used and distributed according to the government plan
Market economy	Private ownership and individual preferences are important in this type of economy. The marketplace and individuals' choice determine the production of products.
Mixed economy	There is a combination of the market and command economy, where private ownership and individual choices are important and where government also has a say in how resources ae used and distributed. South Africa is an example of this economy.
Monetary economics	This policy is the study of how money and the banking industry is controlled and regulated in a country.
International economics	This policy is the study of international trade and finance and why most countries need to import and export products.
Public Sector economics	This policy deals with the decisions and policies made by a country's government.
Developmental economics	This policy is the strategies and policies that help countries to develop and grow.
Labour economics	This policy is deals with the demand and supply of labour within an economy
Environmental economics	This policy pays attention to environmental issues on the society and its impact on the society
Regional economics	This policy refers to the study of specific geographical regions in a country which is responsible for the production of certain goods and services.
Microeconomics	The individual's demand for a certain product at a certain price

KEY CONCEPT	DESCRIPTION / DEFINITIOM
Macroeconomics	The study of the total consumption, production, and exchange of individual, households and industries in a country.
Positive statement	Fact that can be proved or disproved
Normative Statement	Opinion or value judgement
Model	It can be used to explain theories and make predictions
Ceteris paribus	A Latin term that means “with all other factors or things remaining the same”

ECONOMIC BASIC CONCEPTS

Useful Tips **:** 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.

SECTION A

QUESTION 1

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 B. limited means ✓✓
1.1.2 D. Macroeconomics ✓✓
1.1.3 C. individuals ✓✓
1.1.4 B. Accounting✓✓
1.1.5 B. Career ✓✓

1.2
1.2.1 B. The study of the sum- total of economic activity ✓
1.2.2 D. The study of the behaviour and decisions of individual participants in the economy✓
1.2.3 A. The study of money and banking✓
1.2.4 C. Study the functioning of the government and its role in the economy✓
1.2.5 G. Study the trade and finances between countries✓
1.2.6 E. Deals with policies that help low-income countries to develop and achieve sustainable economic growth ✓
1.2.7 F. Study the effect of economic decision on the environment✓
1.2.8 I. Involve recording financial transactions✓
1.2.9 H. Dealing with the legal aspects of commercial transactions✓
1.2.10 K. The profession, job and positions you hold during your working life✓

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 with these type of questions, that are found in Section A of the paper

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

1.3.1 Factors of production✓
1.3.2 Monetarist approach✓
1.3.3 Keynesian approach ✓
1.3.4 Normative statement✓
1.3.5 Economics✓
1.3.6 Economic efficiency✓

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. These types of questions are applicable for 2.1.1, 3.1.1 and 4.1.1

2.1 Name any TWO fields of study that are related to Economics.

- Accounting✓
- Business Studies✓
- Commercial Law ✓
- Mathematics / Finance✓

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

QUESTION3:

HINT: This type of questions are applicable for 2.1.2, 3.1.2 and 4.1.2. Answers must be provided in full sentences

3.1 Why Economics is regarded as a social science?

- Economics studies the behaviour of human beings. ✓✓ **(1 x 2)**

3.2 How will taking mathematics at school help you if you want to become an economist?

- Mathematics deals with figures and graphs that are used in economics✓✓ **(1 x 2)**

3.3 Why do economist use models in the study of Economics?)

- Model simplifies reality with a purpose of reducing complex functions that are difficult to understand.✓✓ **(1 x 2)**

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. Which measure is used by economists to make growth forecast from the extract?

• GDE✓ **(1)**

4.2. What does the treasury forecast the consolidated budget deficit to be in 2019/20?

- • - 2,6% of GDE✓ **(1)**

4.3. Which branch of Economics does a budget relate to?

- • Macroeconomics ✓✓ **(2)**

4.4. Quote ONE positive and ONE normative statement in the extract.

- • Positive statement: There were no surprises in budget 2017 relative to pre-budget expectations non-interest spending on the main budget by 2018. ✓
- • Normative statement: Government revenue is projected to exceed✓
  (Accept any other relevant response) **(2)**

4.5. Distinguish between a *command* and a *traditional* economy.

•A command economy is one in which the state determines what,✓ how and for whom to produce since the state owns most of the factors of production✓✓
A traditional economy is one in which the hierarchy in the society determines how resources are allocated. ✓✓ **(2x2) (4)**

QUESTION 5 Paragraph type questions – Middle Cognitive

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

5.1.1 Differentiate between positive and normative statement (8)

Positive statement:

- A positive statement is an objective fact or announcement✓✓
- A positive statement is concerned with what was in the past, what is today or what will be in the future✓✓
- Positive statements are either right or wrong✓✓
- e.g. a rand appreciated 4% above the dollar✓✓

Normative statement

- Normative statement involves subjective value judgement ✓✓
- Normative statement can be debated✓✓
- e.g. the grass ought to be green to be beautiful. ✓✓

5.1.2 Discuss the difference between macro and microeconomics (8)

Micro-economics

- Microeconomics deals with a small section of the economy✓✓
- Deals with individual consumers and businesses✓✓
- Deals with how they make decisions about which resources to use and which to buy✓✓
- What to produce at what price and in what quantity✓✓
- Focuses on individual markets✓✓
- Looks at the behaviour of the units of an economy ✓✓

Macro-economics

- Macro' means the whole or the large. ✓✓
- Looks at the behaviour of the economy as a whole✓✓
- Focuses on unemployment rate✓✓
- Focuses on inflation rate of economy✓✓
- Not concerned with what the individual units are doing✓✓
- Looks at imports and exports✓✓
- The National budget is a Macroeconomic document. ✓✓
- HIV / AIDS is a macroeconomic problem✓✓

(Accept any other relevant response.)

TOPIC 2. ECONOMICS BASIC PROBLEM (SCARCITY) WEEKS 3-4

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

1.1.1 D Scarce ✓ .
1.1.2 C The next best alternative ✓
1.1.3 B Capital ✓
1.1.4 A Provide goods and services✓
1.1.5 A Commodities✓
1.1.6 B Absorbs ✓
1.1.7 C Link consumers and retailers ✓
1.1.8 D Labour✓
1.1.9 D Buying and selling with little interference from the government ✓
1.1.10 D Human rights ✓

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
1.2.1 F ✓
1.2.2 A ✓
1.2.3 H ✓
1.2.4 G ✓
1.2.5 B ✓
1.2.6 C ✓
1.2.7 D ✓
1.2.8 E ✓ (8x1)

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 with these type of questions, that are found in Section A of the paper

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

1.3.1 The basic problem that forces consumers to make choice -**Scarcity** ✓

1.3.2 Living with less than a minimum income per day -**Poverty** ✓

1.3.3 Satisfaction or pleasure that is derived from the consumption, using, or possessing of a good or service-**Utility** ✓

1.3.4 Goods that are not wanted for their own sake, but are needed to produce other goods -**Capital goods** ✓

1.3.5 Industries that extract the basic raw materials from nature -**Primary Sector** ✓

1.3.6 These are markets that link producers and retailers -**Wholesale markets** ✓

1.3.7 Goods or services that are provided by the government for the use of all people-**Public goods**✓

1.3.8 The phase between production and consumption and it involves voluntary transactions between producers and consumers -**Exchange**✓

SECTION B

QUESTION 2:

Useful Tips **:** 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. This types of questions are applicable for 2.1.1, 3.1.1 and 4.1.1

2.1

Answer the following questions.

2 1.1 **Name TWO categories of scarcity.**

-Relative Scarcity ✓

-Absolute Scarcity ✓ (2 x 1) (2)

2.1.2 **Why does scarcity force us to make choices?**

-Scarcity forces us to make choices because of the scarcity of resources ✓✓(1 x 2) (2)

Useful Tips 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.

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

Real gross domestic product
Quarter-to-quarter percentage change at seasonally adjusted annualised rates.

SECTOR	2016		2017				
	Q4	**YEAR**	**Q1**	**Q2**	**Q3**	**Q4**	**YEAR**
Primary sector	-8.7	-5.6	15.5	13.9	13.7	4.9	7.5
Agriculture	-4.1	-10.2	26.2	36.8	41.1	37.5	17.7
Mining	-9.9	-4.2	12.6	7.8	6.2	-4.4	4.6
Secondary sector	-1.1	0.6	-3.7	2.8	1.5	3.1	-0.1
Manufacturing	-2.5	0.9	-4.1	2.9	3.7	4.3	-0.2
Tertiary sector	2.2	1.7	-1.7	1.2	1.1	2.7	0.8
Non -Primary sector	1.5	1.4	-2.1	1.6	1.2	2.7	0.6
Total	0.4	0.6	-0.5	2.9	2.3	3.1	1.3

Percentage change over one year *(Source STATS SA)*

2.2.1 Which sector contributed the most during the last quarter (Q4) of 2017?

- Primary Sector ✓ **(1)**

2.2.2. Give ONE example of a tertiary sector business or industry.

- Transport ✓
- Banking ✓
- Wholesalers/Retailers ✓ **(1)**

2.2.3 What difference do you observe between the last quarter of 2016 and the last quarter of 2017 in the agricultural sector?

- In the last quarter of 2016, the contribution by Agricultural sector was at -4,1%, which indicates that it was low, whereas in the last quarter of 2017 it was at 37,5 % which shows that it was at its highest ✓✓

2.2.4 Briefly explain the term *production*. **(2)**

- Production is the process whereby an entrepreneur combines available resources and turns them into some sort of a product ✓✓ **(2)**

2.2.5 Why is the secondary industry needed in the economy?

- It is needed as it is the sector where raw materials from Primary Industry are processed into finished goods ✓✓
- Services rendered to make the product available to the consumers ✓✓
- The service sector depends on this sector ✓✓ (Any 2x2)

2.3 DATA RESPONSE QUESTION

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

2.3.1 Mention ONE important question economists ask to solve an economic problem.

- What should be produced? ✓
- How is it going to be produced? ✓
- For whom it will be produced? ✓ (Any 1x1)

2.3.2 Why do we say in Economics that nothing is for free?

- Whatever goods and services are provided, they must be paid by someone ✓
- All resources are scarce and that the use of resources is never without a cost ✓

(Any 1x1)

2.3.3 Briefly explain the term opportunity cost.

- Opportunity cost refers to the value of the next best alternative that was given up or sacrificed ✓✓

2.2.4 Give an example of an opportunity cost that business faces

- Small business factor in opportunity costs when computing their operating expenses to provide a bid or estimate on the price of a job. E.g. a landscaping firm may be bidding on two jobs each of which will use half of its equipment during a period ✓✓
- A business also faces opportunity cost. Should it produce fried chicken pieces or fried burghers? Should it make use of more labour or capital? If the business decides to produce fried chicken pieces, the cost of doing that is not producing fried chicken burghers ✓✓ (2X1)

(Accept any relevant response)

2.3.5 Why does scarcity force people to make choices?

- People must make choices because of the shortage of resources to satisfy their needs and wants ✓✓
- Because of the scarcity problem ✓✓
- Resources are not enough to cover all the needs and wants of households, so they end up choosing to satisfy some needs and not others ✓✓

(2 x 2)

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

2.4

Question 3 **Paragraph Type Questions**

3.1 Differentiate between Free and Economic goods

<u>Free goods</u>

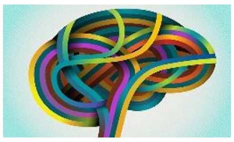
- Are useful to people and they satisfy important needs and wants, but they are not scarce ✓✓

- They are gifts of nature and there is an abundant supply ✓✓e.g. fresh air, sunshine and sea water ✓
- These goods do not belong to anybody / are not owned by anyone ✓✓
- Although they have utility, they have no commercial value/exchange value ✓✓

(Any 2x2)

<u>Economic goods</u>

- Are goods that are produced scarce resources ✓✓
- They are scarce ✓✓
- They can command a price in the market and are owned by somebody ✓✓
- They have utility and value ✓✓
- Economic goods are also referred to as scarce goods ✓✓ (Any 2x2)



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.***

3.2 Suggest the four possible solutions for environmental problems (8)

- Replace disposable items with Reusable items ✓✓
- The use of paper as well as plastic should be avoided ✓✓
- Conserve water and electricity ✓✓
- Support environmentally friendly practices ✓✓
- Recycle the waste to conserve natural resources ✓✓ (Any 4x2)

(Accept any other relevant responses)

MACROECONOMICS
TOPIC 3. CIRCULAR FLOW WEEK 5 – 7

KEY CONCEPT	DEFINITION / EXPLANATION
Circular flow	A circular flow is the flow of production; income and spending that take place in the economy
Closed circular flow Model (Three sector model)	A model of an economy showing the interactions between 3 sectors of the economy - households, firms and the government
Open circular flow model (Four sector model)	A model of an economy showing the interactions between 4 sectors of the economy – households, firms, government and the foreign sector
Domestic economy	Economic activities that take place within the boundaries of a country
Global economy	Economic activities taking place between countries
Households	They are the primary economic participants because they own the factors of production.
Firms	Also known as producers or businesses. They manufacture goods and services
Government	Also known as the state or public sector. They provide public goods and services to society. It consists of all aspects of local, regional and national government
Foreign sector	It represents all the countries in the world. Trade takes place between different countries. It is known as international trade
Real flows	The flow of production factors as well as goods and services between the different participants
Money flows	The flow of money between the different sectors of the economy.
Leakages (L)	Out-flow of money from the circular low. It consists of savings, taxes and import expenditure
Injections (J)	In-flow of money into the circular flow. It consists of investments, government expenditure and export expenditure
Savings (S)	Portion of income not spend
Taxes (T)	It is compulsory payments to government by households and business. These levies that provide an income for government. It includes direct taxes such as personal income tax which are levied on individuals' income and indirect taxes such as VAT which are levied on goods and services
Import expenditure (M)	Expenditure that flow out of the circular flow when payments are made to foreign countries when importing goods and services
Export expenditure (X)	Income that flows into the circular flow when payments are made by foreign countries when exporting goods and services
Investments (I)	Money spent on capital goods by firms or a business
Government expenditure (G)	Spending by government during the provision of public goods and services
Consumer expenditure (C)	the spending of consumers on final goods and services
KEY CONCEPT	**DEFINITION / EXPLANATION**

Disposable income (Y)	income earned after the deduction of taxes
Public goods and services	These are goods and services which are provided by the government for the use of all people
Foreign trade	The import and export goods and services between countries
Output (Q)	Total quantity of goods and services produced
Transfer payment	The payment by government to individuals and other organisations and groups without any services being rendered. It includes payments to pensioners, disabled people and children etc.
Subsidy	A payment by government to producers and consumers that lowers the market price of goods and services
Imports (M)	Goods produced by the foreign sector and purchased by the household, business or government sector in the domestic economy
Exports (X)	Goods produced by the domestic economy and purchased by the foreign sector
Customs duty	Taxes that are levied on imports and exports
Import tax	Taxes that are levied on imports
PAYE (Pay As You Earn)	Tax paid by workers calculated on the individual's total income
Fuel tax	Tax levied on each litre of petrol sold
VAT (Value Added Tax)	Tax paid on goods and services purchased by consumers. VAT rate is currently 14%. There are food items that are VAT free, e.g. bread, milk, mealie meal, fresh fruit and vegetables
Excise tax	Taxes paid on products that the government deemed to have a negative effect on people's health. Also known as sin taxes e.g. cigarettes and alcoholic beverages, etc.
Municipal tax	These taxes are levied by municipalities, paid by property owners for sewage, rubbish removal, water and electricity
Taxation on wealth	tax on property transfers and on 2nd properties e.g. a beach house
Aggregate demand (AD)	Total demand of goods and services in the economy
Aggregate supply (AS)	Total supply of goods and services in the economy
Foreign exchange	The income received from other countries when exporting to those countries
Product market	Market for goods and services
Factor market	A market where the factors of production are exchanged for income
Financial market	The financial market channel funds from surplus to deficit units in the economy. It consists of banks, insurance companies and the Johannesburg Stock Exchange.
Balance of payments (BoP)	The record of a country's transactions with the rest of the world. It includes the value of all imports and exports

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

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 with these type 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.

1.1.1 B✓✓ Households supply labour to firms through the factor market.
1.1.2 A✓✓ Collect surplus money in the form of taxes
1.1.3 A✓✓ selling goods on the product market
1.1.4 C✓✓ Firm
1.1.5 B✓✓ Taxes
1.1.6 D✓✓ more goods and services are produced
1.1.7 D✓✓ 4
1.1.8 B✓✓ real flow
1.1.9 C✓✓ 2
1.1.10 C✓✓ 2 (10 x 2) = (20)

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 – 1.2.10) in the ANSWER BOOK.

1.2.1 E✓ Group of people that live together and make economic decisions
1.2.2 G✓ Units that employs the factors of production
1.2.3 K✓ Difference between income and spending
1.2.4 A✓ Creation of capital goods
1.2.5 B✓ The movement of physical goods, services, and factors of production
1.2.6 L✓ Where goods are bought and sold
1.2.7 C✓ Movement of money in the circular flow
1.2.8 D✓ Goods that a country produces and sold to the rest of the world
1.2.9 I✓ Factors that decrease the circulation of spending
1.2.10 F✓ Factors that increase the circulation of spending (10 x 1) = (10)

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 with these type of questions, that are found in Section A of the paper

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 acronyms and examples will be accepted.*

1.3.1 National Income✓
1.3.2 Financial market✓
1.3.3 Payments for goods and services✓
1.3.4 National income✓
1.3.5 Commodity goods✓
1.3.6 Economic growth✓
1.3.7 Economic growth✓
1.3.8 Real GDP✓ (8 x 1) = (8)

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. These types of questions are applicable for 2.1.1, 3.1.1 and 4.1.1

2.1 List any TWO factors of production.

- Natural resources✓
- Labour✓
- Capital✓
- Entrepreneur ✓ (2 x 1) (2)

2.2 List TWO examples of government expenditure.

- Education✓
- Health✓
- Protection services (Police and army) ✓ (2 x 1) (2)
  (Accept any other correct relevant response)

2.2 List any TWO examples of consumer spending.

- Clothing✓
- Housing✓
- Recreation✓
  (Accept any other correct relevant response) (2 x 1) (2)

2.3 List the TWO flows that occurs through the goods market in the circular flow.

- Goods and services✓
- Payment for goods and services✓ (2 x 1) (2)

2.4 List any TWO markets in the circular flow.

- Product/Goods market✓
- Factor market✓
- Financial market✓
- Foreign market✓ (2 x 1) (2)

2.5 List TWO methods in calculating GDP.

- Product method✓
- Expenditure method✓
- Income method✓ (2 x 1) (2)

QUESTION 3

HINT: These types of questions are applicable for 2.1.2, 3.1.2 and 4.1.2. Answers must be provided in full sentences

3.1 Why is the GDP greater than the GNI in South Africa?

Gross National includes the production of South African plus non-South Africans while Gross Domestic only includes the production of South Africans. South Africa has a smaller production capacity than the non-South African production sector. ✓✓ (2)

(Accept any other correct relevant response)

3.2 What effect will an increase in exports have on the spending flow in the economy?

The spending flow increase because exports is regarded as an injection in the circular flow. Income earned through exports flow into the domestic economy. ✓✓ (2)

(Accept any other correct relevant response)

3.3 Why are savings regarded as a leakage in the circular flow model?

Savings is the unspent part of income. The monies are stored in financial institutions temporary. It is taken out of circulation. ✓✓ (2)

(Accept any other correct relevant response)

3.4 Why is the flow of income in the opposite direction of the factors of production?

Households supply the factors of production to the business sector.
Businesses pay households for the factors of production.
Households receive payments for the factors of production. ✓✓ (2)

3.5 What is the role of financial institutions in the circular flow model?

Financial institutions collect surplus income from households. They us these monies as investments in capital goods. ✓✓ (2)

3.6 What happens to the real flows in the goods market if business enterprises increase their production?

More goods and services will flow through the product market. ✓✓ (2)

(Accept any other correct relevant response)

3.7 What happens to the real flows in the factor markets if households increase their spending?

Businesses need to increase their production because households demand more goods and services. Households must also increase their supply of factors of production to businesses. ✓✓ (2)

3.8 What will the effect of a labour strike be on the flow of goods and services?

The flow of goods will decrease because labour is withdrawn, less goods will be produced.✓✓ (2)

DATA RESPONSE

QUESTION 4

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

4.1.1 Label the letter A on the diagram.
Households✓ (1)

4.1.2 Identify the letter that represents the payment for goods and services on the diagram.
G✓ (1)

4.1.3 Briefly describe the term *circular flow.*
The flow of goods and services, and money. ✓✓ (2)
(Accept any other correct relevant response)

4.1.4 What is a *real flow*?
The flow of goods and services and factors of production in the circular flow. ✓✓
(2)

4.1.5 How would taxes influence the economic activities in the circular flow?

Businesses and households pay taxes to the government, these monies are withdrawn from circulation, and households demand fewer goods and services from households. ✓✓
This will have an influence of the amount of goods and services will produce. The production of goods and services will decrease; thus, economic activities will decline.✓✓ (4)

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

4.2.1 What method of calculating GDP is used in the table above?
Production method ✓ (1)

4.2.2 Name ONE subsector of the primary sector.
- Agriculture✓
- Forestry✓
- Fisheries✓
- Mining✓
- Stone quarries✓ (1)

4.2.3 Briefly describe the concept *Gross National Product.*
Gross National Product is the total production inside the borders of a country over the period of a year. ✓✓ (2)

4.2.4 What is a "domestic" economy?
Economic activities of the citizens of a country.✓✓ (2)
(Accept any other correct relevant response)

4.2.5 Calculate the GDP for 2020, using the information above.

Primary sector	295 203✓
Secondary sector	552 601✓
Tertiary sector	2 017 745✓
	2 865 549✓

(4)

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

4.3.1 Identify ONE leakage from the table above.

Imports of goods and services. ✓ (1)

4.3.2 List any injection in the circular flow?

- Investments by households✓
- Government expenditure✓
- Exports of goods and services. ✓ (1)

4.3.3 Briefly describe the concept *Gross National Income.*

Gross National Income is the income earned by South Africans locally and abroad. ✓✓ (2)

4.3.4 What effect will factor income earned in South Africa by foreigners have on the circular flow?

The amount in circulate will decrease because foreigners will take money out of South Africa. ✓✓ (2)

4.3.5 Calculate the GNI for Seaside Country. Show ALL calculations.

Consumption expenditure by households	1 473✓
Government expenditure	505✓
Investments spending by households	468✓
	2 446✓

(4)

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

4.4.1 Which sector contributed the most during 2015?

Tertiary sector✓ (1)

4.4.2 Which method of calculation was used in the table above to determine the GDP?

Gross Value Added method✓ (1)

4.4.3 Briefly describe the concept *Gross Domestic Product*.

It measures the value of all final goods and services that are produced within the boundaries of a country during a specific period, usually a year. ✓✓ (2)

4.4.4 Identify the items labelled B and C.

B = ADD taxes on products; or + taxes on products✓

C = SUBTRACT subsidies on products; or - subsidies on products✓ (2)

4.4.5 Calculate the GDP as represented by D.

Gross value added at basic price	**3 589 812** ✓
+ Taxes on products	438 785 ✓
- subsidies on products	15 005✓
= Gross domestic product at market prices	**4 013 592**✓

(4)

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

4.5.1 What diagram is depicted above?

Circular flow✓ (1)

4.5.2 Identify the participant that owns the factors of production.

Households✓ (1)

4.5.3 Briefly describe the concept *leakages.*

Leakages are withdrawals of money from the circular flow which reduce the quantity of money in the flow. ✓✓ (2)

4.5.4 What are the terms that are used to describe the movement of goods and services and the movement of money in the above diagram?

Real flow ✓ and money flow ✓ (2)

4.5.5 Why is the role of households so important in the diagram?

Households are the primary owners of the factors of production.

They sell their factors of production to the factor market and they get income. ✓✓

They use the income they get from the factor market to buy goods and services in the good market. ✓✓

(Accept any other correct relevant response) (4)

4.6 Study the diagram below and answer the questions that follow.

4.6.1 What type of economy is represented by the above diagram?

Closed economy.✓ (1)

4.6.2 Which participant in the economy will use intermediate goods?

Business / Firm.✓ (1)

4.6.3 Briefly describe the concept *circular flow*.

It shows the flow of goods and services, money, income, production and expenditure in the economy.✓✓ (2)

4.6.4 What is the role of the households in the above diagram.

- Provide government and businesses with factors of production.✓✓
- Examples: Natural resources, capital and labour✓
- Households earn an income by providing factors of production.✓✓
- They spend their income in business.✓✓
- Households pay tax to the government.✓✓ (4)

4.6.5 Why is it important that the government encourage people to buy domestic products?

- To promote domestic producers.✓✓
- For the economy to grow (production increase).✓✓
- For the creation of jobs.✓✓ (2)

4.7 Study the table below which shows the consumption of expenditure on the GDP for a given country and answer the questions that follow.

4.7.1 Use the figures from the table to calculate the level of aggregate spending in the domestic economy. (4)

Formula for the domestic economy: GDP = C + G + I

Consumption spending by households (C)	140 ✓
+ Investment spending by firms (I)	20✓
+ Government spending (G)	90✓
	250✓

4.7.2 Use the figures from the table to calculate the level of aggregate spending of an open economy.

Formula for an open economy: GDP = C + G + I + (X-M)
= 250 + (10 – 40) ✓
= 250 -40
= 230✓ (2)

4.7.3 How did the opening of the economy affect the domestic economy?

The opening of the has affected the economy negatively. ✓✓
The country's imports were higher than its exports. More money has flown out of the country. ✓✓ (4)

QUESTION 5 Paragraph type questions – Middle Cognitive

Useful Tips

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

5.1.1 Differentiate between *Gross Domestic Product* and *Gross National Income*.

Gross Domestic Product

- Total production produced within the borders of a country. ✓✓
- It consists of production of South Africans as well as foreigners that produce goods and services in the country. ✓✓
- It is also known as the production of the country. ✓✓

Gross National Income

- The total production of the citizens (South Africans) in a country. ✓✓
- It consists of production of ONLY South Africans, locally or abroad ✓✓
- South Africans producing goods and services in South Africa as well as in other countries✓✓
- It is also known as the production of the nation (South Africans only) ✓✓

(2 x 4) (8)

5.1.2 Explain the role of households in the circular flow model.

- Households are the owners of the factors of production. ✓✓
- They provide (sell) the factors of production to the business sector where it is used to produce goods and services. ✓✓
- In exchange for the use of the factors of production, households receive an income. ✓✓
- Salaries and wages for their labour✓
- Interest on their capital✓
- Rent for natural resources✓
- Profit from entrepreneurial activities✓
- Households use their income to buy goods and services from businesses✓✓
- Households also pay taxes to the government✓✓
- In return, they receive public goods and services. ✓✓
- Households also save part of their income in financial markets. ✓✓

(4x 2) (8)

5.1.3 Explain the interaction in a two-sector model.

- The two participants in a two-sector model are households and businesses✓✓
- Households are the owners of the factors of production. ✓✓
- They supply businesses with the factors of production. ✓✓
- The factors of production are natural resources, capital, labour and entrepreneurs. ✓✓
- Businesses uses the factors of production to produce goods and services.
- Businesses pay households for the factors of production. ✓✓
- The reward for the factors of production are wages and salaries, rent, interest and profit. ✓✓
- Households use this income to buy goods and services from businesses✓✓ (4 x 2) (8)

5.1.4 Explain the relationship between businesses and the state.

- Businesses provide (sell) goods and services to the government. ✓✓
- The government provide public goods and services to the business sector, e.g. water, electricity, roads, protective services etc. ✓✓
- The government collect income from the businesses in the form of taxes that they use to provide public goods and services. ✓✓
- Government also provide some businesses with subsidies and loans to make it easier for businesses to operate. ✓✓ (4 x 2) (8)

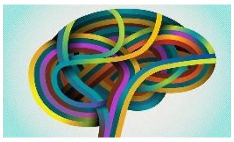
5.1.5 Discuss the interaction between the foreign sector the business sector.

- Businesses sell goods and services to the rest of the world✓✓
- Many goods and services produced by businesses in one country are sold to other countries. ✓✓
- These goods there are sold to other countries are known as exports. ✓✓
- These countries pay businesses for exported goods and services. ✓✓
- Foreign currency flows into the country, it becomes an injection in the circular flow. ✓✓
- Businesses also buy from other countries. ✓✓
- These goods and services bought are known as imports. Businesses must pay for these imported goods. ✓✓
- Money is flowing out of the country. ✓✓
- Export earnings therefor become an injection in the local economy while import payments become a leakage as money is leaving the country. ✓✓ (4 x 2) (8)

5.1.6 Outline the income method as a means to determine GDP.

The income method consists of the following steps:

- Compensation of employees✓
- Net operating surplus✓
- Consumption of fixed capital (depreciation) ✓
- Gross value added at factor cost✓
- Other taxes on production ✓
- Less other subsidies on production✓
- Gross value added at basic prices✓
- Taxes on products✓
- Less subsidies on products✓
- Gross Domestic product at market prices✓ (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 How can a country benefit by opening its economy to the foreign sector?

- A country with a link to other countries ensures a variety of goods and services to the local economy. ✓✓
- It also opens opportunities for local businesses to increase production beyond the limits of the local economy✓✓.

- Local businesses could apply mass production techniques to increase their volumes, leading to job creation. ✓✓
- It creates a demand for locally produced goods abroad✓✓ (4 x 2) (8)
  (Accept any other correct relevant response)

6.2 How could imports and exports influence the circular flow of a country?

- Goods that are exported to other countries could lead to an inflow of foreign currency in the country of export. ✓✓
- Many flows into the country, it becomes an injection into the circular flow. ✓✓
- More money will flow in the economy which could have a positive effect on spending patterns✓✓
- Imports mean that money is leaving the economy because countries must pay for imported goods. ✓✓
- It is considered as a leakage in the circular flow. ✓✓ (4 x 2) (8)
  (Accept any other correct relevant response) (8)

6.3 Use the following information to calculate the real economic growth rate for year 2. In addition, explain the impact on the economy.

Year	Real GDP (R millions)
1	1 751 499
2	1 814 134

Formula

$$\frac{Real\ GDP\ (Year\ 2) - Real\ GDP\ (Year\ 1)}{Real\ GDP\ (Year\ 1)} \times \frac{100}{1} ✓$$

$$= \frac{1\ 814\ 134 - 1\ 751\ 499}{1\ 751\ 499} \times \frac{100}{1} ✓$$

= 3.6%✓✓ (4)

- The economic rate for year 2 is 3.6%
- The calculation of real GDP indicates a positive growth of the economy. ✓✓
- The production of goods and services have increased. ✓✓ (4) (8)
  (Accept any other correct relevant response)

6.4 What is the significance of calculating real GDP and per capita income?

- Real GDP tells us what is happening to the level of production in the economy while GDP per capita indicates the standard of living in a country. ✓✓
- An increase in living standards takes place if the growth in real GDP exceeds the population growth. ✓✓
- Real GDP per capita is used as a measure of the economic welfare of residents of a country. ✓✓
- If real GDP per capita increases, it is assumed that people are better off. ✓✓ (8)
  (Accept any other correct relevant response)

SECTION C

ESSAY

- Discuss the role played by each participant in an open economy circular flow model. (26)
- What are the effects of an economic downswing on the participants in the economy? (10)

INTRODUCTION

A circular flow is a diagram showing the flow of goods, services, factors of production, income and expenditure, and the relationship between the participants in the economy. ✓✓
(Accept any other suitable introduction) (Max. 2)

BODY MAIN PART

HOUSEHOLDS/CONSUMERS

- They are the primary participants in the economy ✓✓
- They offer factors of production to both producers and government ✓✓
- In return they get remuneration in the form of wages and salaries ✓✓
- Use their income to buy goods and services from producers ✓✓
- Pay taxes to the government ✓✓

PRODUCERS/FIRMS/BUSINESSES

- They use factors of production to produce goods and services obtainable from households.✓✓
- Sell goods and services to consumers, government, and foreign sector ✓✓
- Receive income from other participants for payment on goods and services ✓✓
- Pay taxes to the government ✓✓

GOVERNMENT/ STATE

- Renders public services to benefit all the other participants ✓✓
- Collects taxes from households and businesses ✓✓

FOREIGN SECTOR

- Produces goods and services ✓✓
- Sells (exports) surpluses to other countries ✓✓
- Buys (imports) goods and services from other countries ✓✓ (Max. 26)

(Accept any relevant response)

ADDITIONAL PART

What are the effects of an economic downswing on the participants in the economy?

- **Businesses** will start producing fewer goods and services ✓✓
- **Households** will lose their jobs ✓✓
  - There will be less consumption of goods and services by households✓✓
- **The government's** revenue from taxes will decline✓✓
  - Government will need to provide more public goods and services ✓✓
- Exports by **foreign sector** will decline due to the decrease in production✓✓

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

CONCLUSION

While circular flow is a simplification of reality, understanding the real flows and money flows that occur in such a situation is an important foundation for understanding more complex economies✓✓

(Accept any other higher order conclusion)(Max. 2) (2)

[40]

MACROECONOMICS
TOPIC 4: BUSINESS CYCLES (WEEK 8 – 10)

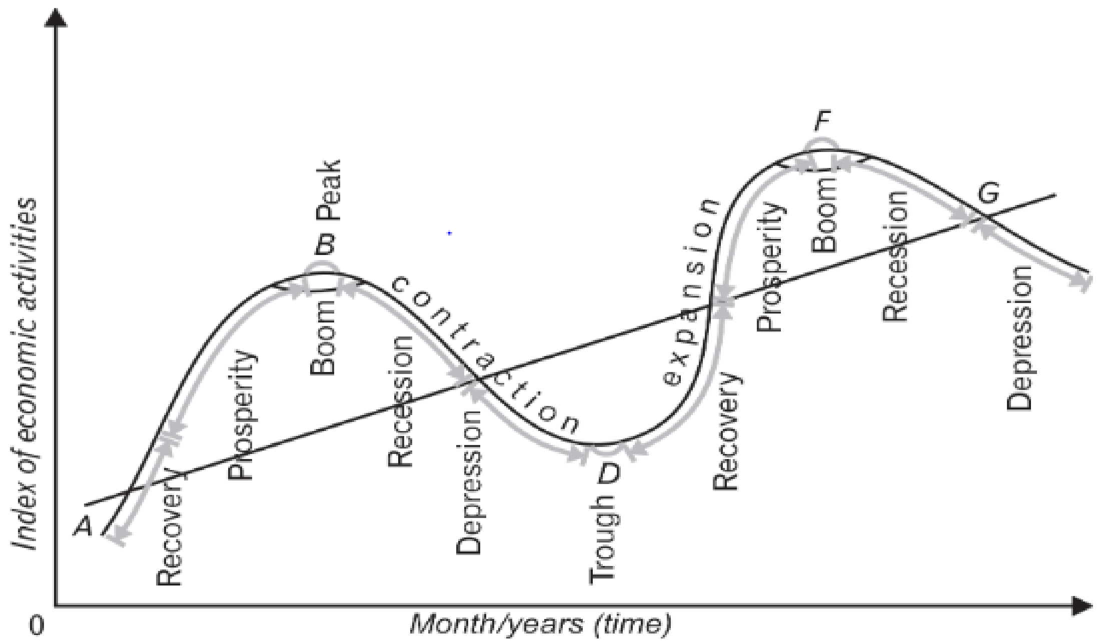
KEY CONCEPTS

CONCEPT	DEFINITION
Business cycle	Business Cycles can be described as consecutive periods of increasing and decreasing of economic activity of a country.
Upswing/expansion phase	Increase in economic activities and an upward movement along the business cycle.
Downswing/ Contraction	Decrease in economic activities and a downward movement along the business cycle.
Recession	Slowdown in the economic activities over time
Depression	Severe slowdown of economic activities, the economic growth gets close to zero
Recovery phase	An indication that an increase in economic activities has started
Prosperity phase	The economy has recovered and is accelerating in terms growth
Peak	Economic activities are at its highest point. It signals the end of the expansion phase. From this point the contraction phase starts
Trough	Economic activities are at its lowest point. It signals the end of the contraction phase. It is a turning point indicating the start of the expansion phase
Boom	Latter part of the prosperity phase. Economic activities are at the extreme
Trend line	A line indicating the general direction of economic activity over the long term
Amplitude	The distance between the trend line and the peak and trough
Economic indicator	It is an indicator that shows or suggests how an economy is likely to behave
Lagging indicator	These activities confirm that economic activities have taken place. In other words, it confirms the state of the economy. Lagging indicators change after the cycle turned.
Leading indicator	These indicators reach a peak before economic activities peaks or reach a trough before economic activities reaches a trough.
Coincident indicator	These activities take place simultaneously with the changes in the economy. Coincident indicators change with the cycle.
Endogenous factors	Forces inside the market causing fluctuating economic activities
Exogenous factors	Forces outside that markets causing fluctuating economic activities
Keynesian view	Stipulate that endogenous reasons cause economic fluctuations. Markets are inherently unstable. Government intervention is necessary.
Interventionist view/ Monetarist view	Stipulate that exogenous reasons cause economic fluctuations. Inappropriate government policies, weather and structural changes in the economy cause business cycles

Definition
Business Cycles can be described as consecutive periods of increasing and decreasing of economic activity of a country.

- These activities are described by indicators
- An indicator points or signals direction.
- Example: if retails sales increase, a growing economy is expected (expansionary phase)
- If retails sales decrease, a declining economy is expected (contractionary phase)

DIAGRAM OF THE BUSINESS CYCLE



SOLUTIONS FOR BUSINESS CYCLES

Definition
Business Cycles can be described as consecutive periods of increasing and decreasing of economic activity of a country.

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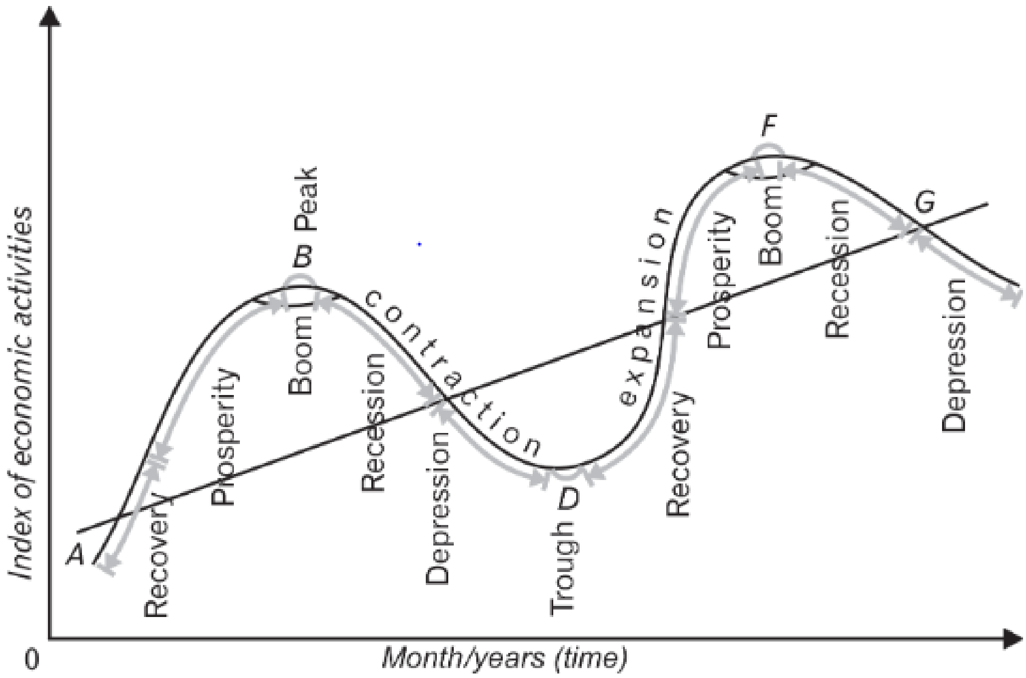
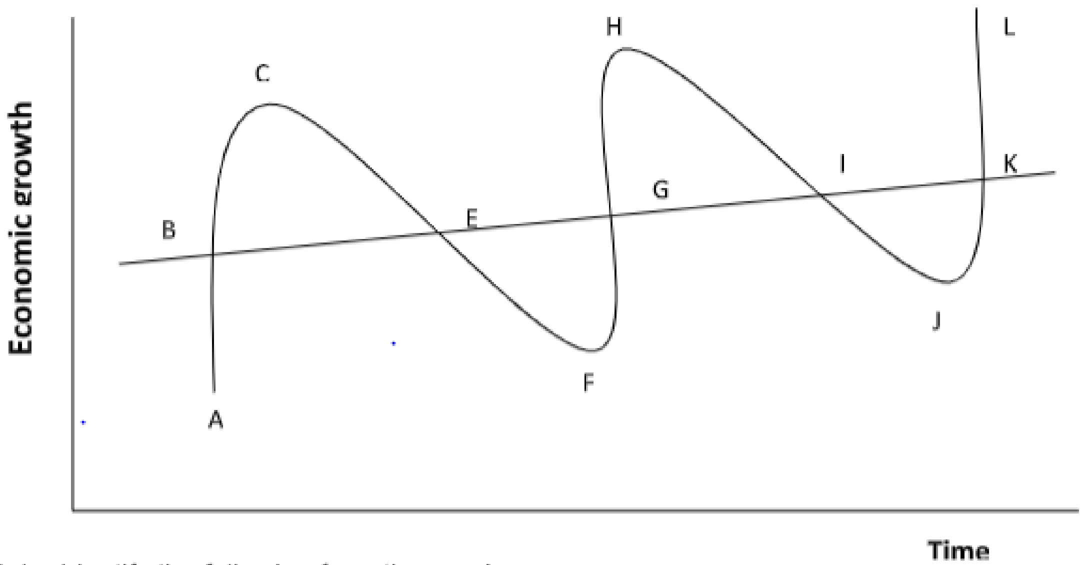


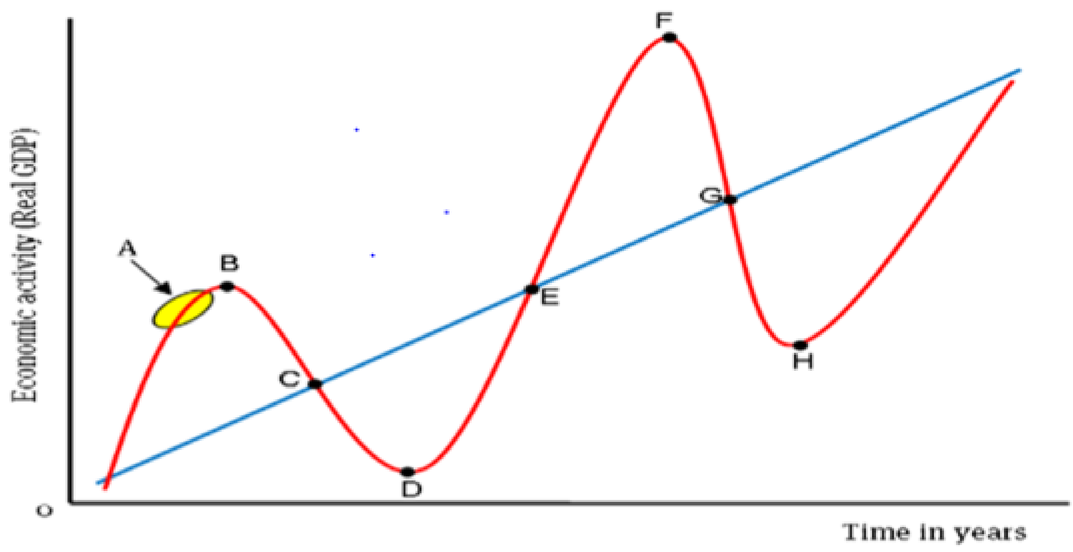
1. Short exercise to see if they understand the different points on the circular flow



1 Identify the following from the graph

a. Peak
b. Trough
c. Upswing
d. Downswing
e. Recession
f. Depression
g. Recovery phase
f. Expansionary phase (8)

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



Label each area / point on the graph next to the question number.

a) 2.1 B-C
b) 2.2 C-D
c) 2.3 D-E
d) 2.4 E-F
e) 2.5 Point B/ F
f) 2.6 Point D/H (6)

QUESTIONS

SECTION A: TYPICAL EXAM 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.

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

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	B	recession. ✓	1.1.9	D	a recession. ✓
1.1.2	C	the trend line ✓.	1.1.10	B	prosperity✓
1.1.3	D.	trough. ✓	1.1.11	C	lagging indicator. ✓
1.1.4	D	peak. ✓	1.1.12	D	co-incident✓
1.1.5	B.	leading indicator. ✓	1.1.13	A	business✓
1.1.6	B	negative economic growth✓	1.1.14	A	weather pattern✓
1.1.7	D	negative economic growth✓	1.1.15	A	business cycle✓
1.1.8	B	recession ✓	1.1.16	A	trend line✓

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 A Show us what might happen to economic activity in the future ✓
1.2.2 G Show us what has happened to the economy✓
1.2.3 A Show us what might happen to economic activity in the future✓
1.2.4 D A period in which there is a decline in eco-nomic activity and prosperity✓
1.2.5 B Refers to the ups and downs of economic activity in an economy / Consecutive periods of increasing and decreasing in economic activities✓
1.2.6 F The upper turning point of a business cycle ✓
1.2.7 E Independent factors that influence business cycles and originate outside the Economy✓
1.2.8 G The price paid for the factors of production✓ (8 x 1) (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.***

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 Trough ✓
1.3.2 Peak✓
1.3.3 Exogenous factors✓
1.3.4 Recession✓
1.3.5 Peak✓
1.3.6 Infrastructure✓
1.3.7 Leading indicators✓
1.3.8 Trend line✓
1.3.9 Depression✓
1.3.10 Amplitude✓
1.3.11 Recovery phase✓
1.3.12 Lagging indicator✓
1.3.13 Monetarist view✓
1.3.14 Keynesian view✓

SECTION B

QUESTION 2:

HINT: These types of questions are applicable for 2.1.2, 3.1.2 and 4.1.2. Answers must be provided in full sentences

2.1 Explain how an upswing will affect economic growth rate of a country.
During an upswing, businesses produce more goods to match the rising demand so this increases the GDP of the country which translates to economic growth. ✓✓
(1 x 2) (2)

2.2 How is the trend line used in business cycles?

The trend line is a line that indicates the general direction of the country's economic growth over a long period ✓✓
(Accept any other correct relevant answer) (1x2) (2)

2.3 How are business cycles measured?
From peak to peak or through to through✓✓ (1x2) (2)

2.4 Name the TWO periods in a business cycle.
- Contraction/downswing ✓
- Expansion/upswing ✓ (2 x 1) (2)

2.5 Name TWO phases of business cycles.
- Recession phase ✓
- Prosperity phase ✓
- Recovery phase ✓
- Depression phase ✓ **(2 x 1) (2)**

2.6 Name any TWO types of business cycle indicators used in forecasting economic activities.
- Leading indicators ✓
- Lagging indicators ✓
- Coincident indicator✓
- Composite indicators ✓ **(2 x 1) (2)**

2.7 Name the TWO views why business cycles occur.
- Monetarist approach (exogenous) ✓
- Keynesian approach (endogenous✓ **(2 x 1) (2)**

QUESTION 3

HINT: These types of questions are applicable to 2.1.2, 3.1.2 and 4.1.2 in your question paper. The answer must be presented in a full sentence

3.1 What is the purpose of a trend line in a business cycle?
The trend indicates the general direction in which indexes move, that were used in the business cycle ✓✓ **(1 x 2) (2)**
(Accept any other correct relevant response)

3.2 What happens during the depression phase.
Businesses shutdown, people lose jobs and unemployment is very high. ✓✓ **(1 x 2) (2)**

3.3 How does Monetarist approaches on business cycles?
Monetarists believe that fluctuations in a business cycle are caused by external factors ✓✓ **(1 x 2) (2)**

3.4 How does Keynesians approach on business cycles?
Keynesians believe that fluctuations are caused by internal factors ✓✓ **(1 x 2) (2)**

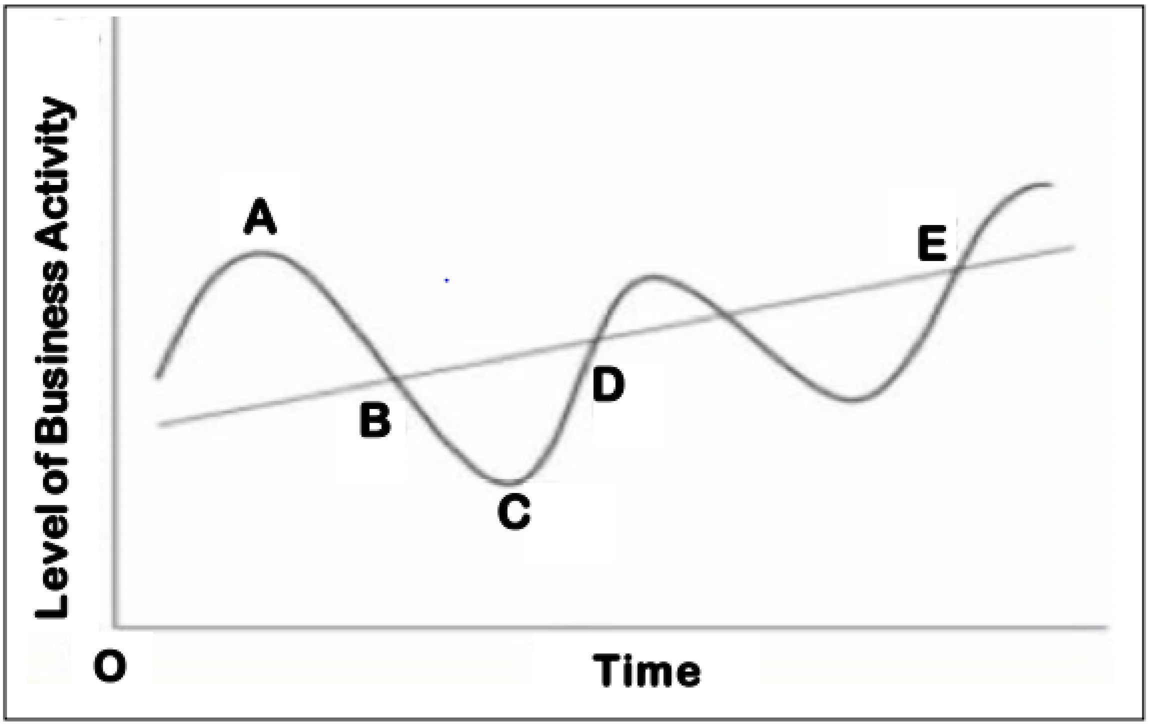
3.5 What effect will a recession have on business activities
When recession starts, output, income and investment will decline ✓✓ **(1x2) (2)**

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 Study the diagram and answer the question that follow



4.1 DATA RESPONSE

4.1.1 Provide the above diagram with an appropriate heading.
Business cycle ✓ (1)

4.1.2 Name the lowest point, C, in the diagram above.
Trough ✓ (1)

4.1.3 Briefly describe the term *trend line*.
This is a line showing the general direction of economic activity ✓✓
(Accept any other correct relevant response.) (2)

4.1.4 Describe the effect of a depression on employment levels.
During a depression many companies scale down on their production and ultimately many workers are retrenched causing massive unemployment ✓✓
(Accept any other correct relevant response.) (2)

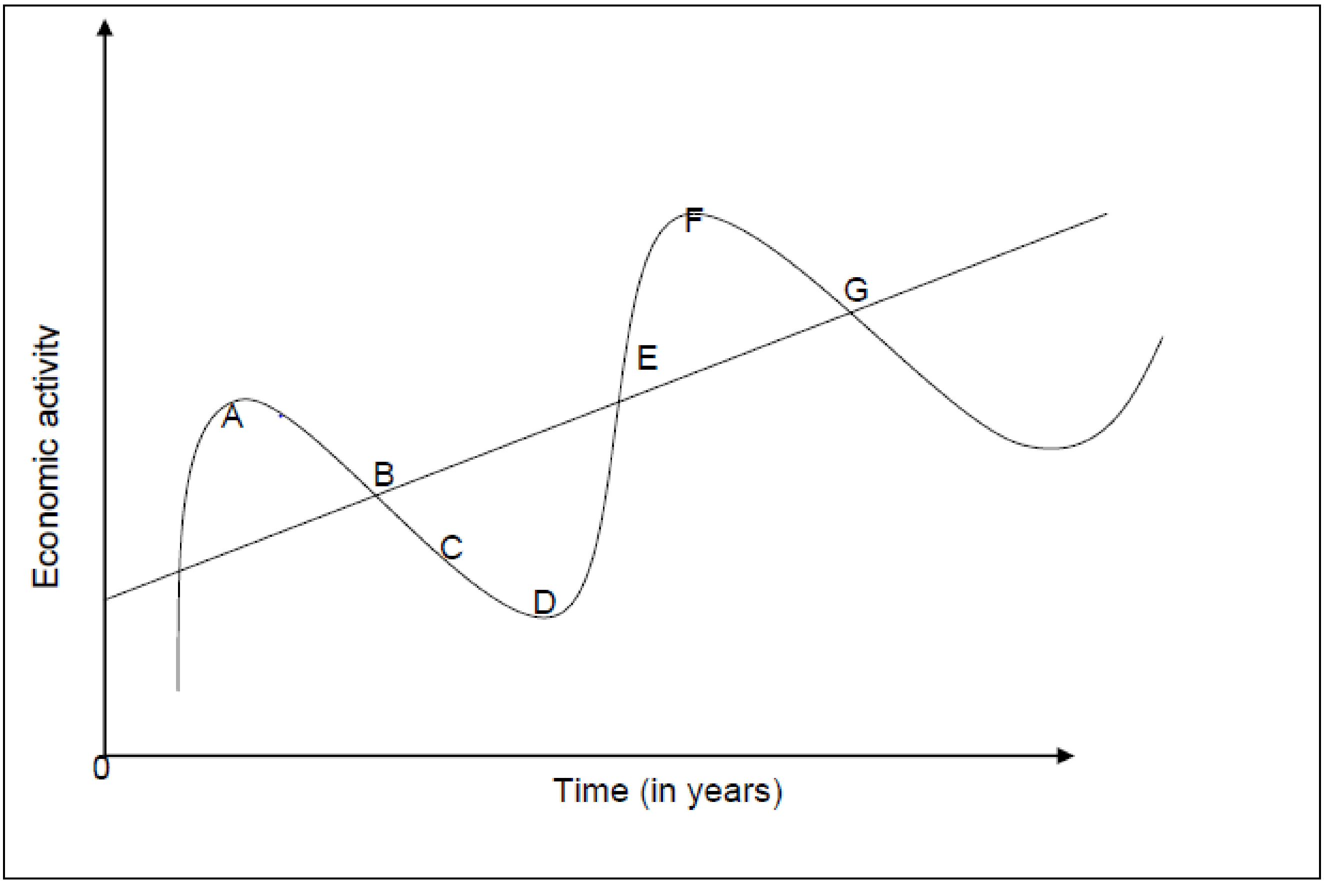
4.1.5 How is the economy affected during the prosperity phase?
The economy is affected due to:

- This is a time of general optimism and consumer spending ✓✓

- Output and economic activity increase and entrepreneurs expand their
- businesses ✓✓
- Employ more people and buy equipment ✓✓
- Profits increase as well as wages and prices✓✓
- Consumer demand rises which stimulates greater production ✓✓

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

4.2 Study the graph and answer the question that follow



Data Response

4.2.1 What is the name of the graph above?
Business cycles ✓ (1)

4.2.2 Which point on the graph may be associated with lowest GDP?
D✓ (1)

4.2.3 Briefly describe the term *economic growth*.
It is the increase in the value of goods and services produced over a period, measured in terms of real gross domestic product. ✓✓ (2)

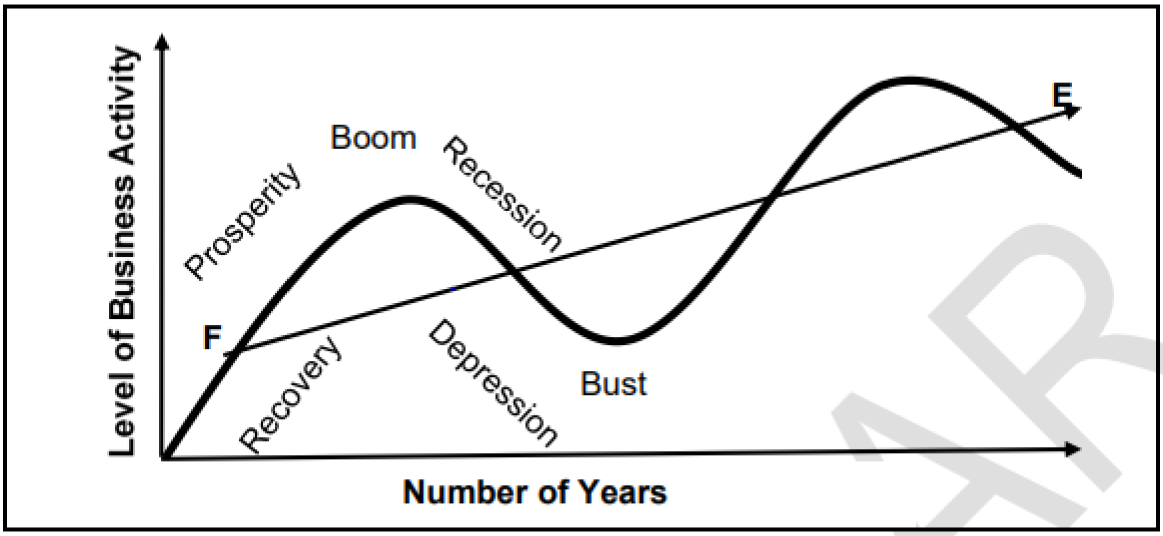
4.2.4 Briefly explain the effect of business cycles on economic growth.
During periods of downswings the economy has a negative growth, while during periods of upswings the economy has a positive growth. ✓✓ (2)

4.2.5 How can government reduce unemployment in an economy?

- The government can invest in job creation initiatives like the Expanded Public Works Programme ✓✓
- The government can invest in education and training to address skills shortages in the country ✓✓

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

4.3 Study the diagram and answer the questions that follow



4.3 DATA RESPONSE

4.3.1 Name the positively sloped straight line on the above graph.
Trend line ✓ (1)

4.3.2 What is the distance from peak to trough called?
Amplitude ✓ (1)

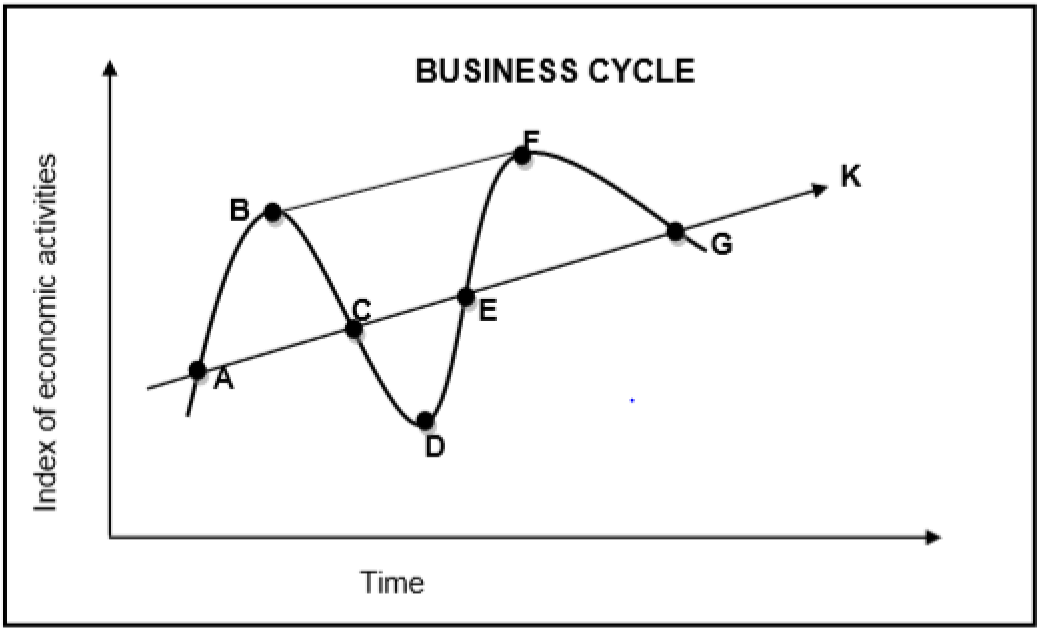
4.3.3 Briefly describe the term at constant prices.
These are prices of goods and services that have been adjusted for inflation ✓✓ (2)

4.3.4 Briefly describe a feature of the depression phase.
Businesses shutdown, people lose jobs and unemployment is very high. ✓✓ (2)

4.3.5 How does Monetarist and Keynesian approaches on business cycles differ?

- Monetarists believe that fluctuations in a business cycle are caused by external factors ✓✓
- Keynesians believe that fluctuations are caused by internal factors ✓✓ (2 x 2) (4)

4.4 Study the diagram and answer the questions that follow



4.4.1 Identify the trend line in the business cycle.

K ✓ (1)

4.4.2 Which letter represents a trough in the diagram?

D ✓ (1)

4.4.3 Briefly describe the term *business cycle.*

Successive periods of expansion and contraction in economic activities ✓✓

(Accept any other correct relevant description) (2)

4.4.4 Explain economic activity during phase EF in the business cycle.

- Economy is growing and improving rapidly ✓✓
- More businesses open up and more workers are hired ✓✓
- Increased demand for credit which increases interest rates ✓✓
- Higher demand and higher prices for capital goods ✓✓
- Profits and salaries increase ✓✓
- Higher inflation ✓✓

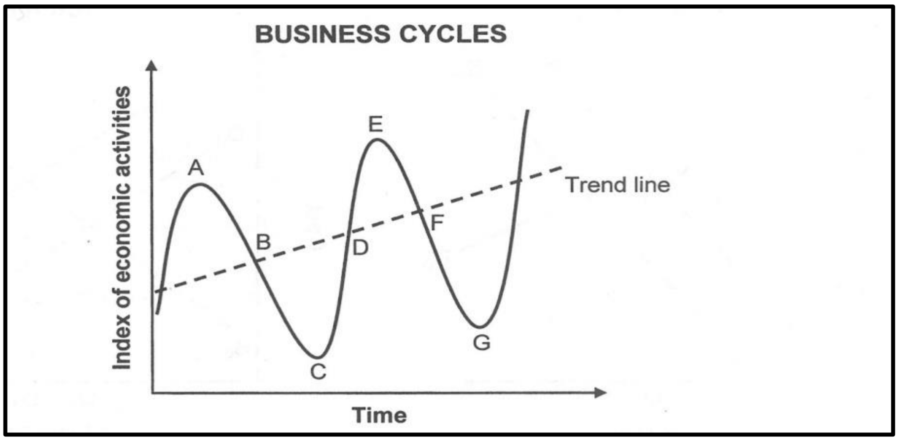
(Accept any other correct relevant response) (2)

4.4.5 How can the length (BF) be used in forecasting of business cycles?

- Because the length remains relatively constant, one can forecast that the next cycle will be of a similar length ✓✓
- If a business cycle has a length of 12 years, it can be predicted that 12 years will pass between successive peaks or troughs or that it will take 6 years for the economy to pass through a recession ✓✓
- Longer cycles show strength which will indicate that the next cycle will also be strong (or vice versa) ✓✓

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

4.5 Study the diagram and answer the questions that follow.



4.5 Study the diagram and answer the questions that follow.

4.5.1 **What is the direction in which indexes move called?**

Trend line✓ (1)

4.5.2 Which model is illustrated in the diagram above?

Business Cycle ✓ (1)

4.5.3 Briefly describe the term *business cycle.*

Business cycle is the successive periods of growth and decline in economic activities ✓✓

(Accept any other correct relevant description) (2)

4.5.4 Describe the peak of a business cycle.

It is the highest point between the end of economic expansion and the start of a recession / the upper turning point of the cycle ✓✓ (2)

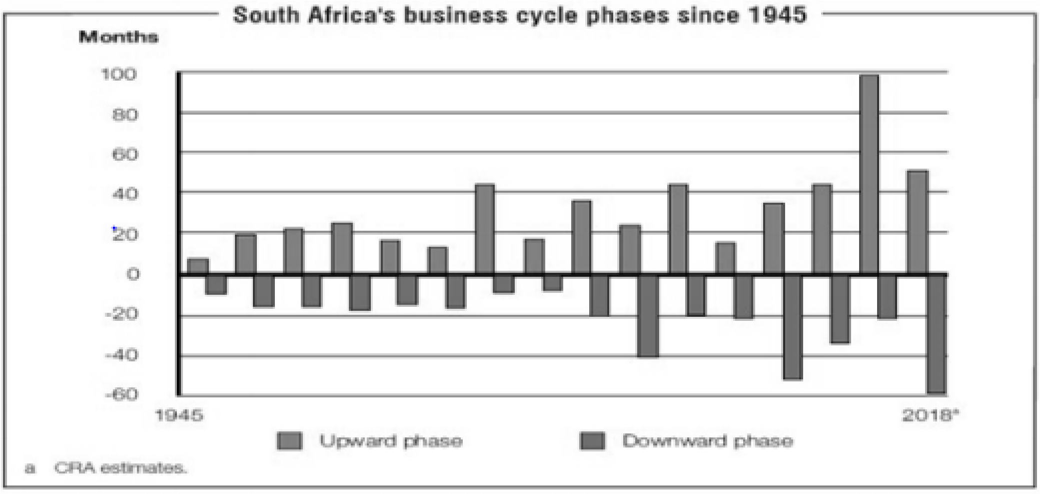
4.5.5 Why is it important to determine the amplitude?

- To determine the extent of change. ✓✓
- To measure the distance of the peaks and troughs from the trend. ✓✓ (2x2) (4)

(Accept any other correct relevant response)

4.6 Study the diagram and answer the questions that follow

SOUTH AFRICA FACING ITS LONGEST DOWNWARD BUSINESS CYCLE SINCE 1945:



According to a report by the Centre for Risk Analysis, South Africa's latest business cycle has been in a downward phase since 2013. It seems unlikely that the cycle will experience an upward trajectory in the near future.

Adapted source: https://www.thesouthafrican.com/south-africa-worst-business-cycle

4.6.1 Identify the longest period (months) in which South Africa experienced an upswing in the economy.

99/100 ✓ (1)

4.6.2 How long (years) is the current downswing of the South African economy?

5 years✓ (1)

4.6.3 Briefly describe the term *economic trend.*

The indicates the general pattern or direction of the economy. ✓✓ (2)

4.6.4 Why are long upward amplitudes preferred than long downward amplitudes in the economy?

- The long upward amplitudes coincide the successive economic performance which is characterise by high investments and increased consumption patterns. ✓✓ (2)
- The long downward amplitudes are not preferred because they coincide with the decline in economic performance which is characterised by weak consumption and lack of investments in the economy. ✓✓ (2)

4.6.5 How can the South African government use open market transaction to overcome the above ongoing economic decline?

- The South African Reserve Bank can buy financial securities such as shares/ bonds from commercial banks which can increase the quantity of money available in the circulation for credits. ✓✓
- The buying of financial securities is normally accompanied by lower interest rates that make credit cheaper to accelerate economic activities. ✓✓ (4)

4.7 Read the article and answer the questions that follow

THE GREAT DEPRESSION

The great depression of 1929 has a central place in 20th Century economic history. When compared to all other depressions and recessions, the Great Depression was a major depression whether assessed by a drop in production or by the long period of slack production. All other depressions and recessions have been much smaller, although those left unemployed or bankrupt by them did not experience them as small. The Great Depression caused people to doubt the survival of the capitalist economic system and the political order.

[Source: www.publicnewshub.com, June 2015]

4.7.1 Which is the depression that is referred to as a major depression in the passage?

Great Depression 1929 ✓ (1)

4.7.2 Explain the term *depression.*

The prolonged recession caused by a downturn in the economy ✓ (1)
(Accept any other relevant response.)

4.7.3 Briefly discuss any TWO effects of depression and recession.

- A drop in production for a long time✓✓
- Unemployment and bankruptcy rise. ✓✓
- Reduced demand for goods and services ✓✓
- Prices and profits dropping to low levels ✓✓
- Closure of businesses ✓✓

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

4.7.4 Briefly describe the effects of a boom or prosperity phase.

- High level of spending by households ✓✓
- More income for households ✓✓
- Reduction in unemployment ✓✓
- New business springs up ✓✓
- More production for services ✓✓
- Profits and prices rising ✓✓
- Interest rates rising up to combat rampant inflation ✓✓
  (Accept any other relevant response.) (2 x 2) (4)

4.8 Study the cartoon and answer the questions that follow

[Source: www.struggle.pk]

4.8.1 Identify the phase of the business cycle as well as an economic activity from the cartoon above.
PHASE: Recovery phase ✓
ECON ACTIVITY : Jobless ✓ (2)

4.8.2 Why will 'jobless' not lead to an economic 'take-off'?
Because there is a high percentage of jobless (unemployed) people in South Africa, which hampers economic recovery ✓✓
(Accept any other relevant response) (2)

4.8.3 Which business cycle indicator does 'jobless' refer to?

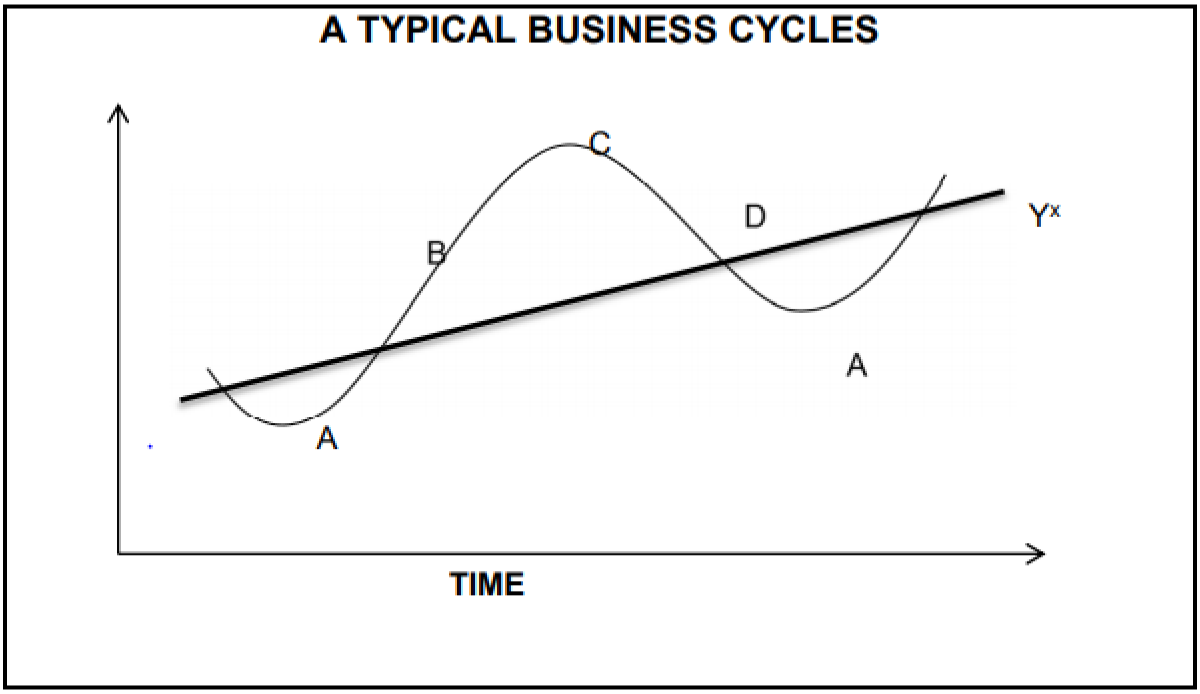
- Co- incident ✓✓ (2)

4.8.4 How would you describe the recovery phase of a typical business cycle?

- Exports will start to increase, resulting in an increase in production ✓✓
- Businesses start to hire a few more people and order raw material ✓✓
- Businesses might even take out more loans from financial institutions ✓✓
- Economic activities in the country slowly start to increase ✓✓

(Any other relevant response) (Any 2 x 2) (4)

4.9 Study the graph and answer the questions that follow



4.9.1 Identify the trough in the business cycle above

- A ✓ (1)

4.9.2 What is the line labelled Yx called in economics?

- Trend line ✓ (1)

4.9.3 Briefly describe the term *business cycle*.

- A business cycle is a consecutive period of increasing and decreasing economic activities. ✓✓

(Any other relevant correct definition) (2)

4.9.4 Explain the *recovery phase* of a typical business cycle.

- Manufacturing production increases ✓✓
- Interest rates fall further ✓✓
- Inflation decreases ✓✓
- Rand appreciates and exports grow. ✓✓

(Any relevant response) (2)

4.9.5 What can the government do to smooth out a severe decrease in the business cycles?

- The government should decrease taxes ✓✓
- Decrease the interest rates✓✓
- Allow the exchange rate to appreciate ✓✓

(Any 2 x 2) (4)

4.10 Read the article and answer the questions that follow

South African recession is 'transitional issue' – Ramaphosa

JOHANNESBURG - South Africa's slide into recession is a "transitional issue" from which the economy will soon recover, President Cyril Ramaphosa said in comments published on Thursday, repeating promises for a stimulus package to reignite growth.

Ramaphosa has staked his reputation on reviving the economy after a decade of stagnation under his predecessor, scandal-plagued Jacob Zuma, whom he replaced in February.

But Ramaphosa suffered a major disappointment when data showed on Tuesday that the economy had shrunk 0.7 percent in the second quarter, unexpectedly tipping the country into its first recession since 2009.

[*Source: Adapted from Reuters 6 September 2018*]

4.10.1 Identify the business cycle phase in the above extract.

- Recession / Economic downturn / Contraction ✓

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

4.10.2 Which government department would best be able to assist the president with implementing the stimulus package to help get the economy growing again?

Finance Department ✓ (1)

4.10.3 Briefly describe the term *business cycle.*

These are indications of fluctuations in economic activities reflecting upswings for growth and downswings when there is negative growth. ✓✓

(Accept any other correct relevant response) (2)

4.10.4 Why can we expect job losses during this economic phase?

Lower production levels result in a lower demand for labour. ✓✓

(Accept any other correct relevant response) (2)

4.10.5 Advise the president on which fiscal policy measures he could use to stimulate the economy.

- Government could reduce taxes so that businesses are left with more money after tax. This money could be used to buy more raw materials. ✓✓
- Increase government spending so that more money is injected into the economy and is in circulation. ✓✓

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

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

5.1 Discuss the *Prosperity phase* of the business cycle

- There is an increase in real GDP ✓✓
- Firms make high profits and this attracts other business to enter the market ✓✓
- As more businesses open, more factors of production are employed. ✓✓
- The increase in income causes an increase in aggregate demand which in turn forces producers to increase output. ✓✓
- Increased output causes an increase in investment spending as producers expand their businesses and buy more inventories. ✓✓

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

5.2 Write notes to explain the *Recession phase* of the business cycle

- This phase follows immediately after the peak. ✓✓
- It is a phase where economic activity starts to slow down. ✓✓
- It is called economic downturn. ✓✓
- It occurs when there is a continuous decrease in economic activity for a period of six consecutive months or two quarters. ✓✓
- Jobs are lost / employment levels drop. ✓✓
- Aggregate demand falls. ✓✓
- The value of money depreciates. ✓✓
- Inflation increases ✓✓
- Interest rates will increase, discouraging the demand for credit. ✓✓

(Accept any other relevant answers)

5.3 Explain the *Depression phase* of the business cycle.

- During this phase many businesses close down resulting in low output. ✓ ✓
- Aggregate demand decreases due to many people having little or no income. ✓✓
- When economic activity is at its lowest, a trough is reached ✓✓
- Business sentiment is depressed. ✓ ✓
- Low demand for credit. ✓ ✓
- Share prices start to increase. ✓✓

(Accept any other relevant answers)

5.4 Discuss the *Recovery phase* of the business cycle

- This phase follows immediately after the trough. ✓✓
- It shows that the economy is growing after the contraction. ✓✓
- The recovery is slow, but it accelerates until it enters the prosperity phase. ✓✓
- Production increases and more jobs are created. ✓✓
- Business sentiment rises and there is increased spending by firms. ✓✓
- Exports increase and the value of money appreciates. ✓✓
- Inflation decreases. ✓✓

(Accept any other relevant answers)

5.5 Discuss the difference between *exogenous and endogenous reasons* for changes in the business cycle

Exogenous reasons:

- Exogenous reasons ✓✓are reasons for business cycles that originate outside the market system.
- Changes in weather conditions affect the output of the agricultural sector and tourism industry of an economy and the total level of economic activity. ✓✓
- When the economy has structural change, it affects production, employment, investments, government expenses, taxes, imports and exports. ✓✓
- Variations in the money supply also cause business cycles. ✓✓
- Random shocks can cause business cycles e.g., war, sudden increase in the price of oil, natural disasters etc. ✓✓
- Political actions such as when the government wants to win election votes, will adopt an expansionary policy and after the election the inflationary effects of this expansionary policy begins. ✓✓

(Accept any other relevant responses) (any 2 x 2) (4)

Endogenous factors

- They are factors that are part of the economic system. ✓✓
- The expansion phase also contains mechanisms that eventually cause a contraction of economic activity.
- As the level of economic activity increases total spending in the economy increases as well. ✓✓
- This causes an increase in imports which negatively affects the balance of payments and leads to a depreciation of the exchange rate. ✓✓
- Increase in interest rates due to increased borrowing (negative effect on the economy). ✓✓
- Positive perceptions of the economy will lead to an increase in spending and vice versa. ✓✓

(Accept any other relevant responses) (any 2 x 2) (4)

5.6 Distinguish between *leading and lagging economic indicators*.

- Leading economic indicators are indicators that change before the economy changes ✓✓
- They are the most important type of indicator for investors because they help to predict what economy will be like in the future ✓✓
- Lagging economic indicators are indicators that change direction only after the economy does ✓✓
- The unemployment rate is a lagging economic indicator because unemployment tends to decrease for two or three quarters after the economy starts to improve ✓✓

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

5.7 Discuss the Monetarist approach as a cause of business cycles.

- Also called the sunspot theory / exogenous approach ✓✓
- Believe markets are inherently stable. ✓✓
- Departures from the equilibrium state are caused by factors outside of the market system. ✓✓
- Market forces (supply and demand) kick in and bring the economy back to its natural state or equilibrium route. ✓✓
- These interferences are not part of the normal forces operating in the market. ✓✓

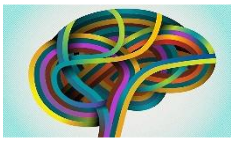
- Governments should not interfere in the markets. ✓✓
- Major cause of economic fluctuations are inappropriate government policies ✓✓,
  undesirable increases and decreases in money supply ✓✓
  - weather conditions ✓
  - shocks (September 11) / Covid 19✓
  - structural changes ✓
  - severe increases in the price of
  - fuel ✓ and wars✓

(Maximum 4 marks for examples) (Any 4 x 2) (8)

5.8 Discuss lagging indicators as a feature underpinning forecasting.
(They can ask any of the THREE indicators on its own) (Then you must know at least 4 facts)

- Serve to confirm the behaviour of the coincident indicators ✓✓
- If it does not confirm the upswing or downswing, for instance, it signals that the upswing or downswing is weak and will most likely end at an early stage ✓✓
- Change direction after reference turning points in the business cycle has been reached ✓✓
- Confirm changes that were first indicated by the leading indicators and then the coincident indicators ✓✓
- Provide an advance signal of a turning point in the business cycle ✓✓
- First to reflect imbalances that intensify (increase) or subsidise (decrease) in the economy ✓✓
- Influence of movements on subsequent movements in the leading indicators help explain the view that one business cycle generates the next one ✓✓
  (8)

QUESTION 6



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.***

6.1 Evaluate the effects of the business cycle on the economy

1. Changes in aggregate supply and demand✓
   - In a recovery period people will demand more.✓✓
   - This may lead to shortages of goods and services to meet the demand, then business will have to produce more to meet the demand for goods and services.✓✓
   - In a recession there will be a decrease in demand for goods and services due to the high unemployment rate, then businesses need to reduce their production.✓✓

2. Changes in economic growth✓
    - In a downswing, there will be less economic growth, businesses will produce less.✓✓
    - In an upswing there will be economic growth, businesses will have to produce more to meet the growing demand for goods and services.✓✓

3. Changes in employment✓
    - In a downswing phase, businesses will produce less which results in people losing their jobs, unemployment increases.✓✓
    - In an upswing phase of business cycle, businesses will produce more goods and services and employ more people, employment increases.✓✓

4. Changes in prices.✓
    - In a downturn of the economy, prices are usually quite high and may increase.✓✓
    - People may not afford the goods and services anymore and will buy fewer goods and services✓✓

5. Changes in the exchange rate✓
    - In a downswing there is a decrease in demand for a country's goods and services and a decrease in exports.✓✓
    - In an upswing there is an increased demand for a country's currency. More people are buying the country goods and services. This leads to the purchasing power gaining value.✓✓ (8)

    A maximum of 2 marks for naming and listing

6.2 How do business cycle fluctuations affect employment in the economy?

- Like a depression, a recession leads to joblessness, reduced production, reduced incomes, and lower living standards. ✓✓
- Employment is the total number of people currently working for pay, and unemployment is the total number of people who are actively looking for work but aren't currently employed. ✓✓
- A country's labour force is the sum of employment and unemployment. ✓✓
- The unemployment rate, which is the percentage of the labour force that is unemployed, is usually a good indicator of what conditions are like in the job market. ✓✓
- A high unemployment rate signals a poor job market in which jobs are hard to find. ✓✓
- A low unemployment rate indicates a good job market in which jobs are relatively easy to find. ✓✓
- In general, during recessions the unemployment rate rises, and during expansions it falls. ✓✓

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

6.3 How can injections contribute towards the economic upswing?

- Improvement in the standard of living of people in the economy ✓✓
- Both exports and investments will lead to more money flowing into SA ✓✓
- More production in SA will benefit the SA economy ✓✓
- More jobs are created ✓✓

- Improvement in the infrastructural development ✓✓

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

6.4 Explain how endogenous (Keynesian) factors influence economic fluctuation.

- They are factors that are part of the economic system. ✓✓
- The expansion phase contains mechanisms that eventually cause a contraction of economic activity. ✓✓
- As the level of economic activity increases, total spending in the economy increases as well. ✓✓
- This causes an increase in imports which negatively affects the balance of payments and leads to a depreciation of the exchange rate. ✓✓
- Increased borrowing leads to increase in interest rates (negative effect on the economy). ✓✓
- Positive perceptions of the economy will lead to an increase in spending and vice versa. ✓✓

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

6.5 Highlight the effects of business cycles to the economy. (10)

- Aggregate supply increases during a boom and decreases during a recession while an aggregate demand also changes between these phases□□
- Economic growth increases during an expansion and decreases during a recession□□
- Employment increases during an upswing and decreases during a downswing□□
- Prices increase as the economy expands and decrease as the economy contracts as businesses are aware of the buying power of consumers□□
- Exchange rates improve as the economy grows and deteriorate as the economy stagnates□□

(Accept any other correct relevant answer) (4 x 2) (8)

6.6 Evaluate the endogenous reasons for changes in the business cycle.

- The Keynesian (endogenous) view is that markets are inherently unstable therefore government interventions are necessary to stabilise the economy. ✓✓
- They argue that changes in the value of total expenditure brings about changes in demand. ✓✓
- Government can intervene through fiscal policy which includes taxes to stimulate economic activity. ✓✓
- During a recession, government can increase its spending and reduce taxes to stimulate economic activity. ✓✓
- This will increase the level of economic activity, e.g. production, employment, income and demand. ✓✓
- During a peak the government can increase taxes and reduce government spending. ✓✓

6.7 Why are leading indicators important in forecasting business cycles? (8)

Leading indicators are important in forecasting because:

- They predict when the next change in the business cycle will be ✓✓
- They are being used to gain some sense of where the economy is headed ✓✓
- Investors are using them to adjust their strategy to benefit from future market conditions that will affect their revenue ✓✓
- Businesses are using them to anticipate economic conditions ✓✓
- Policy makers are using them for considering adjustments to monetary policy ✓✓

(Accept any other correct relevant answer.)

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

6.8 What can the government do when the economy is in a recession?

- The government can influence the economy by:
- adopting an expansionary fiscal policy in an attempt to contain the economic slump ✓✓
- stimulating economic activities, E.g., Attracting DFI, Progressive fiscal policy, Plans and strategies to grow the economy ✓✓
- increasing government spending, E.g., Allocation of funds for expansion of economic activities ✓✓
- reducing the level of taxes to increase the level of disposable income and consumption expenditure, E.g., Reducing of personal income tax and company tax ✓✓

(Accept any other correct relevant answer) (8)

SECTION C

.

Your answer will be assessed as follows:

QUESTION 7

- Discuss in detail the phases of business cycle with the aid of a diagram. (26)
- Evaluate the endogenous reasons for changes in the business cycle (10)

[40]

INTRODUCTION

Business cycle is a consecutive period of increasing and decreasing economic activities. ✓✓

MAIN PART

Prosperity phase ✓

- Optimism encourages entrepreneurs to borrow money and to buy new machinery. ✓✓
- More people are employed and production increases. ✓✓
- Prices, wages, interest rate and profits increase. ✓✓
- Factories work overtime and skilled labour becomes extremely scarce. ✓✓
- When the boom starts everything seems to go to the extreme. ✓✓
- Interest rates, salaries and wages increase to even higher levels and there is a much
  greater demand for raw materials, costs of businesses increase almost beyond control. ✓✓
- Inflation accelerates beyond previous high levels. ✓✓
- Some businesses start to realise that the prosperity phase cannot last forever. ✓✓
- But there are no clear disturbances yet. ✓✓

The recession phase ✓

- Businesses start to prepare for bad times by trying to repay the larger part of their loans. ✓✓

- They selectively lay off workers. ✓✓
- Spending by households and profits of businesses start to decrease. ✓✓
- Inflation is high and the central bank reduces the quantity of money and credit in the economy and increases interest rates ✓✓ in other words, the central bank applies a stricter monetary policy. ✓✓
- Households find it difficult to buy goods on credit and to pay bonds, and banks insist that business enterprises repay the loans that were granted during the boom. ✓✓
- Spending on durable consumer goods and capital equipment is greatly reduced and unemployment increases. ✓✓
- Some businesses start to show losses. ✓✓

The depression phase

- This phase is characterised by general pessimism (expecting the worst) by households and businesses. ✓✓
- The spending of all sectors in the economy decreases drastically and consists mainly of expenditure on consumer goods. ✓✓
- Businesses show poor profits, many make losses, and some go bankrupt. ✓✓
- Households that cannot pay their debts have their furniture, motorcars, and even their houses repossessed. ✓✓
- Many people find work in the informal sector. ✓✓
- The main objective of households is to provide for their basic needs (food, shelter and clothing). ✓✓
- Because of the reduction in demand, inflation also decreases, and interest rates fall. ✓✓
- At a certain stage businesses start to realize that conditions are going to improve at some time, and they take the first actions that will eventually lead to the recovery. ✓✓

The recovery phase ✓

- Businesses realise that conditions are going to improve and start to service their machinery and improve equipment. ✓✓
- They increase their production slightly to provide stock for a possible increase in demand. ✓✓
- They make better use of their labour and even employ new workers. ✓✓
- Because businesses purchase more goods and services and employ a greater number of people, there is an increase in income and spending in the economy. ✓✓
- Because interest rates are low, household bond repayments and other instalments are low, and so households have more money to spend. ✓✓
- Loans are available but households and business enterprises are still not keen to borrow. ✓✓
- As soon as sales improve, business profits increase. ✓✓
- Entrepreneurs become more optimistic. ✓✓ (26)

Additional part
Evaluate the endogenous reasons for changes in the business cycle.

- The Keynesian (endogenous) view is that markets are inherently unstable therefore government interventions are necessary to stabilise the economy. ✓✓
- They argue that changes in the value of total expenditure brings about changes in demand. ✓✓
- Government can intervene through fiscal policy which includes taxes to stimulate economic activity. ✓✓
- During a recession, government can increase its spending and reduce taxes to stimulate economic activity. ✓✓
- This will increase the level of economic activity, e.g., production, employment, income and demand. ✓✓
- During a peak, the government can increase taxes and reduce government spending. ✓✓
  (10)

Conclusion

Endogenous changes in the business cycle are based on events in the economy and are interlinked and can affect each other. ✓✓ (2)
[40]

QUESTION 8

- With the aid of a diagram discuss the phases / stages of a business cycle. (26)
- Explain the endogenous reason (Keynesian theory) for business cycles. (10)

[40]

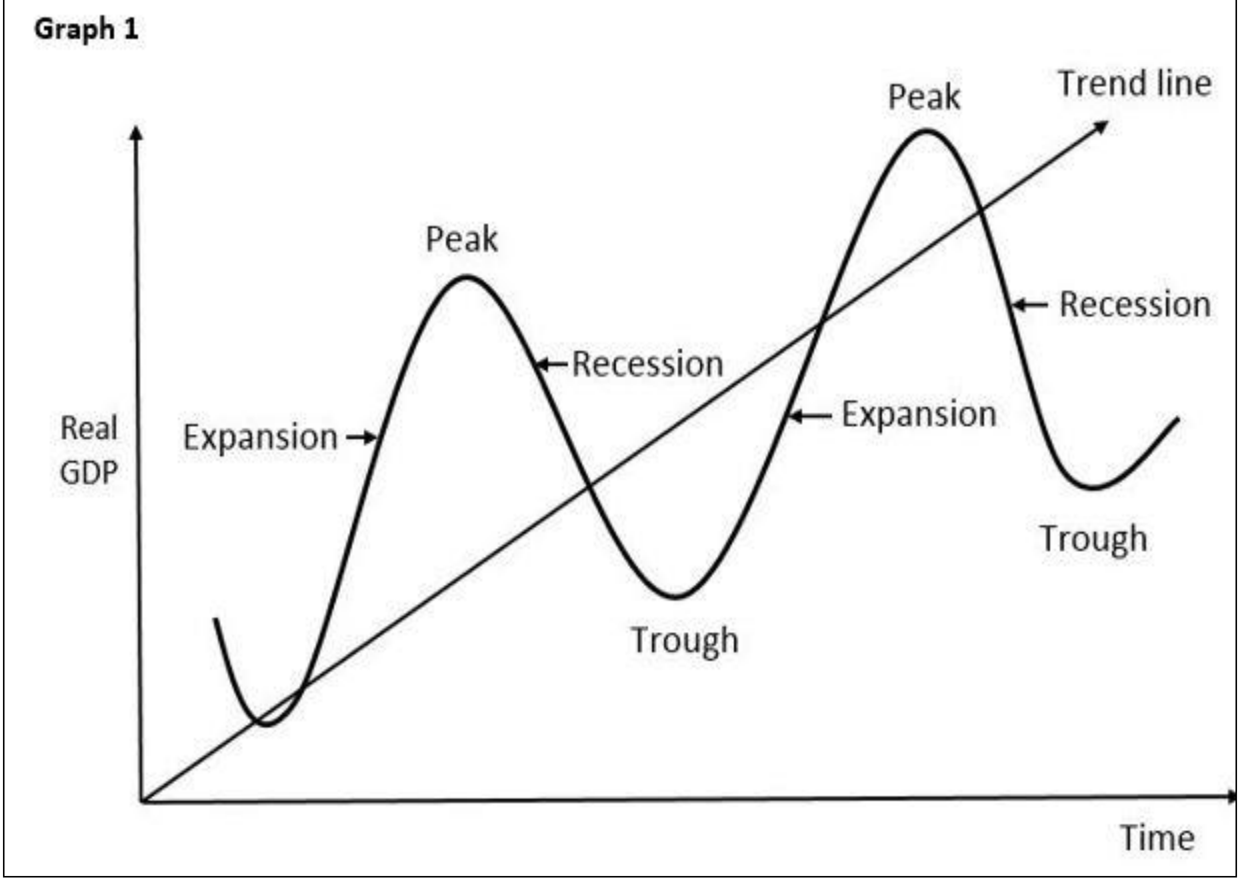
INTRODUCTION

- Business cycles are defined as consecutive periods of increasing and decreasing economic activities.✓✓
- Continuous change in the level of economic activities that has a repetitive pattern of expansion and contraction in production, income and consumption over a number of years.✓✓

  (Accept any other relevant introduction / definition.) (Max. 2)

BODY: MAIN PART

BUSINESS CYCLE



• Heading=	1 mark
• Trend line=	1 mark
• Peak=	1 mark
• Trough=	1 mark
• Labeling of axis = 2 marks	
	TOTAL MARK: (6)

1. Prosperity phase ✓
   - There is an increase in real GDP.✓✓
   - Firms make high profits and this attracts other business to enter the market.✓✓
   - As more businesses open, more factors of production are employed.✓✓
   - The increase in income causes an increase in aggregate demand which in turn forces producers to increase output.✓✓
   - Increased output causes an increase in investment spending as producers expand their businesses and buy more inventories✓✓.

   (Accept any other relevant answers)

2. Recession phase✓
   - This phase follows immediately after the peak.✓✓
   - It is a phase where economic activities start to slow down.✓✓
   - It is called economic downturn.✓✓
   - It occurs when there is a continuous decrease in economic activity for a period of six consecutive months or two quarters.✓✓
   - Jobs are lost / employment levels drop.✓✓

- Aggregate demand falls.✓✓
- The value of money depreciates.✓✓
- Inflation increases.✓✓
- Interest rates increase, discouraging the demand for credit.✓✓

(Accept any other relevant answers)

3. Depression phase✓
- During this phase many businesses close down resulting in low output.✓✓
- Aggregate demand decreases due to many people having little or no income.✓✓
- When economic activities are at its lowest, a trough is reached.✓✓
- Business sentiment is depressed.✓✓
- Low demand for credit.✓✓
- Share prices start to increase.✓✓

(Accept any other relevant answers)

4. Recovery phase✓
- This phase follows immediately after the trough.✓✓
- It shows that the economy is growing after the contraction.✓✓
- The recovery is slow but it accelerates until it enters the prosperity phase.✓✓
- Production increases and more jobs are created.✓✓
- Business sentiment rises and there is increased spending by firms.✓✓
- Exports increase and the value of money appreciates.✓✓

(NB: Accept explanation of peak, trough, expansion, contraction)
A minimum of 20 marks is allocated to different stages of the business cycle and 6 marks awarded for diagram. (Max 26)

ADDITIONAL PART

Explain the endogenous reasons (Keynesian theory) for business cycles

- The Keynesian view is that markets are inherently unstable. ✓✓
- The level of economic activities constantly and erratically overshoots and undershoots the economy potential. ✓✓
- The price mechanism fails to coordinate demand and supply of goods and services. ✓✓
- Prices are simply not flexible enough to be adjusted downwards. ✓✓
- These mismatches cause business cycles. ✓✓
- The government should intervene to smooth peaks and troughs as they occur.✓✓

(10)

Conclusion

- Business cycles can be used to determine economic activities✓✓
- Business cycles can be used by economists and everybody in understanding the state of the economy✓✓

(Any other relevant conclusion) (Max 2)
[40]

QUESTION 9

- **Briefly discuss the phases of the business cycle. (26)**
- **Explain how endogenous (Keynesian) factors influence economic fluctuation. (10)**

INTRODUCTION
Business cycle refers to ups and downs of economic activity in an economy. ✓✓
(Accept any other relevant definition.) (Max. 2) (2)

BODY
MAIN PART
1. PERIOD OF RECESSION ✓
- During a recession, unemployment increases due to the fact that businesses have to lay off workers. ✓✓
- There is a decline in economic activity, and the economy slows down. ✓✓
- Consumer spending decreases, especially on durable goods. ✓✓

2. PERIOD OF DEPRESSION
- During a depression, money is in short supply, leading to a further decline in spending. ✓✓
- There is a negative impact on investment spending. ✓✓
- When economic activity is at its lowest, a trough is reached. ✓✓
- There is competition for jobs and the cost of production decreases. ✓✓
- This encourages foreign trade and leads to a recovery. ✓✓

3. PERIOD OF RECOVERY
- During a recovery period, production increases and more jobs are created. ✓✓
- Consumers start buying durable goods again. ✓✓
- Business confidence rises and there is increased spending by firms. ✓✓
- There is increased economic activity and the country enters into period of prosperity. ✓✓

4. PERIOD OF EXPANSION
- During a period of expansion there is a great degree of optimism ✓✓
- Employment levels rise, salaries and wages rise and spending increases ✓✓
- A peak is reached. ✓✓
- A larger amount of money is in circulation and this leads to an inflationary situation. ✓✓

(Accept any relevant fact) (Max. 26)

ADDITIONAL PART
Explain how endogenous (Keynesian) factors influence economic fluctuation.
- They are factors that are part of the economic system. ✓✓
- The expansion phase contains mechanisms that eventually cause a contraction of economic activity. ✓✓
- As the level of economic activity increases, total spending in the economy increases as well. ✓✓
- This causes an increase in imports which negatively affects the balance of payments and leads to a depreciation of the exchange rate. ✓✓
- Increased borrowing leads to increase in interest rates (negative effect on the economy). ✓✓
- Positive perceptions of the economy will lead to an increase in spending and vice versa. ✓✓

(Accept any relevant response) (Max. 10)

CONCLUSION

Fluctuations in business cycles should be managed so that they affect a country's economy positively. ✓✓
(Accept any other relevant conclusion.) (Max. 2) [40]

QUESTION 10

- **Discuss in detail the phases of business cycles.** **(26)**
- **Highlight the effects of business cycles to the economy.** **(10)**

[40]

INTRODUCTION

Business cycles are alternating periods of expansion and contraction in economic activity over a period of time, normally a year ✓✓
(Accept any other correct relevant answer) (Max 2)

Body
MAIN PART

Prosperity phase✓

- This is a time of general optimism and increased consumer spending ✓✓
- Output and economic activity increases, and entrepreneurs expand their businesses, employ more people and buy equipment ✓✓
- Profits increase as well as wages, and the prices of goods and services ✓✓
- Consumer demand rises which stimulates greater production and increased demand for raw materials ✓✓
- This can also be called the economic boom period ✓✓
- People spend freely using all the credit available to them ✓✓
- Inflation begins to increase and the central bank increases interest rates so as to reduce the demand for credit by consumers and firms□□
- The increase in inflation and interest rates gradually causes a decrease in consumer and investment spending ✓✓
- The boom is ultimately over ✓✓

Recession phase✓

- Businesses reduce production as consumer spending drops ✓✓
- Some firms start to lay off workers and so produce less ✓✓
- This causes the downswing to accelerate further ✓✓
- This makes it difficult for consumers and business to pay off their loans ✓✓
- Unemployment increases as businesses, especially those producing durable goods and capital equipment struggle to survive the drop in demand ✓✓
- This was especially obvious in the decline in the sales of new motor vehicles in the recession of 2007-2009 in South Africa ✓✓

Depression phase✓

- If the output continues to fall for over a year, we say the economy is in a depression which is a time of general pessimism ✓✓
- There is widespread unemployment as profits drop, businesses reduce production and many firms close ✓✓
- Households are unable to pay their debts and houses, motor cars and furniture are repossessed by banks ✓✓

- Many people try to create their own jobs in the informal sector ✓✓
- The rate of inflation drops as firms try to encourage sales with lower prices ✓✓
- The central bank continues to reduce interest rates to stimulate expenditure by households and firms ✓✓

Recovery phase✓

- Eventually firms and households begin to replace worn-out capital and consumer goods and slowly the economy begins to recover ✓✓
- Businesses take advantage of the low interest rates and start to buy more equipment and increase production ✓✓
- Also the government may cut taxes and increase its expenditure so as to encourage an increase in the demand for the country's output ✓✓
- Employment increases and consumer demand picks up with the rise in incomes ✓✓
- Prices and interest rates remain low and this encourages consumer spending to rise ✓✓
- Gradually a feeling of optimism returns as the economy moves towards prosperity again ✓✓

(Accept any other correct relevant answer) (Max 26)
(Allocate a maximum of 8 marks for headings, sub-headings or examples)

ADDITIONAL PART

Highlight the effects of business cycles to the economy. (10)

- Aggregate supply increases during a boom and decreases during a recession while an aggregate demand also changes between these phases ✓✓
- Economic growth increases during an expansion and decreases during a recession ✓✓
- Employment increases during an upswing and decreases during a downswing ✓✓
- Prices increase as the economy expands and decrease as the economy contracts as businesses are aware of the buying power of consumers ✓✓
- Exchange rates improve as the economy grows and deteriorate as the economy stagnates ✓✓

(Accept any other correct relevant answer) (Max 10)

CONCLUSION

The length of business cycles can vary over time and it is measured in years. South Africa's business cycles have lasted much longer since the first democratic elections in 1994 ✓✓
(Accept any other correct relevant answer) (Max 2)

[40]

QUESTION 11

.

- Discuss the phases and reasons, of business cycles. (26 marks)
- What effect do you think business cycles have on the economy? (10 marks)

[40]

INTRODUCTION

Business cycles refer to the ups and downs of economic activity in an economy. ✓✓
(Solutions for all Economics)

OR Business cycles are indications of fluctuations in economic activities. ✓✓ (Focus Economics) (Max 2)

BODY

1. Phases of Business Cycles

1.1 Period of Recession ✓

- During a recession, jobs are lost and there is a feeling of pessimism ✓✓
- Employment levels drop, and there is a decrease in economic activity, and the economy slows down ✓✓

1.2 Period of Depression ✓

- During a depression money is in short supply leading to a further decline in spending ✓✓
- There is a negative impact on investment spending ✓✓
- When economic activity is at its lowest it is called a trough ✓✓
- There is competition for jobs and the cost of production decreases ✓✓
- This encourages foreign trade and leads to a recovery ✓✓

1.3 Period of Recovery ✓

- During a recovery, production increases and more jobs are created ✓✓
- Business confidence rises and there is increased spending by firms ✓✓
- There is increased economic activity and the country enters a period of prosperity ✓✓

1.4 Period of Expansion ✓

- During a period of expansion there is a great degree of optimism ✓✓
- Employment levels rise, salaries and wages rise and spending increases ✓✓
- A peak is reached ✓✓
- A larger amount of money is in circulation and this leads to an inflationary situation ✓✓

2. Reasons for Business Cycles

2.1 Exogenous factors ✓

- Factors that originate from outside the economic system and act as trigger mechanisms for contractions and expansions. ✓✓
- Examples:
    - Technology shocks ✓
    - Weather patterns ✓
    - Governments through spending, taxation and regulations ✓
    - Change in fashion and consumer tastes and preferences ✓ (Solution for all Economics)
    - Droughts ✓
    - Famine ✓
    - War ✓
    - Other natural disasters ✓ (Focus Economics)
- Structural changes in the economy ✓✓ (Oxford Successful Economics)
- Structural changes cause economic resources to become unneeded in one sector and moves to another sector. ✓✓

- Money supply refers to government either increasing or decreasing the money supply which alters equilibrium in the markets. ✓✓

2.2 Endogenous factors ✓

- They are factors that are part of the economic system. ✓✓
- The expansion phase also contains mechanisms that eventually cause a contraction of economic activity. ✓✓
- As the level of economic activity increases total spending in the economy increases as well. ✓✓
- This causes an increase in imports which negatively affects the balance of payments and leads to a depreciation of the exchange rate. ✓✓
- Increase in interest rates due to increased borrowing (negative effect on the economy). ✓✓
- Positive perceptions of the economy will lead to an increase in spending and vice versa. ✓✓

Headings & examples – Max 8 single marks

(Max 26)

ADDITIONAL PART

3. What effect do business cycles have on the economy?

3.1 Changes in aggregate (total) supply and demand ✓

- In a recovery period people will demand more. ✓✓
- This may lead to shortages of goods and services to meet the demand. ✓✓
- Business will then produce more. ✓✓
- In a recession there will be a decrease in demand for goods and services. ✓✓
- Businesses will have a surplus and reduce production. ✓✓

3.2 Changes in economic growth ✓

- In a downswing there will be less economic growth, businesses will produce less. ✓✓
- In an upswing there will be economic growth, businesses will produce more to meet the growing demand for goods and services. ✓✓

3.3 Changes in employment ✓

- In a downswing, businesses will produce less, and the result will be people will lose their jobs, unemployment will increase. ✓✓
- In an upswing, businesses will produce more goods and services and employ more people, unemployment will decrease. ✓✓

3.4 Changes in price levels ✓

- In the early stages of a downturn of the economy, prices are usually quite high and may even increase a bit. ✓✓
- People cannot afford the goods and services anymore and will buy fewer goods and services. ✓✓
- This will lead to a total downswing. ✓✓
- In the early stages of an upswing prices will be low and people will buy more goods and services. ✓✓

3.5 Changes in the exchange rate ✓

- In the early stages of a downturn of the economy there is a decreased demand for a country's goods and services and a decrease in exports. ✓✓
- They would demand less of that country's currency and this leads to depreciation or a weakening of the currency. ✓✓

- In an upswing in the economy there is an increased demand for a country's currency. More people are buying the country's goods and services. This leads to an appreciation of the currency. ✓✓

3.6 Impact on the economically vulnerable ✓

- Downswing will deprive people of satisfying their basic needs of food, shelter and clothing. ✓✓
- An upswing in the economy will result in higher income and spending on luxury items. (Max 10 marks)

CONCLUSION ✓✓
Business cycles are long term trends and can last from 3 to 5 years or even 10 years. ✓✓
(Any other relevant Higher Order conclusion)
(Max 2)
[40]

QUESTION 12

- **Discuss in detail the phases of business cycles with the use of a diagram (26)**
- **Explain the exogenous reasons for business cycles. (10)**

INTRODUCTION
Business cycles are defined as consecutive periods of increasing and decreasing economic activity.
Continuous change in the level of economic activities that has a repetitive pattern of expansion and contraction in production, income and consumption over a number of years. ✓✓
(Accept any other relevant introduction / definition.) (Max. 2)

BODY: MAIN PART
Prosperity phase✓

- There is an increase in real GDP ✓✓
- Firms make high profits and this attracts other business to enter the market ✓✓
- As more businesses open, more factors of production are employed. ✓✓
- The increase in income causes an increase in aggregate demand which in turn forces producers to increase output. ✓✓
- Increased output causes an increase in investment spending as producers expand their businesses and buy more inventories. ✓✓
(Accept any other relevant answers)

Recession phase✓

- This phase follows immediately after the peak. ✓✓
- It is a phase where economic activity starts to slow down. ✓✓
- It is called economic downturn. ✓✓
- It occurs when there is a continuous decrease in economic activity for a period of six consecutive months or two quarters. ✓✓
- Jobs are lost / employment levels drop. ✓✓
- Aggregate demand falls. ✓✓
- The value of money depreciates. ✓✓

- Inflation increases ✓✓
- Interest rates will increase, discouraging the demand for credit. ✓✓

(Accept any other relevant answers)

Depression phase✓

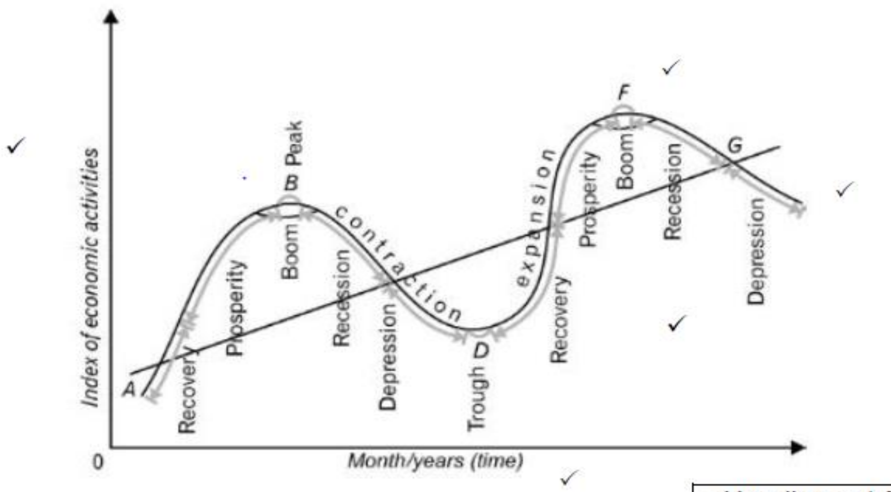
- During this phase many businesses close down resulting in low output. ✓ ✓
- Aggregate demand decreases due to many people having little or no income. ✓✓
- When economic activity is at its lowest, a trough is reached ✓✓
- Business sentiment is depressed. ✓ ✓
- Low demand for credit. ✓ ✓
- Share prices start to increase. ✓✓
  (Accept any other relevant answers)

Recovery phase✓

- This phase follows immediately after the trough. ✓✓
- It shows that the economy is growing after the contraction. ✓✓
- The recovery is slow but it accelerates until it enters the prosperity phase. ✓✓
- Production increases and more jobs are created. ✓✓
- Business sentiment rises and there is increased spending by firms. ✓✓
- Exports increase and the value of money appreciates. ✓✓
- Inflation decreases. ✓✓
  (Accept any other relevant answers)

Business Cycle

Business Cycle



- Heading = 1 Mark
- Trend line (G) = 1 Mark
- Peak = 1 Mark
- Trough = 1 Mark
- Labelling of the axis = 1 Mark

Max = 4 marks

✓

8+18 = 26

(Accept explanation of contraction, expansion, peak, through)
A maximum of 18 marks is allocated for different phases of a business cycle and maximum of 8 marks for headings and the graph. (Max. 26)

BODY: ADDITIONAL PART
Exogenous reasons for business cycles:

- Exogenous reasons ✓✓are reasons for business cycles that originate outside the market system.
- Changes in weather conditions affect the output of the agricultural sector and tourism industry of an economy and the total level of economic activity. ✓✓
- When the economy has structural change, it affects production, employment, investments, government expenses, taxes, imports and exports. ✓✓
- Variations in the money supply also cause business cycles. ✓✓
- Random shocks can cause business cycles e.g. war, sudden increase in the price of oil, natural disasters etc. ✓✓
- Political actions such as when the government wants to win election votes, will adopt an expansionary policy and after the election the inflationary effects of this expansionary policy begins. ✓✓

(Accept any other relevant responses) (Max. 10)

CONCLUSION
Economic indicators such as leading indicators, coincident indicators and lagging indicators can be used to predict business cycles. ✓✓
(Accept other relevant higher order conclusion) (Max. 2)
[40]

QUESTION 13

- **Discuss briefly the phases of the business cycle. (26)**
- **Explain how the can endogenous (Keynesian) factors influence economic fluctuation? (10)**

INTRODUCTION
Business cycle refers to ups and downs of economic activity in an economy. ✓✓
(Accept any other relevant definition.) (Max. 2) (2)

BODY
MAIN PART

1. PERIOD OF RECESSION ✓

- During a recession, unemployment increases due to the fact that businesses have to lay off workers. ✓✓ ✓✓
- There is a decline in economic activity, and the economy slows down. ✓✓
- Consumer spending decreases, especially on durable goods. ✓✓

2. PERIOD OF DEPRESSION ✓

- During a depression, money is in short supply, leading to a further decline in spending. ✓✓
- There is a negative impact on investment spending. ✓✓
- When economic activity is at its lowest, a trough is reached. ✓✓
- There is competition for jobs and the cost of production decreases. ✓✓

- This encourages foreign trade and leads to a recovery. ✓✓

3. PERIOD OF RECOVERY ✓
- During a recovery period, production increases and more jobs are created. ✓✓
- Consumers start buying durable goods again. ✓✓
- Business confidence rises and there is increased spending by firms. ✓✓
- There is increased economic activity and the country enters into a period of
- prosperity. ✓✓

4. PERIOD OF EXPANSION ✓
- During a period of expansion there is a great degree of optimism ✓✓
- Employment levels rise, salaries and wages rise and spending increases ✓✓
- A peak is reached. ✓✓
- A larger amount of money is in circulation and this leads to an inflationary situation. ✓✓

(Accept any relevant fact) (Max. 26)

ADDITIONAL PART
Explain how endogenous (Keynesian) factors influence economic fluctuation.
- They are factors that are part of the economic system. ✓✓
- The expansion phase contains mechanisms that eventually cause a contraction of economic activity. ✓✓
- As the level of economic activity increases, total spending in the economy increases as well. ✓✓
- This causes an increase in imports which negatively affects the balance of payments and leads to a depreciation of the exchange rate. ✓✓
- Increased borrowing leads to increase in interest rates (negative effect on the economy). ✓✓
- Positive perceptions of the economy will lead to an increase in spending and vice versa. ✓✓

(Accept any relevant response) (Max. 10)

CONCLUSION
Fluctuations in business cycles should be managed so that they affect a country's economy positively. ✓✓
(Accept any other relevant conclusion.) (Max. 2) [

QUESTION 14
- Discuss the phases of the business cycles. (26 marks)
- How can injections contribute towards economic upswing? (10 marks) [40]

INTRODUCTION

Business cycles refer to continuous periods of expansion and contraction of economic activity. ✓✓
(Any other relevant introduction) (2)

MAIN PART
Prosperity phase
- There is an increase in the economic activities in a country ✓✓

- There is an increase in output, the employment rate and wages ✓✓
- People's standards of living are improving ✓✓
- Consumption: During prosperity consumers have more money ✓✓
- Real GDP: Businesses make more profit because there is an increase in demand. This attracts more entrepreneurs to enter the market, and output increases ✓✓
- Investment: In order to produce more goods to meet demand, businesses increase investment in their enterprises. They do this in various ways
- Buildings: New businesses may buy, build or rent new buildings. Businesses may also add new branches in other areas ✓✓
- Machinery: New and existing businesses buy more machines and equipment in order to produce larger quantities of goods and services ✓✓
- Inventories: During prosperity there is an increase in inventories (stock) to satisfy increased demand ✓✓
- Employment: The increase in demand for goods creates an increase in the demand for labour to produce the goods. More workers are employed. People who were unemployed before may now get jobs ✓✓
- Prosperity ends when the cycle reaches its peak ✓✓ (Max. 8 marks)

Recession

- Economic growth decreases which can be referred to as a negative economic growth rate ✓✓
- Businesses become pessimistic and reduce output ✓✓
- A decrease in the employment rate as some workers are laid off which result in a reduction in income ✓✓
- Consumption: People have less money in their pockets. As a result, they consume less. Therefore, aggregate demand decreases ✓✓
- Real GDP: The quantity of goods and services produced decreases because of the fall in demand. As output decreases, so does real GDP. Economic growth decreases. ✓✓
- Investment: Businesses reduce investment. Less money is spent buying capital goods. ✓✓ ✓✓
- A recession ends with the trough ✓✓ (Max. 6 marks)

Depression

- If a recession continues for a long time, it becomes a depression ✓✓
- Depression is a severe form of recession ✓✓
- During a depression there is large-scale unemployment and severe shortage of goods and services ✓✓
- Depressions are rare because governments take steps to prevent recessions from becoming depressions ✓✓ (Max. 6 marks)

Recovery

- The economy starts to grow again ✓✓
- Recovery usually starts slowly and speeds up over time ✓✓
- There is a gradual increase in demand and an increase in output, which will eventually change to prosperity ✓✓ (Max. 6 marks)

(26)

ADDITIONAL PART

How can injections contribute towards the economic upswing?

- Improvement in the standard of living of people in the economy ✓✓
- Both exports and investments will lead to more money flowing into SA ✓✓
- More production in SA will benefit the SA economy ✓✓
- More jobs are created ✓✓
- Improvement in the infrastructural development ✓✓

(Accept any relevant response) (10)

CONCLUSION

Business cycles are long term trends and can last from 3 to 5 years or even 10 years ✓✓
(Any other relevant conclusion) (2)

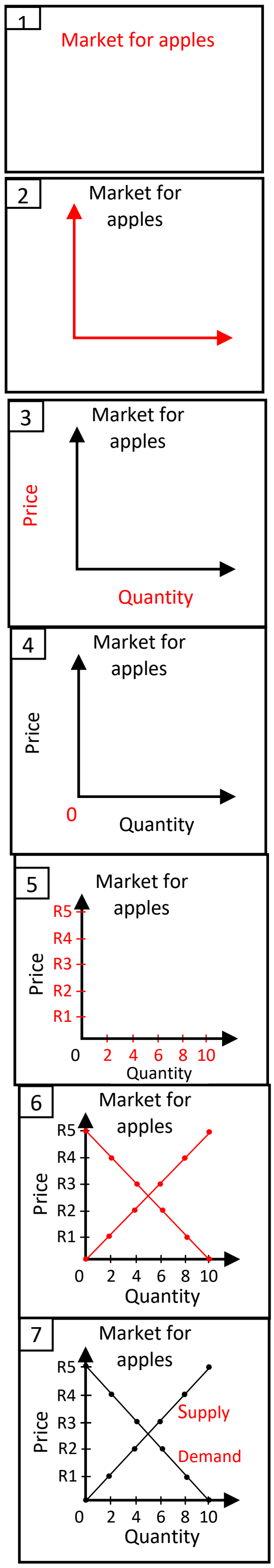
TERM 2 - CONTENT PROGRESSION – MICRO ECONOMICS

Grade 10	Grade 11	Grade 12
DYNAMICS OF MARKETS The market as a phenomenon (demand and supply). Use graphs to illustrate the establishment of prices and quantities.	**RELATIONSHIP BETWEEN MARKETS** Analysis of the relationships between markets - illuminate them with the aid of graphs.	**PERFECT MARKETS** Examine the dynamics of perfect markets with the aid of cost and revenue curves.
PRODUCTION POSSIBILITY CURVE Description of the production possibility curves (reflecting on efficiencies) and explain how they reconcile choice and scarcity.	**EFFECTS OF COST AND REVENUE** Explain and illustrate by means of graphs the effects of cost and revenue on prices and the levels of production. **PRICE ELASTICITY** Explanation of price elasticity's and calculating their values. Use graphs in presentation for illustrations.	**IMPERFECT MARKETS** Examine the dynamics of imperfect markets with the aid of cost and revenue curves.
PUBLIC SECTOR INTERVENTION The effects (in terms of prices and quantities) of the public sector's involvement and intervention in the market, with the aid of graphs.		**MARKET FAILURE** Explain the reasons for and consequences of market failures, reflecting on the cost-benefit analysis.

MICROECONOMICS TOPIC 1: DYNAMICS OF MARKETS
T2 - WEEK 1-3

Guide to drawing graphs

Go through these steps and even if you don't know exactly how to draw every line on the graph, you will still earn partial marks on the question that can help boost your overall exam score.



1. **Write a title for the graph**
   This is one of the most common things learners forget and for which they lose marks. Always give your graph a title.

2. **Draw the vertical and horizontal axes**
   Make sure the two lines are connected at the left side and that each axis has an arrow at its end

3. **Label the vertical and horizontal axes**
   If you do not write what the vertical and horizontal axes represent, your graph cannot be interpreted because the reader does not know what you are showing.

4. **Label the origin**
   Write "0" below and to the left of where the vertical and horizontal axes meet. This is the value where your vertical and horizontal axes begin.

5. **Decide on the scale**
   If you are given a table of values, you have to decide how you will number your axes. (If you are asked to draw a graph without being given values or a table, you can skip this step.) Numbers on the vertical axis must increase by the same amount for every increment. Numbers on the horizontal axis must also increase by the same amount for every increment (though not necessarily the same amount as on the vertical axis). The amount by which each number increases is called the scale:

   Scale of 1: 1,2,3,4,5,6,6,8,9,10
   Scale of 2: 2,4,6,8,10,12,14,16,18,20, etc.
   Scale of 5: 5,10,15,20,25,30,35,40,45,50, etc.

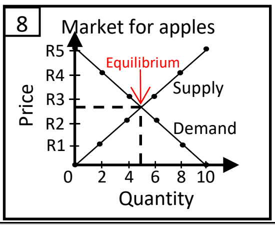
6. **Draw the curves/lines of the graph**
   If you are given a table of values, draw each point and then connect the dots. If you are not given a table, simply draw the curve/line with the correct shape.

7. **Label the curves/lines**
   Each curve/line should be clearly labelled so that the reader knows what it represents and so that it does not get confused with other curves/lines on the graph.

Price	Demand	Supply
R0	10	0
R1	8	2
R2	6	4
R3	4	6
R4	2	8
R5	0	10

8. **Label important points**

It is often necessary to identify a certain point on the graph such as the equilibrium. Label this point clearly. If there is not enough room to write the label directly next to the point, write the label in space and then draw an arrow from the label to the point.



KEY CONCEPT	DEFINITION / DESCRIPTION
A change in demand	A shift of the demand curve from one position to another position
A change in supply	A shift of the supply curve from one position to another position
A market	Any place where buyers and sellers meet to negotiate prices and exchange goods and services.
Ceteris paribus	All things remain the same
Complementary goods	Are goods that are consumed together with other goods to satisfy a want
Demand	Quantity of goods or services that consumers are willing and able to purchase over a given period of time
Demand curve	Shows the relationship between the price of a good or service and quantity demanded
Demand schedule	is a table that shows the quantity of a product or service, ceteris paribus, that is demanded at different prices in a given period of time
Diminishing marginal utility	Marginal utility decreases as more units of a good is consumed
Equilibrium	Occurs when the quantity of a good or service demanded is equal to the quantity supplied
Factor market	a market where factor of production, e.g. natural resources, labour, capital and entrepreneurship is sold
Factor markets	Markets for the services of the factors of production
Geographical markets	Includes local markets, the provincial market, and national markets
Goods market	A market where consumers can buy goods and services
Heterogenous products	Products are not the same
Homogenous products	Goods are the same
Imperfect market	When one or more of the conditions of a perfect market are not met
Local markets	The markets where you stay
Marginal utility	Is the utility a consumer derives from each additional product he consumes
Market	A market is any contact or communication between potential buyers and sellers to exchange goods or factors of production for money
Market Prices	The amount of money or something of value offered to obtain goods or services
Market shortage	The quantity of goods and services demanded exceeds the quantity supplied
Market surplus	An over-supply of goods and services in the market

KEY CONCEPT	DEFINITION / DESCRIPTION
Monopolistic competition	It is a type of imperfect market which consists of **many sellers** who sell **differentiated** products/ it is a market structure which combines elements of monopoly and perfect market
Monopoly	One seller of the goods or services in a market / a situation where there is one large supplier of the goods
National markets	markets where the customers are spread throughout the country
Non-price factors	Are factors other than the price of goods and services
Oligopoly	a situation where there are few large suppliers of a product
Perfect market	A market where there are many buyers and sellers of the same product, and they are all price takers. Prices are determined by the market
Price	The price of a product is the exchange value in terms of money when a person decides to buy a product
Product markets or goods markets	Markets for goods and services
Regional markets	the provincial markets
Substitute goods	Are goods that can be used in the place of other goods to satisfy a want
Supply	Quantity of goods or services that producers are willing and able to supply in a given period of time
Supply curve	Shows the relationship between the price of a good or service and quantity supplied
The law of demand	As the price of the product increases, less of the good is demanded
The law of supply	The quantity supplied increases as the price of the good or service increases
Total utility	Is the total satisfaction that a consumer derives (get) from consuming a product
Utility	Utility indicates how much satisfaction the specific product will give the consumer
Value	The value of a product indicates how much the consumer is willing to pay for the product (price
World markets	a market that serves the entire world; exists because of improved communication

SECTION A: TYPICAL EXAM QUESTIONS

DYNAMICS OF MARKETS

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 A✓✓ marginal utility decreases as more units of a good is consumed.
1.1.2 D✓✓ global
1.1.3 B✓✓ easy entry and exit into the market
1.1.4 C✓✓ homogenous products
1.1.5 C✓✓ KFC, Nandos and Hungry Lion
1.1.6 C✓✓ consumer's level of income
1.1.7 D✓✓ butter
1.1.8 B✓✓ as the price increases, the quantity supplied increases
1.1.9 C ✓✓ Substitute goods
1.1.10 B ✓✓ Marginal utility
1.1.11 C ✓✓ Market surplus
1.1.12 D✓✓ total
1.1.13 B✓✓ rational
1.1.14 A ✓✓ invisible
1.1.15 D ✓✓ control prices.
1.1.16 C✓✓ homogenous products.
1.1.17 D✓✓ Marginal utility
1.1.18 C✓✓ that has little or no barriers to entry.
1.1.19 A✓✓ budget
1.1.20 D✓✓ Utility
1.1.21 D✓✓ oligopoly
1.1.22 C✓✓ Market demand
1.1.23 C✓✓ micro-
1.1.24 A✓✓ There is one supplier or a few large suppliers

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 F✓ the satisfaction gained from consuming a good or service.
1.2.2 B✓ a market in which a single supplier cannot manipulate the price.
1.2.3 N✓ the quantity bought at a certain price within a certain period of time.
1.2.4 D✓ refers to how much something is worth in terms of money or other goods for which it can be exchanged.
1.2.5 A✓ the quantity sold at a certain price within a certain period of time.
1.2.6 M✓ involve the selling of illegal goods.
1.2.7 H✓ the amount of money offered or asked for something that is bought or sold.
1.2.8 J ✓ a market where there is only a small number of suppliers of a good.
1.2.9 L ✓ A good that can be used in conjunction with another good
1.2.10 O✓ Sellers of goods have the power to set prices
1.2.11 K✓ The quantity at which all the goods supplied is sold and the demand is completely satisfied at a particular price.
1.2.12 E✓ Shows the relationship between a product's price and quantity demanded
1.2.13 C✓ Everything else stays the same
1.2.14 P✓ the demand and supply curves intersect
1.2.15 I ✓ the total satisfaction that a consumer derives from consuming a product
1.2.16 G✓ Additional satisfaction gained from consuming one extra unit of a good or service in a given period

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 with these type of questions, that are found in Section A of the paper

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 Monopoly✓
1.3.2 Marginal utility✓
1.3.3 Substitute✓
1.3.4 Total utility✓
1.3.5 Equilibrium✓
1.3.6 Monopolistic competition✓
1.3.7 Oligopoly✓
1.3.8 value✓
1.3.9 Minimum prices✓
1.3.10 Demand✓
1.3.11 Marginal utility✓
1.3.12 Oligopoly✓
1.3.13 Budget line✓

SECTION B

QUESTION 2:

HINT: When the question requires you to "list" or "name", you need not write a sentence but merely one or two words. 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 factors that determine the value of a product.

- Utility ✓
- Demand ✓
- Supply ✓
- Natural cyclical fluctuations ✓ Any (2 x 1) (2)

2.2 Name any TWO characteristics of utility.

- Utility varies from person to person ✓
- Utility does not mean usefulness ✓
- Utility changes from time to time ✓
- Utility differs from place to place ✓
- There is no standard way of measuring utility each consumer's satisfaction and then comparing it ✓

(Any correct relevant answer) (2 x 1) (2)

2.3 Name TWO requirements for the establishment of a market.

- At least one buyer and one seller ✓
- Sellers must have good or services to sell and willing to sell ✓
- Buyers should have the means to pay for goods ✓
- Agreement on price and quantity between buyer and seller ✓
- Transaction should be formalised according to laws ✓ (2 x 1) (2)

2.4 Name TWO functions of a market.

- Brings buyers and sellers together ✓
- Allocates resources ✓
- Allows prices and quantities to be negotiated ✓
- Markets are self-regulatory ✓

(Accept other correct and relevant responses) (2 x 1) (2)

2.5 List any TWO examples of a perfect market.

- Johannesburg Security Exchange ✓
- Market for wheat, milk/Agricultural produce ✓
- Market for gold ✓
- Market for currencies ✓

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

2.5 Name the TWO main forms of markets.

- Prefect markets ✓
- Imperfect markets ✓ (2 x 1) (2)

2.6 Name any TWO types of imperfect markets.

- Monopoly ✓

- Oligopoly ✓
- Monopolistic competition ✓ (2 x 1) (2)

2.7 Give any TWO examples of geographical markets.

- Local markets ✓
- Regional markets ✓
- National markets ✓
- World markets ✓

(Any correct relevant answers) (Any 2 x 1) (2)

2.8 List any TWO of the most important characteristics by which the kinds of markets are identified.

- The number of producers ✓
- The nature of the product ✓
- Barriers to entry ✓
- Availability of information ✓ (Any 2 x 1) (2)

2.9 List TWO factors that can change the demand for a good. / List any TWO determinants of demand

- Price ✓
- Income of household ✓
- Tastes and preferences ✓
- Price of related goods ✓
- Number of households ✓

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

2.10 List any TWO factors affecting supply. / List any TWO determinants of supply.

- Change in industry size ✓
- Change in production techniques ✓
- The cost of production ✓
- Competing goods ✓
- Government policy ✓
- Natural factors like floods and droughts ✓

(Accept any other 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 How does utility, value and price affect consumer's decision to buy a product?

- Consumers are willing to pay a price for the good which yield more satisfaction than a good which yield less or no satisfaction. ✓✓
- There are consumers who are willing to pay a higher price for a product which they attach more value to it e.g., diamonds ✓✓
- Certain consumers link a low price with inferior goods/goods of poorer quality and as a result they will spend less on such goods ✓✓
- Money allows consumers to use a common unit to measure the value of goods/Price makes it easier to compare the value of one good to another ✓✓

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

3.2 What does the law of diminishing marginal utility entails?

- The law of diminishing marginal utility states that as consumption increases, the marginal utility decreases. ✓✓ (1 x 2) (2)

3.3 Why is it impossible for a single seller to influence the price of a product in a perfect market?

- In a perfect market there are many sellers, and no individual seller can affect the price. ✓✓
- Prices in a perfect market are determined by the market forces of demand and supply, therefore the sellers are price takers. ✓✓
- There is perfect information in a perfect market, as a result, buyers will buy products from other sellers should one seller increase his/her prices. ✓✓
- A single seller will lose profit should he sell the products at a price which is lower than the market price. ✓✓
  (Accept any other correct relevant response.) (1 x 2) (2)

3.4 Why is Eskom regarded as a monopoly in South Africa?

- Eskom is a near monopoly as it is the single producer of electricity in South Africa ✓✓ (1 x 2) (2)

3.5 What will happen to the demand for cheese if producers invest more money in the advertisement of cheese?

- The demand for cheese will increase because advertisements aim at attracting consumers to buy more of the product. ✓✓ (1 x 2) (2)

3.6 How does climatic conditions affect the supply of a product?

- During cold conditions, suppliers will produce and supply more of products which will keep consumers warm e.g., jackets, boots, heaters, soup etc. ✓✓
- During hot conditions, suppliers will produce and supply more of products which will keep consumers cool e.g., umbrellas, ice cream, cold drinks etc. ✓✓
- Farmers will supply less during unfavourable climatic conditions e.g., droughts, floods etc. ✓✓
- Farmers will supply more during favourable climatic conditions. ✓✓
  (Accept any other correct relevant response.) (1 x 2) (2)

3.7 What impact will the entry of new producers have on the market?

- Supply of goods and services will increase leading to a decrease in price. ✓✓
  (Any correct relevant answers) (1 x 2) (2)

3.8 What is the law of demand?

- The law of demand states that other factors being constant (ceteris paribus) price and quantity demand of any good and service are inversely related to each other. When the price of a product increases, the demand for the same product will fall. ✓✓
  (1 x 2) (2

3.9 What is market equilibrium?

- Market equilibrium is where the supply of a product is equal to the demand for that product. ✓✓ (1 x 2) (2)

3.10 Describe the term utility.

- Utility is the degree of satisfaction that a consumer gains by consuming a good or service. ✓✓ (1 x 2) (2)

3.11 How does the law of diminishing marginal utility affect the quantity consumed?

- As consumption increases, the additional satisfaction decreases. Consumers cannot continue increasing their consumption if it will not increase their additional satisfaction. ✓✓ (1 x 2) (2)

3.12 Describe the term marginal utility.

- Marginal utility is the additional satisfaction gained from the consumption of an additional unit of a good or service at a certain time. ✓✓ (1 x 2) (2)

3.13 What are perfect markets?

- A perfect market is a market in which a single supplier cannot manipulate the price ✓✓

  (Any relevant answer) (1 x 2) (2)

3.14 What is the law of supply?

- The law of supply states that as the price of a product increases, the quantity supplied of the product increases, and as the price of a product decreases, the quantity supplied of the product decrease ✓✓ (1 x 2) (2)

3.15 What is the effect of a decrease in the price of complementary good on demand?

- Ceteris paribus, a decrease in the price of complementary goods will increase the demand of the good. ✓✓ (1 x 2) (2)
  (Accept any other correct relevant response)

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 Study the table below and answer the questions that follow:

QUANTITY OF HOT DOGS	MARGINAL UTILITY (MU)	TOTAL UTILITY (TU)
0	0	0
1	50	50
2	45	95
3	20	115
4	10	125
5	0	125
6	-10	115

[10]

4.1.1 Which hot dog gives the greatest satisfaction?
The first hot dog ✓ (1)

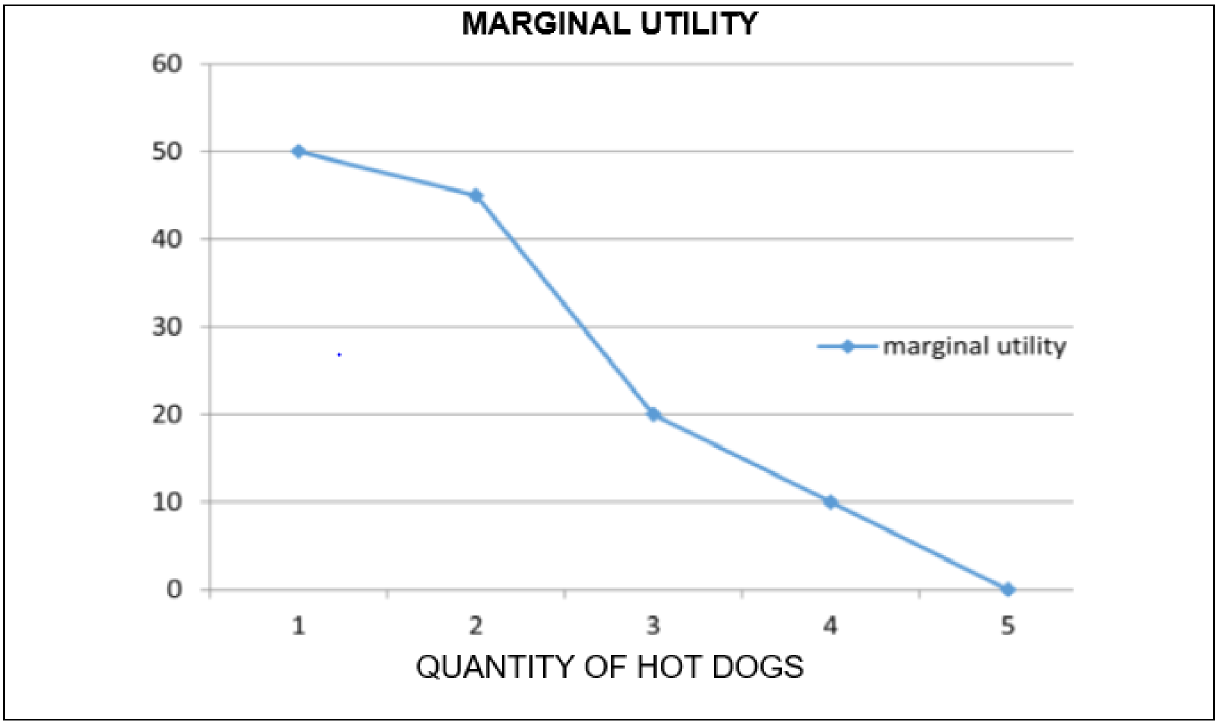
4.1.2 Identify which hot dog gives no extra satisfaction when consumed
The 5th hot dog ✓ (1)

4.1.3 Briefly explain the slope of the marginal utility curve.
Marginal utility curve has a negative gradient, and it slopes downward from top left to bottom right/the slope of the marginal utility curve is downward sloping, which explains that the first unit yield more satisfaction and when more is consumed marginal utility drops ✓✓ (2)

4.1.4 What happens to marginal utility and total utility when the 6th hot dog is consumed?

- Once marginal utility falls below zero, total utility will start to decrease and the 6th hot dog will give negative utility/disutility.✓✓ (2)

4.1.5 Use the information from the above table to draw a clearly labelled marginal utility graph



CORRECT SLOPE OF MU CURVE = 2 MARKS
LABELLING OF AXIS = 1 MARK
LABELLING ON THE AXIS = 1 MARK
MAX. 4

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

QUANTITY OF CHOCOLATE BARS	MARGINAL UTILITY (MU)	TOTAL UTILITY (TU)
1	80	80
2	60	140
3	45	185
4	35	220

5	27	**A**
6	10	237
7	0	237

4.2.1 List ONE characteristic of utility

- Utility varies from person to person ✓
- Utility does not mean usefulness ✓
- Utility changes from time to time ✓

(Accept any correct and relevant responses) (1)

4.2.2 What is the trend of total utility?

It is increasing/It is upward sloping ✓ (1)

4.2.3 Briefly describe the term *utility*

Utility is the satisfaction gained from consuming a good/the power or ability of a product to satisfy a want. ✓✓ (2)

4.2.4 What is the relationship between utility and the demand of a product?

The greater the satisfaction gained from consuming a product, the greater the demand and vice versa ✓✓ (2)

4.2.5 Calculate total utility of the 5th chocolate bar (Show ALL calculations)

220✓ + 27✓ = 227✓✓ (4)

[10]

4.3 Study the table below and answer the questions that follow

Number of apples consumed	Total Utility	Marginal Utility
1	**A**	40
2	80	**B**
3	120	40
4	150	30

4.3.1 Identify the marginal utility of the fourth apple.

30 ✓ (1)

4.3.2 When will the above consumer experience diminishing marginal utility?

After consuming the 3 rd apple ✓ (1)

4.3.3 Briefly describe the concept *diminishing marginal utility*.

- Diminishing marginal utility means that the utility of an article decreases with every additional increase in the units of that article consumed successfully one after another ✓✓

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

4.3.4 Why are consumers prepared to pay for a good or service?

People are prepared to pay for a good or service because it gives them utility / satisfaction ✓✓

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

4.3.5 Calculate the values represented by A and B from the above table.

A = 40✓✓

B = 40✓✓ (4)

4.4 Study the extract below and answer the questions that follow

BRAND CONFIDENCE AND MARKET SHARE

Suppose you go to a vegetable market to buy tomatoes. There are many tomatoes vendors and buyers. You go to a vendor and enquire about the cost of 1 kg tomatoes. The vendor replies, 'It will cost R10'. Then you go ahead and enquire from some more vendors. The prices of all the vendors are the same for the demanded quantity.

[Adapted from http://keydifferences.com. Accessed on 16 June 2019.]

DATA RESPONSE

4.4.1 Which market structure is depicted by the cartoon above?

- Perfect market ✓/ perfect competition ✓ (1)

4.4.2 Identify ONE characteristic of the market structure mentioned

in the above extract.

- Many tomato vendors and buyers ✓
- The prices of all vendors are the same for the demanded quantity ✓ (1)

4.4.3 Briefly describe a *monopoly.*

- There is only one supplier of a product and there is no way that consumers could substitute something else for that product, as it is unique. ✓✓ (2)

4.4.4 Briefly explain heterogeneous product as a characteristic of imperfect markets.

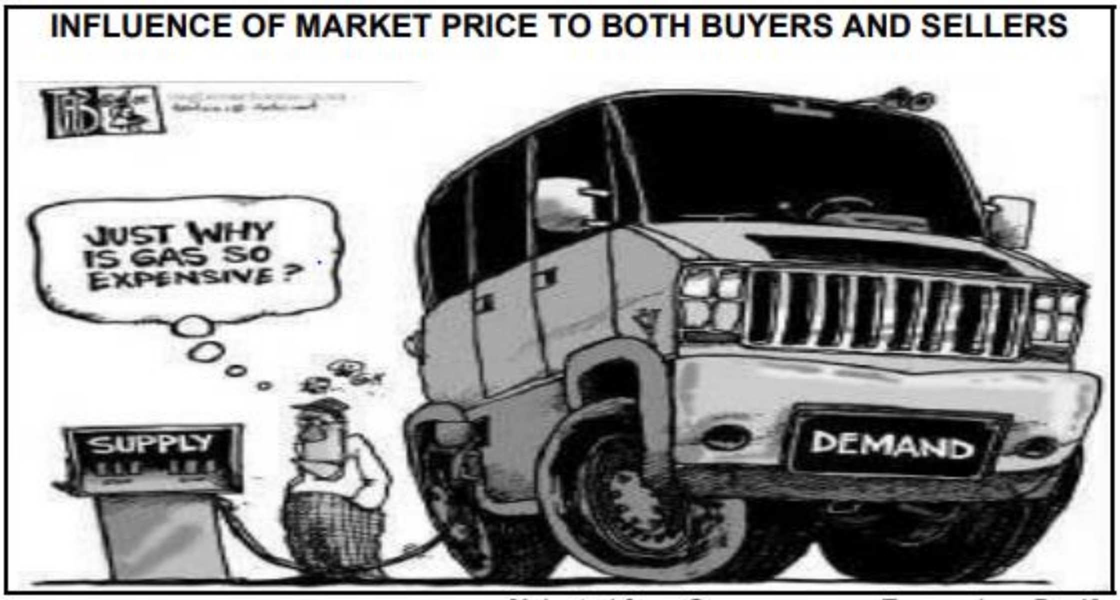
The products in the market are different from each other. ✓✓ (2)

4.4.5 How would the absence of competition affect the economy?

- Absence of competition leads to high prices ✓✓
- Decrease on demand of goods and services ✓✓
- Decline in production of goods and services ✓✓
- Decline in economic growth ✓✓
- High unemployment levels ✓✓
- Limited choice for consumers ✓✓
- Production of high-quality goods is compromised ✓✓

(Any correct relevant answer) (2 x 2) (4)

4.5 Study the cartoon and answer the questions that follow



[Adapted from *Common sense Economics eBook*]

DATA RESPONSE

4.5.1 Give ONE factor that can influence the demand for a product.

- The price of the product ✓
- The income of consumers ✓

- The weather ✓
- A change in fashions ✓
- A change in the price of a related product ✓
- A change in the size of the population ✓

  (Any correct relevant answer) (1 x 1) (1)

4.5.2 How are prices determined in a free market economy?

- By market forces/forces of demand and supply ✓ (1)

4.5.3 Briefly describe the term *supply.*

- Supply is the total quantity of a good or service that a producer/seller is willing and able to sell at a certain price during a given period of time. ✓✓ (2 x 1) (2)

4.5.4. Describe value in exchange as displayed by the above cartoon.

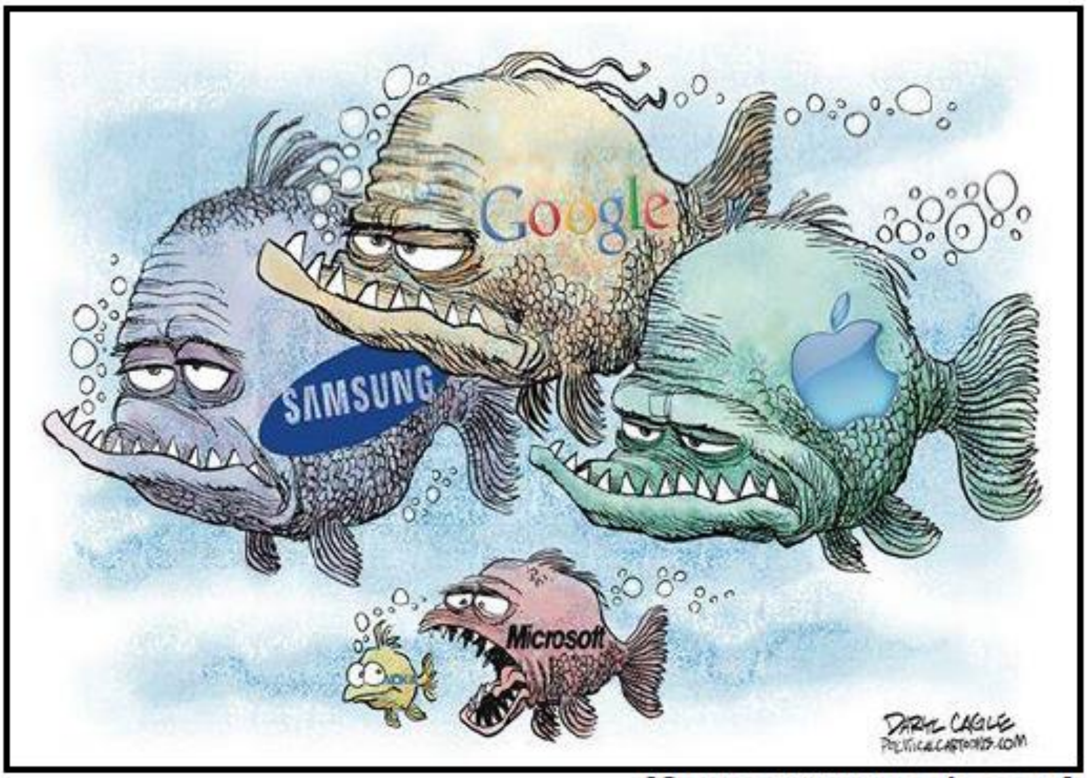
The amount people are prepared to pay for something in terms of money or other goods and services. ✓✓ / The value in exchange is called the price of a product. ✓✓

(2)

4.5.5 Why do demand curves slope downwards from left to right?

- Prices are inversely related to quantity ✓✓
- When prices increase quantity demanded decreases and when prices decrease quantity demanded increases ✓✓ (4)

4.6 Study the cartoon and answer the questions that follow



[*Source*: www.google.co.za]

Data Response

4.6.1 What is the message of the cartoon above?

- There are a few suppliers of computers and computer software in the market and they do not want competition from new entrants ✓ (1)

4.6.2 Which type of imperfect market does the cartoon above depict?

It depicts an oligopoly ✓✓ (1)

4.6.3 Name one other type of imperfect market, besides the one depicted in the cartoon and give an example of this market.

- Monopoly Eskom/Telkom or
- Monopolistic competition – Restaurants/petrol stations/builders (1x2) (2)

4.6.4 What favourable condition can the businesses in the market structure shown above enjoy?

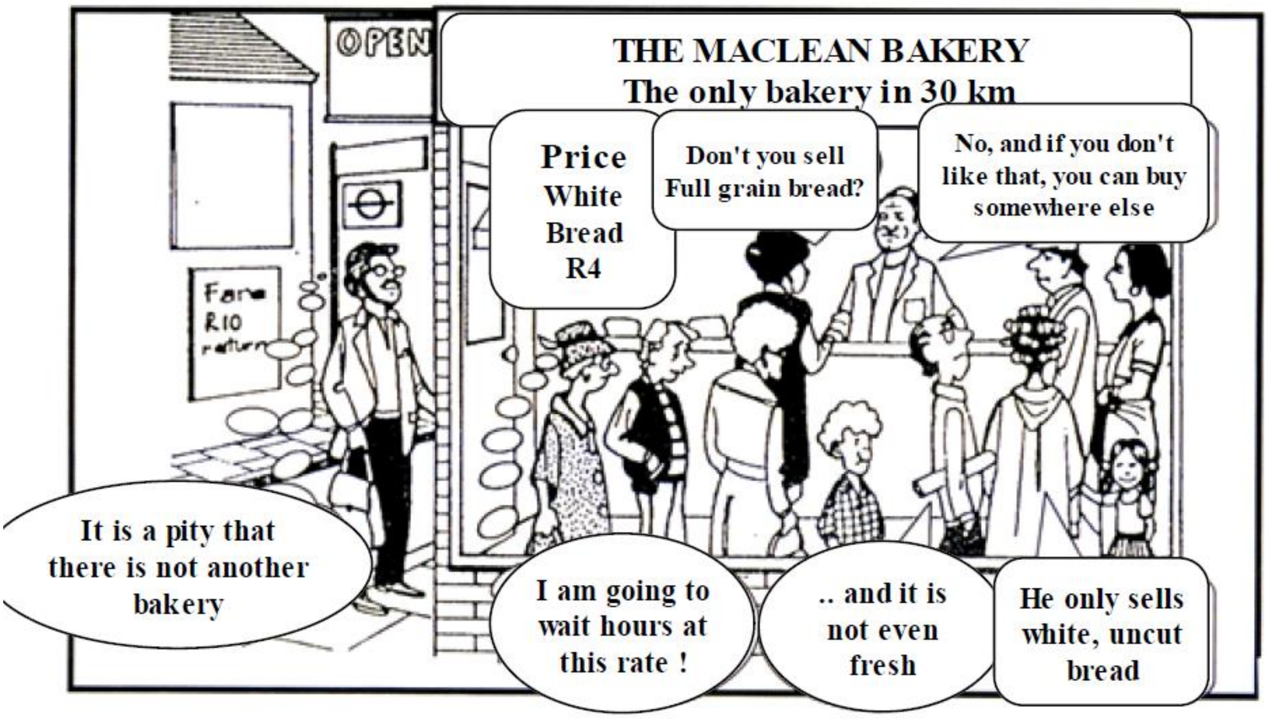
- There are a few large sellers✓✓
- Price setters - the market price can be manipulated by suppliers ✓✓
- The products are heterogeneous, it differs on price, features or bonus offers ✓✓
- The entry to the market is restricted ✓✓
  (Accept any other correct relevant answer) (1 x 2) (2)

4.6.5 What would be required for this market structure to be a perfect market?

- There are many buyers and sellers ✓✓
- Price takers - no supplier can influence price ✓✓
- The products are homogeneous ✓✓
- The entry to the market is unrestricted, easy to enter and leave the market ✓✓

(Any 2 x 2) (4)

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



[Source: https://en.wikipedia.org/wiki/Marketing]

4.7.1 What type of market structure is illustrated in the cartoon above?

Monopoly/Imperfect market ✓ (1)

4.7.2 Give ONE example of such a market structure in South Africa.

Eskom/Transnet/Post Offices in South Africa/SAA/DENEL ✓
(Accept any correct and relevant examples) (1)

4.7.3 Briefly explain how prices are determined in the above market structure

The single supplier has complete control over the price. ✓✓ (2)

4.7.4 What impact does the above market structure have on the consumers?

- Consumers can be exploited by paying higher prices ✓✓
- Due to lack of competition and substitutes, consumers' choice is limited ✓✓
- Consumers can be exposed to goods of inferior quality ✓✓
- Shortage of the product can be a disadvantage to the consumers ✓✓
  (Accept any correct and relevant responses) (2)

4.7.5 How can another bakery benefit the community?

- The quality and service of the product will improve due to competition ✓✓
- The supply of the product will increase due to increased competition ✓✓

- Due to an increase in the supply of the product, consumers will pay lower price✓✓
- Variety of the product will be sold such as brown bread, whit-cut bread, full-grain bread etc. ✓✓

(Accept other relevant and correct responses) (2 x 2) (4)

[10]

4.8 Study the extract below and answer the questions that follow.

MONOPOLISTIC COMPETITION
Monopolistic competition as a market structure was first identified in the 1930s by the economist Edward Chamberlin. Many small businesses operate under conditions of monopolistic competition, including independently owned and operated high-street stores and restaurants. In the case of restaurants, each one offers something different and possess an element of uniqueness, but all are essentially competing for the same customers. [Adapted from: www.economicsonline.co.uk]

4.8.1 Give an example of a business operating in a monopolistic market in South Africa.

- Restaurants and Fast-food outlets e.g. McDonald, Burger King, Wimpy, KFC etc. ✓
- Hotels and pubs ✓
- Hardware Stores e.g. Cash build, Builders, Build-it etc. ✓
- Bakery Shops ✓
- Supermarkets e.g. Boxer, Shoprite, Cambridge Food, Checkers ✓
- Running shoes market e.g. Adidas, Nike, Puma etc. ✓
- General specialist retailing ✓
- Petrol stations e.g. Sasol, Engen, BT, Total etc. ✓
- Clothing stores e.g. Edgars, Foschini, Pepstore, Miladys etc. ✓
- Hair Salons ✓
- Furniture Stores e.g. Bradlows, Fairprice, O.K, Lewis etc. ✓

(Accept other relevant and correct examples) (1)

4.8.2 Identify from the above extract ONE characteristic of monopolistic competition.

Offers something different and possess an element of uniqueness/Sell differentiated products ✓ (1)

4.8.3 Briefly describe the term *monopolistic competition*

It is a type of imperfect market which consists of a large number of sellers who sell differentiated products/ it is a market structure which combines elements of monopoly and perfect market. ✓✓ (2)

4.8.4 What makes monopolistic competition to differ from a perfect competitor?

- Monopolistic competition sells differentiated products whereas a perfect competitor sells homogenous products ✓✓

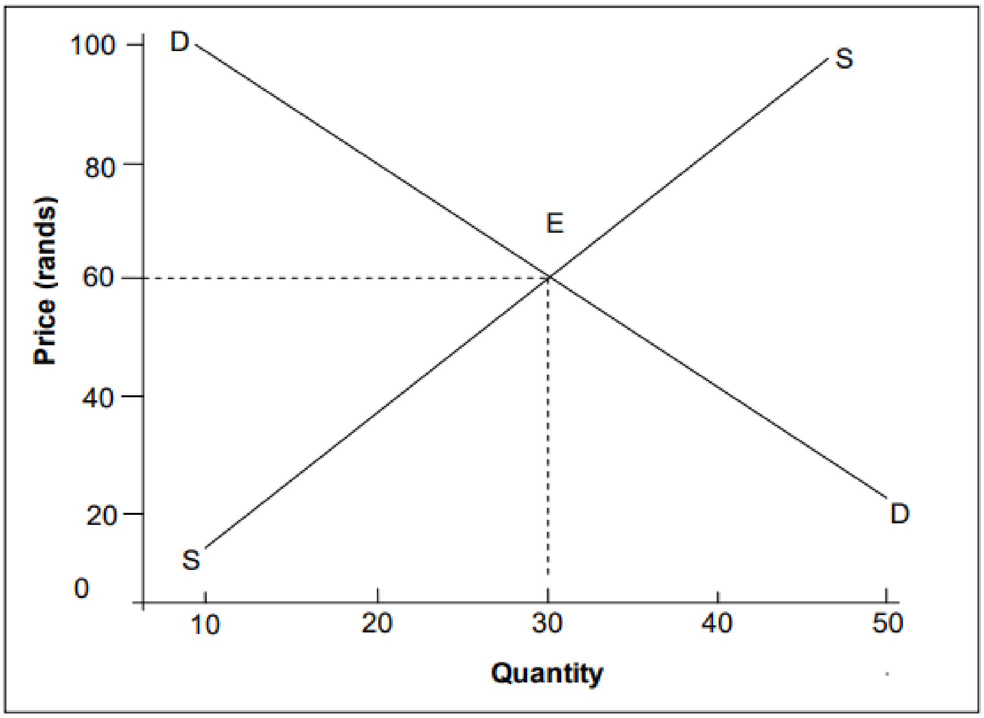
- Monopolistic competition has little control over the prices whereas the perfect competitor cannot influence the price of products/monopolistic competition is a price setter and perfect competitor is a price taker ✓✓
- Monopolistic competition can use non-price competition such as advertising, branding etc. whereas the perfect competitor cannot influence use non-price competition to increase the sales of the product. ✓✓ (2)

4.8.5 How can restaurants use different strategies to attract more customers?

- Quick and better service to customers ✓✓
- More money can be spent on advertising and promotion ✓✓
- The use of product variation such as the quality, brand name, packaging etc. ✓✓
- By delivering the goods door-to-door ✓✓
- By extending the shopping hours ✓✓
- Clean and healthy environment ✓✓
- Consistent and good preparation of recipe ✓✓
- Awarding of discounts and loyalty points to regular customers ✓✓
- Special programs for children for example playing games and birthday parties ✓✓
  (Accept any other correct relevant response) (2 x 2) (4)

[10]

4.9 Study the graph below and answer the questions that follow



DATA RESPONSE

4.9.1 Identify one market force displayed by the above graph.

Demand✓ or Supply✓ (1)

4.9.2 What quantity will be sold in the above market?

30 ✓ (1)

4.9.3 Briefly describe the concept *equilibrium price.*

This is the price at which demand and supply are the same, in other words, quantity demanded is equal to quantity supplied✓✓

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

4.9.4 How does a perfect competitor decide on the price to sell their products?

A perfect competitor is a price taker, they sell their products at the market price that is determined by market forces✓✓

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

4.9.5 Distinguish between change in quantity demanded and change in demand.

- Change in price leads to a change in quantity demanded which results in a movement along the same demand curve✓✓
- Changes in demand come as a result of change in non-price effects e.g. change in income which results in a shift of the demand curve✓✓

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

4.10 Study the table and answer the questions that follow

PRICE PER TYRE	QUANTITY DEMANDED	QUANTITY SUPPLIED
100	70	10
200	60	20
300	50	30
400	40	40
500	30	50
600	20	60
700	10	70

Data response

4.10.1 Determine the equilibrium price from the table.

Equilibrium price is R400.00 ✓ (1)

4.10.2 Which market structure is illustrated above?

Perfect market ✓ (2)

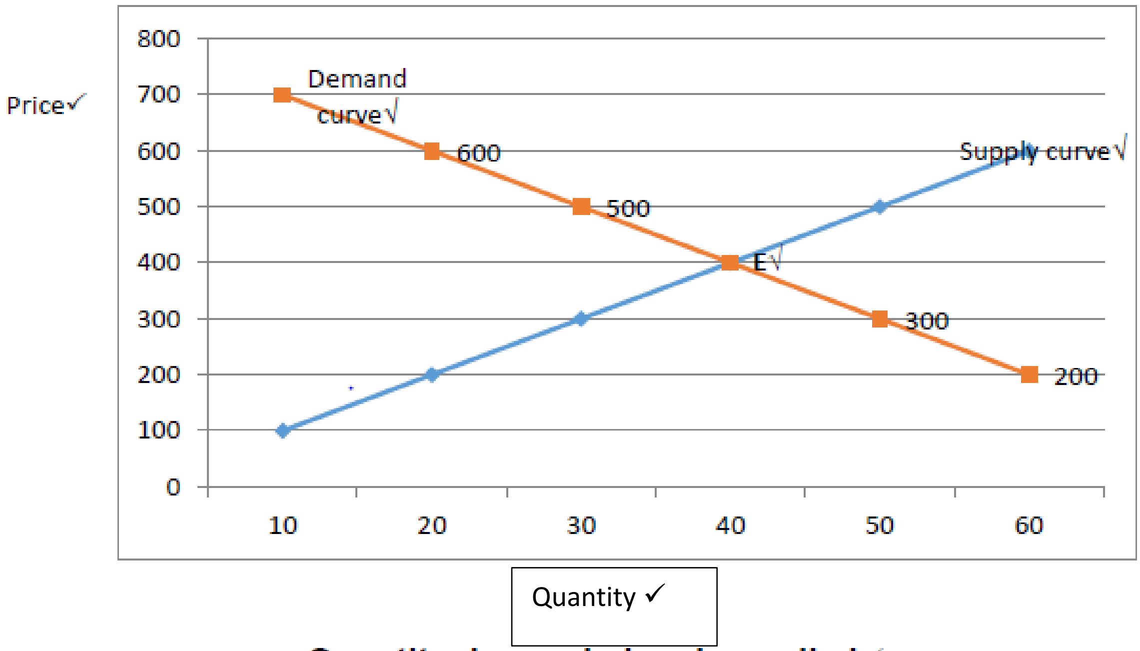
4.10.3 Briefly describe the term *equilibrium price.*

Equilibrium price means that at a certain price the quantity demanded is exactly the same as the quantity supplied. ✓✓ / The point where the demand and supply intersects ✓✓

(1 x 2) (2)

4.10.4 Use the above table to draw the demand and supply curves on the same set of axes, also clearly indicating the equilibrium position

Demand and supply curves for tyres✓



Quantity demanded and supplied✓

Marks allocation for graph:
- Heading 1 mark
- Labelling of axis 2 marks
- Equilibrium point 1 marks
- Shape of the curves 2 marks

TOTAL **6 Marks**

[10]

4.11 Study the graph and answer the questions that follow

Price	Quantity demanded	Quantity supplied
R10	20	100
R6	60	60
R2	100	20

4.11.1 Identify the equilibrium price and quantity.

- Equilibrium price – R6 ✓
- Equilibrium quantity – 60 units ✓ (2)

4.11.2 State the Law of Supply.

- As the price of a good or service increases, the quantity supplied will increase ✓ and as the price decreases quantity supplied will decrease ✓ (2)

4.11.3 Explain cost of production as a factor that can cause a change in quantity supplied.

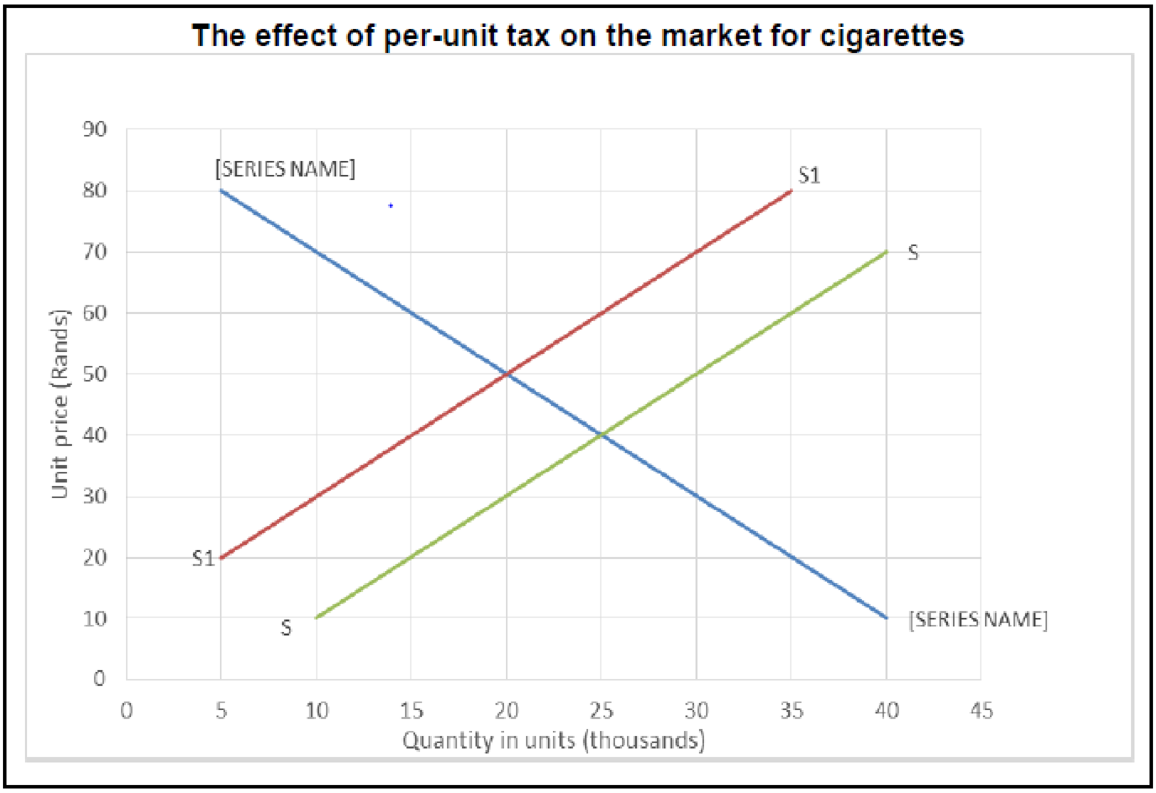
- If the cost of production increases, it will result in a decrease in supply of a good or service ✓
- If the cost of production decreases, it will result in an increase in supply of a good or service ✓ (2 x 1) (2)

4.11.4 Calculate the excess supply. Show all your calculations.

100 ✓ - 20 ✓

= 80 units ✓✓ (4)

4.12 Study the graph and answer the questions that follow



Data Response

4.12.1 State the equilibrium price of cigarettes before the implementation of the tax?

R40✓ (1)

4.12.2 What is the new equilibrium price after the R10, 00 tax was imposed?

R50 ✓ (1)

4.12.3 Briefly explain the term *equilibrium quantity*.

This is the quantity produced and sold at a particular price in order to completely satisfy household demand without leaving a surplus ✓✓ (2)

4.12.4 Explain what effect the per-unit tax has had on the price and quantities demanded and supplied.

The price of cigarettes has increased and the quantity of cigarettes being bought and sold has decreased ✓✓ (2)

4.12.5 Why does the government always ensure that there is an increase in sin tax?

- Sin tax is a tax on items which are considered harmful such as alcohol and tobacco ✓✓ For example, beer, cigarettes, gambling etc. ✓
- The reason why government always increases this tax is because they want to discourage people from consuming it since smoking and drinking alcohol is bad or harmful to them ✓✓

(4)

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

Price of generators	Quantity Demanded	Quantity Supplied
R12 000	1 500	3 000
R10 000	2 000	2 000
R8 000	2 500	1 500
R6 000	3 000	1 000
R4 000	3 500	500

4.13.1 At what price will both the buyers and sellers be satisfied?

R10 000 ✓ (1)

4.13.2 List ONE factor that can cause an increase in the demand

- The level of consumer income ✓
- price of substitute goods ✓
- price of complementary goods ✓
- size of the population ✓
- climatic conditions ✓
- advertising/fashion/consumer's taste ✓

(Accept any other correct relevant response) (1)

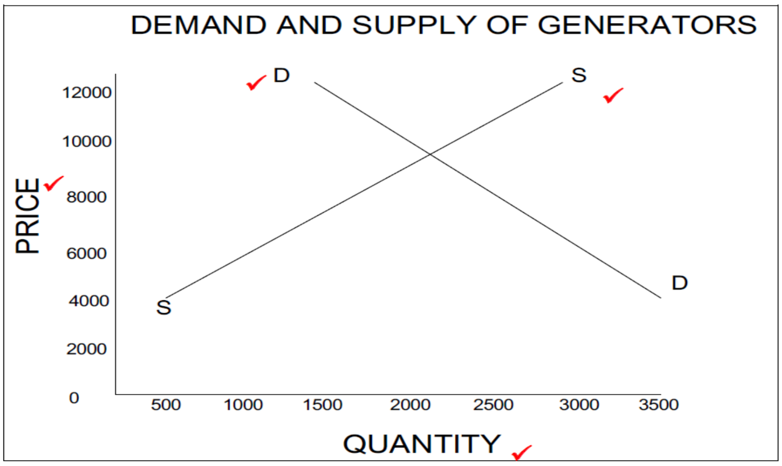
4.13.3 Briefly describe the *law of supply*

The law of supply states that when the price increases, quantity supplied will increase and vice versa. ✓✓ (2)

4.13.4 With reference to the above schedule, explain excess supply

At the price of R12 000 there will be excess supply of R1 500 goods because at this price supply will be 3 000 and quantity demanded will be R1 500 (R3 000 – R1 500 = R1 500). ✓✓ (2)

4.13.5 Use the above schedule to draw the original demand and supply curves on the same axis.

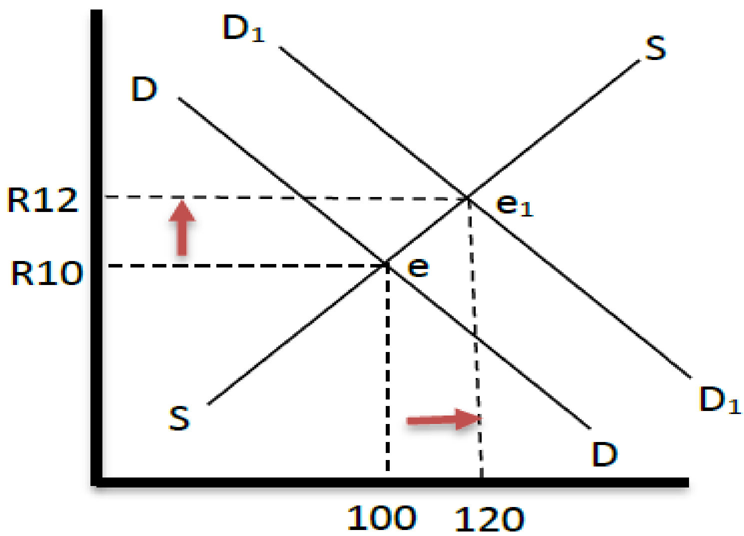


Allocation of marks:

- 1 mark for labelling of axes Price / Quantity
- 1 mark for numbering the axes
- 1 mark for Supply curve
- 1 mark for Demand curve

(Max 4)

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



4.14.1 What is the initial demand curve on the above graph?

DD ✓ (1)

4.14.2 Identify the original equilibrium price on the graph above.

R10 ✓ (1)

4.14.3 Briefly describe the concept *demand*.

Demand refers to the quantity of a good/service that consumers are willing and able to buy over a certain period of time. ✓✓ (2)

4.14.4 Briefly explain the reason why the demand curve shifted to the right.

- The determinants of demand other than the price of the good changed and this caused the demand curve to shift to the right. ✓✓
- An increase in the level of consumer incomes caused the demand curve to shift to the right✓✓
- An increase in the price of substitutes caused the demand curve to shift to the right✓✓
- An increase in the price of complementary goods caused the demand curve to shift to the right✓✓
- An increase in the size of the population caused the demand curve to shift to the right✓✓

  (Accept any other correct relevant response) (2)

4.14.5 How will the new demand curve affect the performance of the economy? (4)

- An increase in demand which is not accompanied by an increase in supply will lead to an increase in price from R10 to R12. ✓✓
- The increase in price from R10 to R12 will lead to inflation/It will lead to an increase in the cost of living. ✓✓

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

[10]

4.15 Study the picture and answer the questions that follow

[Source: *https://thetechpanda.com/*]

4.15.1 Identify the market structure that is illustrated by the cartoon.

Monopoly/imperfect market ✓ (1)

4.15.2 Give ONE example of a market in South Africa with only one supplier.

- ESKOM ✓
- Transnet ✓(any other relevant response) (1)

4.15.3 Briefly describe the term *oligopoly.*

- An imperfect market where there are a few major sellers of a good or service. ✓✓
- Example: Cell C, MTN and Vodacom✓

(Maximum one mark for example only) (2)

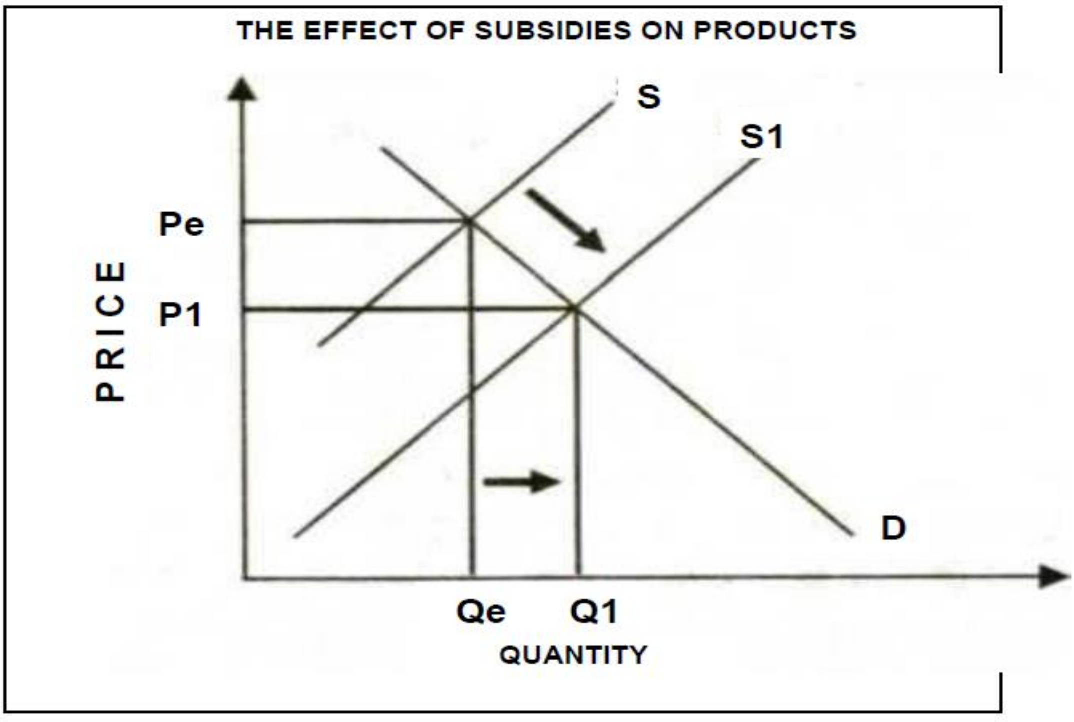
4.15.4 How can the consumers in the cartoon benefit from a second grocery store?

- Lower prices ✓
- Wider variety of goods ✓
- Better quality of goods ✓
- Shorter queues ✓ (Any TWO) (2 x 1) (2)

4.15.5 Identify the criteria used to determine a market structure.

- Number of suppliers ✓✓
- Nature of product ✓✓
- Number of trade barriers
- Access to information (Any TWO) (2 x 2) (4)

4.16 Study the graph and answer the questions that follow



4.16.1 Describe the slope of the supply curve.

The supply curve has a positive slope / slopes upwards from left to right (1)

4.16.2 Identify the quantity produced before the subsidy was issued.

Qe ✓ (1)

4.16.3 Describe what has happened to the price and quantity in the graph

- The supply has increased to Q1 because producers have more finance to buy more raw materials and produce more. ✓✓

- The price has dropped to P1 because the government subsidy allows the producers to sell at a lower price. ✓✓ (2x2) (4)

4.16.4 Explain the law of supply in detail.

- The law of supply states that there is a direct relationship between supply and price. ✓✓
- As price goes up, so does quantity supplied and vice versa. This is due to the fact that as suppliers are offered more per unit, they are able to supply more. ✓✓
- There is a positive relationship between the price and quantity supplied. ✓✓

(Any 2x2) (4)

4.17 Read the extract below and answer the questions that follow

> Of course if you're a monopoly owner of all minibus taxis in South Africa, it's a different story – you can increase taxi fares and tell your passengers to 'suck' it up, like the Airports Company South Africa (ACSA) is doing.
>
> Like most monopolies. ACSA talks a lot about "customer-focused service" – but its actions demonstrate its contempt for its customers. One needs to look no further than the airline industry to see the benefits of introducing competition into the market – not everybody may like low-cost carriers like Kulula and 1Time, but they have given people the option to choose and, together with price comparison sites, South African tour operators have driven airline fees down drastically. Competition has transformed the airline industry, yet a regulated monopoly continues to deliver abject service, endless waits for baggage, high levels of theft, airport security lapses and frequent waits for the arrival of disembarkation equipment.

Source: http://www.southafrica.to/transport/Airports/ACSA-monopoly

4.17.1 What does the abbreviation ACSA stand for

ACSA – Airports Company South Africa ✓ (1)

4.17.2 Name ONE strategy, according to the case study, that has changed the airline industry.

Competition ✓ (1)

4.17.3 The writer states that "you can increase fares and tell your passengers to "suck it up". Briefly discuss why he makes this statement?

- Passengers have no choice in the taxi fare price because they desperately need the transport. ✓✓
- Therefore, whatever fare is being charged by the taxi owner, passengers will have to pay it. ✓✓
- Passengers have no reliable, cheaper alternative in South Africa so they have to use the taxi. ✓✓

(Accept any correct relevant answer) (Any 2 x 2) (4)

4.17.4 Discuss what would make the taxi business in South Africa a perfectly competitive market

- There must be more taxi owners offering the service ✓✓
- They should be price takers ✓✓
- There should be no barriers to entry ✓✓
- Taxi drivers should be able to enter or exit the market freely ✓✓
- The taxi owners and passengers must have complete information ✓✓

(Accept any correct relevant answer) (Any 2 x 2) (4)

4.18 Read the extract below and answer the questions that follow

> Agricultural demand in South Africa is expected to increase as population and income levels rise.
>
> But, it's not as simple as that. It is essentially about the sector adapting to the change in demand trends. Production will increasingly move from 'production push' to a 'demand pull' principle.
>
> Both consumers and the agricultural sector are at crucial turning points that will change the way that food is produced and consumed in the country. The one solid fact that is certain is that we will need to continuously produce more food to meet an ever-growing demand.
>
> But, the type of food and the nature of its production must continuously adapt to meet consumers' much more sophisticated needs.
>
> SOURCE: www.crsnewssa.co.za, 16/02/2016

4.18.1 Supply the extract with an appropriate heading.

Providing South Africa's future food demand ✓✓
(Accept any other relevant response.) (1)

4.18.2 Give any TWO reasons why the demand for agricultural products (food) could increase

- AN increased in the level of consumer income ✓
- An increase in the price of substitutes ✓
- A decrease in the price of complementary goods ✓
- An increase in the size of the population ✓

Accept any other relevant response ✓ (1)

4.18.3 Explain what will happen with the demand curve if there is a change in the quantity demanded of food products.

When there is a change in the price of food products there will be a change in the quantity demanded and therefore a movement will occur along the demand curve ✓✓ (2)

4.18.4 Why do people buy more when prices decrease?

- To maximize their satisfaction ✓✓
- They want to save more of their income on the reduced price. ✓✓ (1x2)(2)

4.18.5 What does the law of demand imply?

The law of demand implies that there is an inverse relationship between the price of the product and the quantity demanded of the product or service. ✓✓(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 Distinguish between national and international markets.

- National markets – buyers are spread over a large geographical area or country✓✓ e.g. JSE ✓
- In national markets, suppliers are found throughout the country and offer the same service to customers ✓✓
- International markets – buyers are spread throughout the world ✓✓
- e.g. Airbnb ✓which is a community marketplace for people to list and book accommodation all around the world ✓✓
- In international markets, suppliers are found throughout the world and offer the same service to customers ✓✓

(Accept any other correct relevant response) (8)

5.2 Briefly discuss the composition of markets.

- Participants: These are buyers and sellers/ suppliers ✓✓
- Communication: The interaction can be direct (face to face), through representation e.g. using an agent or indirect e.g. telephone, email etc. ✓✓
- Commodity: These are the goods or services traded on the market. ✓✓
- Location: Location can be local, regional, national or international. ✓✓

(4 x 2) (8)

5.3 Explain the factors that will determine the existence/composition of a market.

- A market will exist if there is at least one buyer and one seller ✓✓
- The buyer has the means to purchase the product ✓✓
- The seller has the required product to offer ✓✓
- The buyer and seller agree on price and quantity ✓✓

(Accept any other correct relevant response) (8)

5.4 Discuss any TWO characteristics of perfect markets.

- There are a large number of buyers and sellers so that nobody can influence the market price with their behaviour. ✓✓
- Buyers and sellers have full knowledge and information about market conditions. ✓✓
- There are no barriers to entry and exit, buyers and seller are free to leave or enter the market. ✓✓
- All goods or services in the market are identical or homogenous. ✓✓
- There is no government interference in the market in order to influence prices. ✓✓
- There is no working together amongst sellers (no collusion). ✓✓

(Accept any other correct relevant response.)
(Allocate a maximum of 4 marks for mere listing of facts / examples.) (4x2) (8)

5.5 Differentiate between complementary goods and substitute goods.

Complementary Goods

- These are goods that are combined together to satisfy a need. ✓✓
- Goods that cannot be used independently. ✓✓
- Goods that need to be consumed together with one another. ✓✓
- E.g. CD and a CD player. ✓ (max 4)

Substitute Goods

- These are goods that can replace other goods to satisfy the same need. ✓✓
- Goods that are so similar that they can be bought or used instead of the original goods. ✓✓
- Usually the substitute good is cheaper. ✓✓
- E.g. butter and margarine. ✓
(Accept any correct relevant answer) (max 4) (4x2) (8)

5.6 Briefly discuss FOUR characteristics of an imperfect market.

- There are few sellers: ✓ These producers have a direct influence on the price of the product. ✓✓They are not held back by other competitors and are able to affect the price. ✓✓
- Heterogenous products: ✓ The products in the market are quite different from each other and consumers look for specific qualities of each product. ✓✓ The seller supplies goods or services that have no close substitutes. ✓✓
- Imperfect information:✓ It is not easy, and sometimes not possible, for buyers to know what all the prices of a product are within the market. ✓✓
- Other sellers are prevented from entering the market: ✓ The seller is protected from competition through patents, control of resources and government restrictions. ✓✓
- The seller has control over the price: ✓The producers of the goods and services can set the prices ✓✓ and the buyers are not able to bargain or affect the prices in a significant way. ✓✓
- There are many imperfect markets: Examples include Telkom, Eskom, computer manufacturers and cell phone companies. ✓ (Any 4 x 2) (8)

5.7 Discuss the nature of the product and barriers to entry as characteristics of oligopoly.

Nature of the product:

- Some firms sell products which are homogenous such as cement or steel ✓✓
- Some firms sell products which are differentiated such as automobiles ✓✓

Barriers to entry:

- Entry into this market ranges from easy to difficult due to consumer preferences for certain brands which were created over time through advertising and product loyalty. ✓✓
- Entry to this market is limited in the sense that huge capital outlays might be necessary. ✓✓ (4 x 2) (8)

5.8 Discuss the number of suppliers and control over prices as characteristics of a perfect market.

Number of suppliers:

- There should be a large number of sellers ✓✓
- When there are many sellers, the share of each seller in the market is so small that the seller cannot influence the price. ✓✓

Max.4

Control over prices:

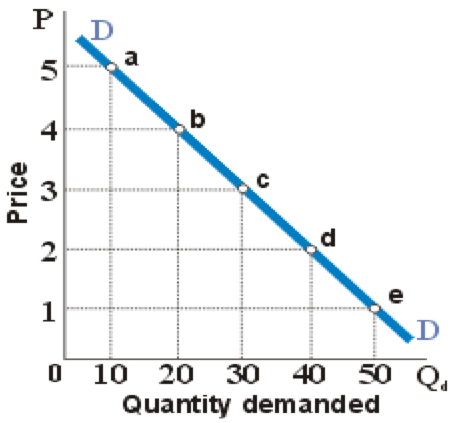
- Sellers in this market are price takers ✓✓
- Prices are determined through the market forces of demand and supply ✓✓

Max.4 (8)

5.9 Explain any FOUR conditions which have to be fulfilled for a good/service to penetrate the world market.

- There must be a wide demand of the good/service such as wheat, wool, cotton etc. ✓✓
- It should be easy to transport the good ✓✓
- The cost of transport must be small in relation to the value of the good e.g. diamonds ✓✓
- The good should last for a longer period of time/the good should be durable
- Entry to the world market should not be restricted. ✓✓
  (Accept any other correct relevant response) (8)

5.10 Illustrate the movement along the demand curve with the aid of a graph. (8)



Labelling of the axis = 1 mark Labelling on the axis = 1 mark Correct slope of the DD = 1 mark Indication of movement along the demand curve = 1 mark Max. 4 marks

- Point a to e illustrates the movement along the demand curve (DD). ✓✓
- Point a to e illustrates the quantity demanded which changes as the price of the product changes. ✓✓

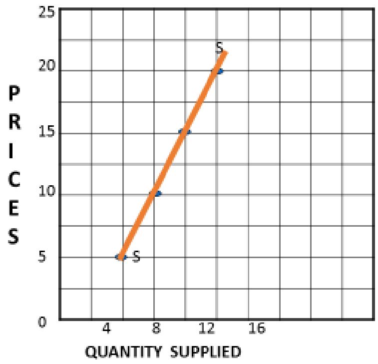
Graph = 4 marks
Explanation (2 x 2) (4)
[8]

5.1 With the aid of the supply schedule below, draw and explain the supply curve:

A SUPPLY CURVE

Price of juice	Quantity Supplied
R5	4
R10	6
R15	8
R20	10

2020/04/06



Labelling of the axes = 1 mark Labelling on the axes = 1 mark Correct slope of the supply curve = 1 mark Labelling of the supply curve = 1 mark Max.4

- Supply is the quantity of a good/service that a seller is willing to sell at a certain price during a certain period of time. ✓✓
- The law of supply states that if the price increases, the quantity supplied increases and vice versa. ✓✓
- The supply curve rises from bottom left to top right because there is a positive relationship between the price and the quantity supplied. ✓✓
- The supply curve above shows that when the price rose from R5 to R20, the quantity supplied rose from 4 to 10. ✓✓
- This change is called movement along the supply curve ✓✓

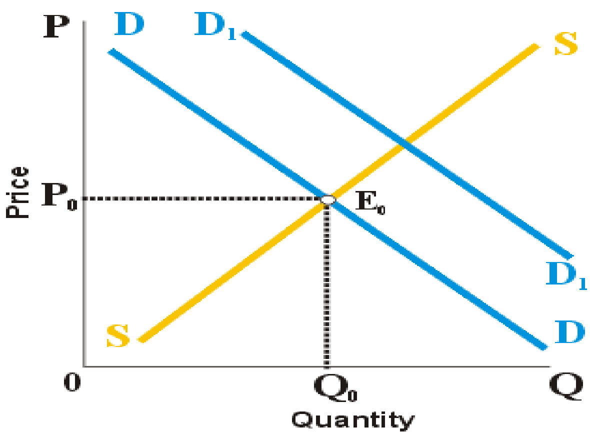
Graph = 4 marks

Explanation = 4 mark

(8)

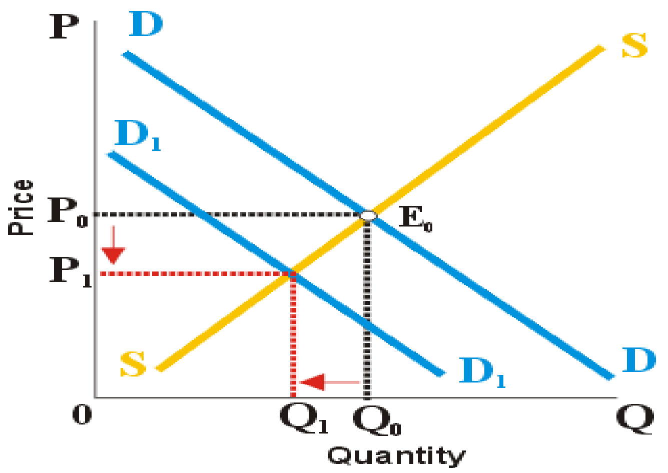
5.12 Illustrates the shifts in the demand curve if the level of income increases and decreases.

The shift in the demand curve if the level of income increases:



Heading = 1 mark Labelling of the axis = 1 mark Correct slope of the DD = 1 mark Correct shift of DD to the right = 1 mark Max. 4 marks

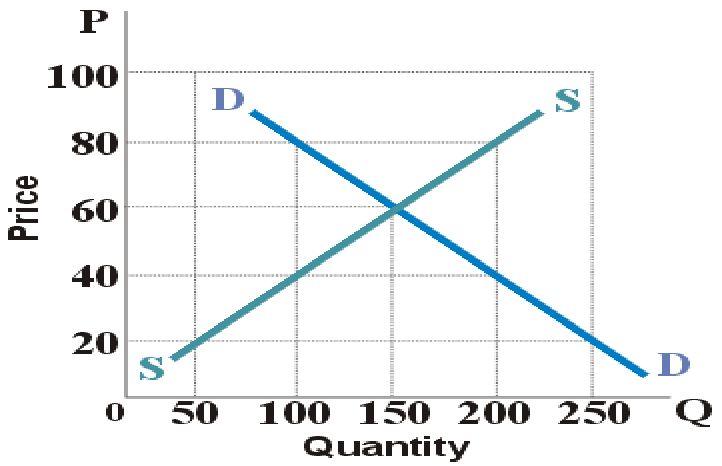
The shift in the demand curve if the level of income decreases:



Labelling of the axis = 1 mark Labelling on the axis = 1 mark Correct slope of the DD = 1 mark Indication of movement along the demand curve = 1 mark Max. 4 marks

(8)

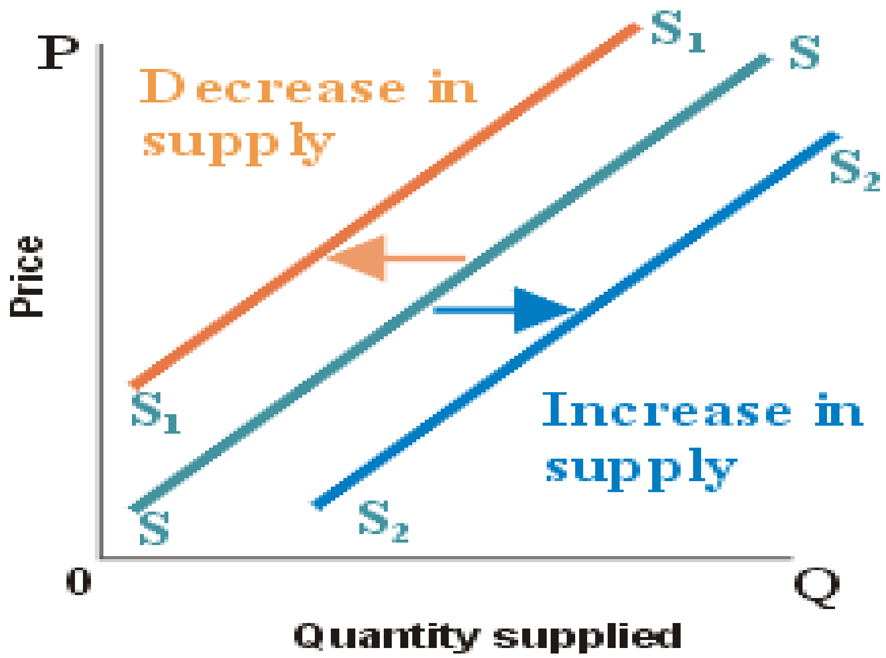
5.13 Use own demand and supply schedules to sketch the demand and supply curves within the same set of axes.



Labelling of the axis = 1 mark Labelling on the axis = 1 mark Correct slope of DD = 2 mark Correct slope of SS = 2 mark Use of correct scale = 1 mark Point of intersection/equilibrium = 1 mark **Max. 8 marks**

(8)

5.14 Explain the change in supply with the aid of a graph.



Labelling of and on axes = 1 mark Original supply curve/SS = 1 mark Shift to the right/increase in supply = 1 mark Shift to the left/decrease in supply = 1 mark Max.4

- If any factor other than the price cause supply to change, a new curve has to be drawn to the tight or left of the original curve. ✓✓
- If supply increases, the supply curve will shift to the right ✓✓
- If supply decreases, the supply curve will shift to the left. ✓✓

Graph = 4 marks
Explanation = 4 mark
(8)

5.15 Discuss any TWO functions of a market.

Markets bring supply and demand together✓✓:

- Markets are the interaction of consumers and producers to negotiate prices and exchange goods and services. ✓✓
- Because markets create contact between consumers and producers, it is in markets that supply and demand comes together. ✓✓
- Through the interaction of demand and supply, prices are determined
- Markets therefore serve a price-forming function. ✓✓

Max. 4

Markets lead to an efficient allocation of resources✓✓

- Market prices direct the economic decisions of both consumers and producers. ✓✓
- Producers will consider the relative prices of goods and services before they decide what, how and for whom to produce. ✓✓
- Producers make these decisions so as to maximize their profits. ✓✓
- Consumers, in contrast, will consider the relative prices of goods and services before they decide how to spend their money. ✓✓

- Consumers make these decisions so as to maximize their utility. ✓✓
- Profit maximization and utility maximization lead to an efficient allocation of resources. ✓✓

Max.4

Markets are self-regulatory

- Prices are determined by the forces of supply and demand. ✓✓
- Markets do not require any direct intervention or control from outside forces. ✓✓
- They are said to be guided by "an invisible hand", which ensures that prices are set in such a way that resources are allocated efficiently. ✓✓
- In the absence of markets, some regulating body would have to decide what goods would be produced, in what quantities, and for what price. ✓✓
- Within markets, these decisions are made automatically. ✓✓

(Accept any other correct relevant response)

Max.4

(2 x 4) (8

5.16 Differentiate between a shift of the demand curve and a movement along the demand curve.

Shift of the demand curve

- The whole demand curve moves into a new position ✓✓
- It is caused by factors other than price like population increases and changes in wealth✓✓

Movement along the demand curve □

- There is a movement within the same demand curve to a new combination of price and quantity ✓✓
- Caused by a change in price ✓✓

(Accept any other correct relevant answer) (2 x 4) (8)

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

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.***

6.1 Evaluate the impact of world markets on the economy.

Positives:

- Global markets offer the opportunity for consumers and suppliers to tap into larger markets around the world. ✓✓ They can have access to more capital, technology, cheaper imports and larger export markets. ✓✓
- Global markets help to promote efficiency and better use of resources through competition and division of labour so that economies and firms can focus what they do best. ✓✓

- In the world of communications and the internet, global markets facilitate commerce and education, and allow access to independent global media and new information and knowledge is shared. ✓✓
- Innovators and entrepreneurs can draw ideas that have been successfully implemented in one region and tailor them to suit their own area. ✓✓
- Globalisation creates cooperation among nations on a range of non-economic issues such as immigration, health care, the environment, and legal issues. ✓✓

(Accept any other correct relevant response) Max.4

Negatives:

- Companies can move to where the factors of production are the cheapest creating unemployment where the company moved. ✓✓
- The interconnected economies can experience problems if one of them fails.✓✓ This means that an economy would be vulnerable or damaged if there is an economic shock somewhere else in the world. ✓✓
- Opportunities in other countries where wages and salaries are higher can lead to brain drain. ✓✓ This happens where talented and trained nurses, doctors, engineers, and teachers have to leave the country and find better wages somewhere else. ✓✓
- Management of the environment and natural resources can be put in danger as firms move to areas where regulation is not strict. ✓✓ The need to compete cheaply in the world market means that environmental controls may be neglected. ✓✓

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

6.2 Evaluate the impact of Covid-19 on the domestic and world markets.

Positives:

- High demand of hand sanitisers boosted profit margins of manufacturers and retailers. ✓✓
- Agriculture, food processing and retail benefits due to an increase in the demand for essential goods and services. ✓✓
- Positive impact on ICT industry since there is a huge demand for data and internet to perform on-line activities. ✓✓
- The medical supply and services also benefit due to consultations and demand for medical health services. ✓✓
- Less money spent by consumers on high value goods, events, travelling and discretionary spending which led to less/no revenue for businesses selling goods or rendering such services. ✓✓

(Accept any other correct relevant response) Max.4

Negatives:

- A severe slowdown in global economic activity, with a risk of stress to a number of sectors. ✓✓
- Loss of jobs due to businesses not making profits during national lockdown ✓✓ /supply of labour will reduce due to absenteeism from work, working from home, closures of businesses and parents staying at home to take care of dependants. ✓✓
- The production capacity of economies declining due to businesses which closed during lockdown period. ✓✓
- Supply chains will be impacted either via domestic disruption or disruption elsewhere in the world which has a knock-on impact on domestic production and economic activity. ✓✓
- It will also show reduced export demand, due to the reduction in global trade. ✓✓
- Construction is hard to carry out during national lockdown period. ✓✓
- The drastic drop in local and foreign tourist spending will lead to a decline in economic activity generated by businesses such as hotels, travel agencies, airlines and other passenger transportation services. ✓✓

- Reduced levels of business and consumer confidence coupled with significant number of cases results in a sharp and sustained downturn in business investment. ✓✓
- Even though food and pharmaceutical sales will continue, the loss in other retail activity will still lead to the economy losing activity generated by businesses such as clothing stores, hardware shops and cosmetic retailers.✓✓

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

6.3 What positive impact will an increase in suppliers of electricity have on South Africa?

The economy will benefit because this will result in:

- improving competition as more firms will enter the market and produce electricity. ✓✓
- lowering price of electricity for both consumers and producers in the economy. □□
- improving the quality of service provided by electricity suppliers ✓✓
- increasing production in the economy as a whole as there will be reduction in production costs ✓✓
- creating more jobs for the people therefore improving the welfare of the consumers ✓✓
- increasing economic growth due to increased number of suppliers in the economy ✓✓

(Accept any other correct relevant response) (8)

6.4 How can the government protect consumers against exploitation by imperfect markets?

- The government can investigate charging of abnormal prices and impose fines to firms affected. ✓✓
- The government can investigate price fixing by oligopolists and impose fines on them. ✓✓
- Laws can be passed that encourage competition and make goods to be affordable ✓✓
- The government can provide information about prices of goods and services where information is incomplete/government can provide information services to businesses ✓✓such as technical advice, information on markets etc. ✓
- Through the competition policies, the government can prevent illegal merging of large business undertakings. ✓✓

(Accept any other correct relevant response) (8)

6.5 Why is it not advisable for an individual seller in a perfect market to charge a price which is above or below the market price?

- In a perfect market an individual seller is a price taker who accept the prevailing market price. ✓✓
- Prices are influenced by the market forces of demand and supply not by individual sellers. ✓✓
- If the individual seller charges a price higher than the market price, all the buyers will obtain the product elsewhere. ✓✓
- If the individual seller charges a lower price than the market price, he/she will either make a small profit or a loss. ✓✓

(Accept any other correct relevant response) (8)

6.6 How does the cost of production impact on the quantity supplied?

- If the cost of production such as labour, raw materials, equipment etc. decreases, the quantity that producers are willing to supply at a given price will increase. ✓✓
- Producers with lower costs will always be able to supply more of a product at a given price, because it is cheaper for them to produce goods. ✓✓
- Supply of a product will decrease with an increase in the cost of production. ✓✓
- An increase in production costs will make it difficult for businesses to
- produce goods and service. ✓✓

(Accept any other correct relevant response) (8)

6.7 What role does technology play in supply, demand and the price of goods and services?

- Technology advances that improve production efficiency will shift a supply curve to the right and reduce the input costs of production. ✓✓
- The cost of production goes down, and producers will supply more of the product at lower prices. ✓✓
- Computers, televisions and photographic equipment are good examples of the effects of technology on a supply curve. ✓✓
- Electronic manufacturers continue to improve the quality of their products and lower the cost of production. ✓✓
- At lower prices, consumers can purchase more TVs and computers, causing the supply curve to shift to the right. ✓✓
- Changes in technology can affect demand for different products by increasing the demand for a new product and making an older product obsolete. ✓✓
- Technology created a market for tablet with equal performance to laptops but at lower prices. ✓✓
- As a result, the demand for laptops was reduced in the face of competition from tablets. ✓✓
- As manufacturers continue their quest to improve productivity and efficiency through technological advances, the demand and supply for products will always be adjusting to consumers' tastes and preferences. ✓✓

(Accept any other correct relevant response) (8)

6.8 Analyse the impact of Covid-19 outbreak on the hand sanitizer market.

- The Covid-19 outbreak has led to a huge uptick in the demand for hand sanitizers globally. ✓✓
- The demand for hand sanitizers has been steady for the past few months since the outbreak of the virus in China, early in 2020. ✓✓
- A sudden spike in demand was observed in recently as the cases surged in the U.S., Italy, UK and other countries. ✓✓
- As the virus has begun to spread widely across the globe, people have started to 'panic-buy' hand sanitizers as a preventive measure. ✓✓
- The 'panic-buying' of hand sanitizers led to a serious shortage of hand sanitisers world-wide as majority of retailers and chemist stores ran out of stock. ✓✓
- Manufacturers faced challenges to their normal supply chains from increasing demand for the raw ingredients needed to meet unprecedented and urgent demand during the Covid-19 outbreak. ✓✓
- To solve the problem, some of the retailers limited the number of purchases per customer in order to serve as many people as possible. ✓✓
- Black markets developed where hand sanitisers were sold illegally at higher prices due to the increased demand. ✓✓
- Due to shortages, consumers were encouraged to wash hands with soap and water regularly and thoroughly. ✓✓
- The increase in demand followed by less supply of hand sanitizers led to abnormal increase in the price of hand sanitizers. ✓✓

(Accept any other correct relevant response) (8)

6.9 Analyse the reasons why the imperfect market can manipulate prices.

The imperfect market can manipulate prices because of the following reasons:

- There is only one supplier or a few large suppliers of a good or service ✓✓
- The single supplier or few suppliers have complete control over the price ✓✓
- The good or service supplied is unique and it has no close substitutes ✓✓
- Entry into the market is restricted so that new suppliers cannot enter the market. ✓✓
- There is incomplete information. ✓✓

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

6.10 Why is competition in the marketplace good for the economy?

- When firms compete with each other, consumers buy goods and services at a lower price ✓✓
- Lower prices will lead to an increase in aggregate demand. ✓✓
- As a result, firms will expand and produce more goods and services and boost the economy in general. ✓✓
- This will increase the demand for labour and employment opportunities will increase. ✓✓
- Competition encourages businesses to conduct a need analysis for their consumers in order to meet their demands. ✓✓
- Increasing competition opens business opportunities and improves a country's productive capacity. ✓✓
- Competition can lead to higher productivity and efficiency in the market. ✓✓(8)

6.11 Why prices are important in a market economy?

- Prices act as signals to buyers and sellers. When prices are low enough, they send a "buy" signal to buyers (consumers). ✓✓ When prices are high enough, they send a "sell" signal to sellers (retailers). ✓✓
- Prices encourage efficient production. The less it costs to produce an item, the more likely it is that its producers will earn a profit. ✓✓
- Firms that are efficient will produce more goods with fewer raw materials than firms that are inefficient.✓✓
- Prices help to determine who will receive the economy's output of goods and services, ✓✓ for example, when grapes are out of season they are imported and are expensive so only the wealthy can afford to buy them, however, when they are in season they are plentiful and cheap so everyone can buy them. ✓✓

(Accept other correct and relevant responses) (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 The introduction is a lower-order response. • A good starting point would be to the main concept related to the question topic	Max 2

• Do not include any part of the question in your introduction. • Do not repeat any part of the introduction in the body • Avoid saying in the introduction what you are going to discuss in the body	
Body: **Main part:** Discuss in detail/ In-depth discussion/ Examine/ Critically discuss/ Analyse / Compare/ Distinguish/ Differentiate/ Explain/ Evaluate **Additional part:** Critically discuss/ Evaluate/ Critically evaluate/ Calculate/ Deduce/ Compare/ Explain Distinguish / Interpret/ Briefly debate/ How/ Suggest / Draw a graph	Max 26 Max 10
Conclusion Any Higher or conclusion include: • A brief summary of what has been discussed without repeating facts already mentioned in the body • Any opinion or value judgement on the facts discussed • Additional support information to strengthen the discussion/analysis • A contradictory viewpoint with motivation, if required • Recommendations	Max 2
TOTAL	**40**

[40]

QUESTION 7

- **Discuss in detail the characteristics of perfect and imperfect markets under the following headings:**
- **Number of sellers**
- **Nature of the product**
- **Barriers to entry**
- **Information availability**
- **Ability of suppliers to change prices**

(26)

- **Why is competition in the marketplace good for the economy? (10)**

[40]

INTRODUCTION

A market exists wherever buyers and sellers meet to exchange goods and services at a price/A market is any place where buyers and sellers meet in order to determine the price and quantity of goods or services that will be exchanged. ✓✓

(Accept other correct and relevant introduction). (2)

BODY: MAIN PART

CHARACTERISTICS OF PERFECT MARKETS:

Number of buyers and sellers

- There are a large number of buyers and sellers. ✓✓
- No individual participant can affect the price through their own supply or demand of goods. ✓✓

Nature of product

- The goods or services supplied are homogeneous products, such as cups, plates, toothpaste, shoes and soaps, are usually mass-produced products. ✓✓
- The products on offer are all more or less the same (identical). ✓✓
- The goods all serve the same purpose and are often easy to produce. This results in a large number of suppliers that compete for sales, which keeps prices low. ✓✓

Barriers of entry

- Sellers have unrestricted and easy entry and exit into the market. ✓✓
- Sellers can enter the market at will and they are able to sell their products just as easily as any other seller will, they can also leave the market whenever they want to. ✓✓

Information availability

- These markets have perfect or complete information. Buyers know exactly what each seller's price is. ✓✓
- There is also full and complete information available to producers and consumers about market conditions. ✓✓

Ability of suppliers to change prices

- The seller has no control over the prices, they are price takers. ✓✓
- Sellers have to accept the prevailing market price. If they increase prices above prevailing market prices, they will not sell anything. No supplier can influence the price in the market. ✓✓
- In reality there are few perfect markets e.g. mining (for example, oil and gold), agriculture for example, (beef or maize) and the Johannesburg Stock Exchange (JSE). ✓

CHARACTERISTICS OF IMPERFECT MARKETS:

Number of buyers and sellers

- There is only one large supplier of a good or service (monopoly) or a few large suppliers (oligopoly). ✓✓
- These producers have a direct influence on the price of the product, and are not held back by any competitors and are able to affect the price. ✓✓
- Also there may be many suppliers but one producer is able to significantly change the demand at the expense of other producers (monopolistic competition). ✓✓

Nature of product

- The goods or services supplied are heterogeneous or unique products. ✓✓
- The products in the market are quite different from each other and consumers look for specific qualities of each product. ✓✓
- The seller supplies products that are unique and have no close substitutes. ✓✓
- These products may differ on price or feature or bonus offers. Sometimes products differ due to location or advertising. ✓✓

Barriers of entry

- Entry into the market is restricted or completely blocked so that new suppliers cannot enter the market. ✓✓

- Other sellers are prevented from entering the market. ✓✓
- The seller is protected from competition through patents, control of resources and government restrictions. ✓✓
- There are many examples of imperfect markets, these include Eskom, Telkom, DSTV, cellphone companies, petrol stations, restaurants, computer and car manufacturers etc. ✓

Information availability

- These markets have imperfect information. ✓✓
- Producers and consumers have incomplete knowledge about market conditions. ✓✓
- It is not easy, and sometimes not possible, for buyers to know what all the prices of a product are within the market. ✓✓

Ability of suppliers to change prices

- The seller has control over the prices, they are price makers. ✓✓
- The producers of the goods and services can set the prices and buyers are not able to bargain or affect the prices in a significant way. ✓✓ (26)

ADDITIONAL PART

Why is competition in the marketplace good for the economy?

- When firms compete with each other, consumers buy goods and services at a lower price ✓✓
- Lower prices will lead to an increase in aggregate demand. ✓✓
- As a result, firms will expand and produce more goods and services and boost the economy in general. ✓✓
- This will increase the demand for labour and employment opportunities will increase. ✓✓
- Competition encourages businesses to conduct a need analysis for their consumers in order to meet their demands. ✓✓
- Increasing competition opens business opportunities and improves a country's productive capacity. ✓✓
- Competition can lead to higher productivity and efficiency in the market. ✓✓
  (Accept any other correct relevant response) (10)

CONCLUSION

The government should ensure that there are less monopolies and oligopolists since these types of imperfect markets lead to exploitation of consumers. ✓✓

(Accept other correct and relevant conclusion of a higher cognitive level). (2)

[40]

QUESTION 8

- **Discuss market structures in detail according to the characteristics: Number of producers, nature of the product, barriers to entry and availability of information (26)**
- **Briefly explain the conditions that an item or service must meet for it to be suitable for trade in the world market. (10)**

[40]

Introduction

- Markets are all those buyers and sellers who influence the price of a particular item or service. ✓✓
- The common feature of all markets is that there are interactions between buyers and sellers. ✓✓
  (Accept any other relevant response.) (Max 2)

Body

Main part:

The number of producers

- In some markets (Monopoly) there is only a single large producer of the item or service. ✓✓
- For example, Eskom is the sole provider of electricity in South Africa. ✓
- In other markets (Perfect markets) there are many producers of goods or services. ✓✓
- For example, many farmers produce meat. ✓
- In between these two extremes are markets in which there are only a few producers of goods or a service (Oligopoly). ✓✓
- For example, the producer of motor cars, shoes and coffee in South Africa. ✓

The nature of the product.

Goods are homogeneous (identical). ✓

- Goods that are mass-produced, they serve the same purpose. ✓✓
- Such goods are often easy to produce, resulting in a large number of suppliers that compete for sales. (Perfect market) ✓✓
- Prices are bid downwards. ✓✓
- Example: cups, plates, toothpaste and shoes, are usually homogeneous. ✓

Goods are heterogeneous (different). ✓

- Agricultural products are usually heterogeneous, but homogeneity is obtained by:
  - grading, for example, tomatoes; ✓
  - sorting, for example, eggs; and ✓
  - classifying, for example, wool. ✓
- Such homogeneity makes them easier to sell. ✓✓

Brand names / Unique products ✓

- Suppliers of mass-produced goods often use brand names to make their goods appear to be unique and to convert homogeneity into heterogeneity. ✓✓
- In general, consumers are willing to pay more for unique goods and in effect allow a producer to become a sole supplier (Monopoly) ✓✓
- Think of Coca-Cola, for example. Such a supplier can then charge a higher price or gain by selling larger volumes. ✓✓

Barriers to entry

- There are barriers in some markets that prevent new producers from entering the market and supplying the goods or services. ✓✓
- The market for cellular telephone service providers in South Africa serves as an example, since a producer can enter the market only if it has a government license to provide this service. ✓✓
- The government controls entry into this market by issuing only a few such licences. ✓✓
- In this example, the licence is said to act as a barrier to entry into the market. ✓✓

- In a perfect market and monopolistic competition entry is free. ✓✓
- In a monopoly entry is blocked. ✓✓

Availability of information

- In some markets there is full and complete information about the market conditions. ✓✓
- For example, on the JSE there is detailed information available about how many shares have been sold in a given period. ✓✓
- The highest and lowest prices offered and paid, and the price that was paid for the last share sold at the close of trade are public information. ✓✓
- In other markets, producers and consumers have to make decisions based on incomplete information. ✓✓

(When answered in table format, answers must be in full sentences for 2 marks)
(Max 8 marks for headings, subheadings and examples and Max 18 for content)
Max (26)

ADDITIONAL PART

- There must be a wide demand for goods and services such as basic necessities. ✓✓
- Goods must be transportable, land and buildings are impossible to transport, services are limited by distance and labour is immobile. ✓✓
- The cost of transport must be small in relation to the value of the goods. ✓✓
- Goods must be durable, goods that perish quickly require specialised logistical arrangements. ✓✓
- Entry must not be restricted by government regulations. ✓✓
  (Accept any other relevant response.) (Any 5 x 2) (10)

Conclusion

Buyers as a group determine the demand and the sellers as a group determine the supply. Markets are established by the interactions between buyers and sellers. ✓✓
(Accept any other relevant response.) (Max 2)
[40]

QUESTION 9

- **Discuss price formation, with the aid of graphs, under the following headings:**
  - **Equilibrium point, price and quantity** **(12)**
  - **Effect on markets if there is an increase in both demand and supply** **(14)**

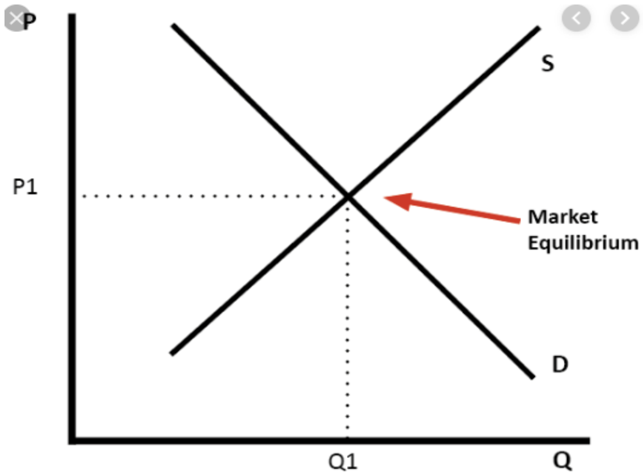
  (26)
- **Why prices are important in a market economy?** **(10)**

INTRODUCTION

The concept of demand and supply are important to economists as they help them to understand how prices are determined in the market. Therefor the best place for a market to operate is where the quantity demanded by the households is equal to the quantity supplied by the firms. ✓✓ (2)

BODY: MAIN PART

EQUILIBRIUM POINT, PRICE AND QUANTITY



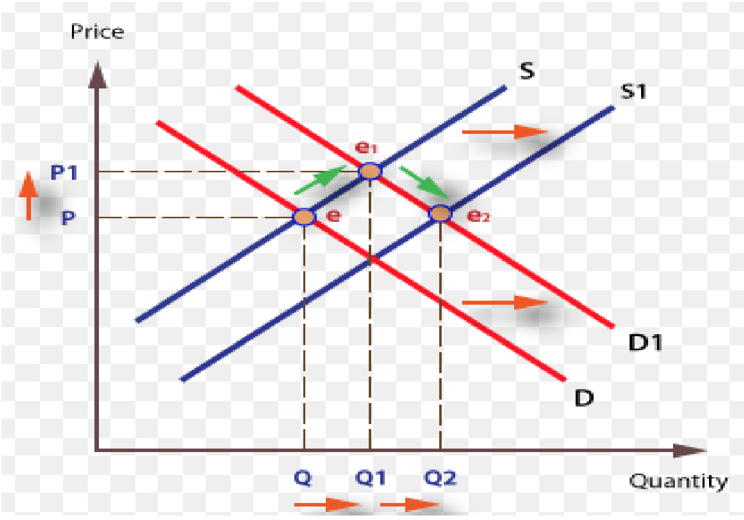
Equilibrium price = 1 mark Equilibrium quantity = 1 mark Equilibrium point = 1 mark Supply curve = 1 mark Demand curve = 1 mark **Max. 4**

- Equilibrium point is where the demand curve equals the supply curve and is labelled as 'market equilibrium' on the graph above. ✓✓
- Equilibrium price (P1 market price) is the price at which demand and supply are the same. ✓✓
- Equilibrium quantity (Q1) is the quantity of goods that are produced and sold at a particular price (P1) in order to completely satisfy the household demand and where there will be no left-over goods or services. ✓✓
- That is the same point as equilibrium point where quantity supplied is equal to quantity demanded and there are no forces acting to change the price. ✓✓

Graph = 4 marks
Explanation = 8 marks

(12)

EFFECT ON MARKETS IF THERE IS AN INCREASE IN BOTH DEMAND AND SUPPLY



Labelling on the axis = 1 Labelling of the axis = 1 New supply curve (S1) = 1 New demand curve (D1) = 1 Original equilibrium point (E) = 1 New equilibrium point (E1) = 1 New equilibrium point (E2) = 1 **Max.4**

- Equilibrium point (e) is where the original demand curve (D) equals the original supply curve (S) and is labelled as 'point e' on the graph above. ✓✓
- Market price will be at 'P' and quantity offered on the market will be at 'Q'. ✓✓
- When the demand of a product increases then the original demand curve (D) will shift outwards and to the right labelled as D1. ✓✓
- Equilibrium point will now shift from point 'e' to point 'e1' and the price of the product will increase. ✓✓
- Market price will increase from P to P1 and the quantity offered on the market will increase from Q to Q1. ✓✓
- Due to demand increasing supply should now also increase, thus the supply curve will move outwards to the right into position S1. ✓✓
- The new equilibrium point (e2) will now be where D1 and S1 intersects at point 'e2', thus at a lower marker price. ✓✓
- The market price will now again settle on P from P1. Quantity will increase from Q1 to Q2. ✓✓ **[26]**

ADDITIONAL PART

Prices are important in a market economy because:

- Prices act as signals to buyers and sellers. When prices are low enough, they send a "buy" signal to buyers (consumers). ✓✓ When prices are high enough, they send a "sell" signal to sellers (retailers). ✓✓
- Prices encourage efficient production. The less it costs to produce an item, the more likely it is that its producers will earn a profit. ✓✓
- Firms that are efficient will produce more goods with fewer raw materials than firms that are inefficient.✓✓

- Prices help to determine who will receive the economy's output of goods and services, ✓✓ for example, when grapes are out of season they are imported and
are expensive so only the wealthy can afford to buy them, however, when they are in season they are plentiful and cheap so everyone can buy them. ✓✓

(Accept other correct and relevant responses). (10)

CONCLUSION

If sellers charge a price which is below the equilibruim price, their total revenue will decrease and they will make a loss. ✓✓
(Accept other correct and relevant conclusion of a higher cognitive level). (2)

[40]

QUESTION 9

- **Discuss in detail how the interaction between supply and demand determines the price of goods and services in a free market structure. (26 marks)**
- **Using a graph, analyse the effect that a production subsidy by the Government will have on the market price of a specific good or service. (10 marks) [40]**

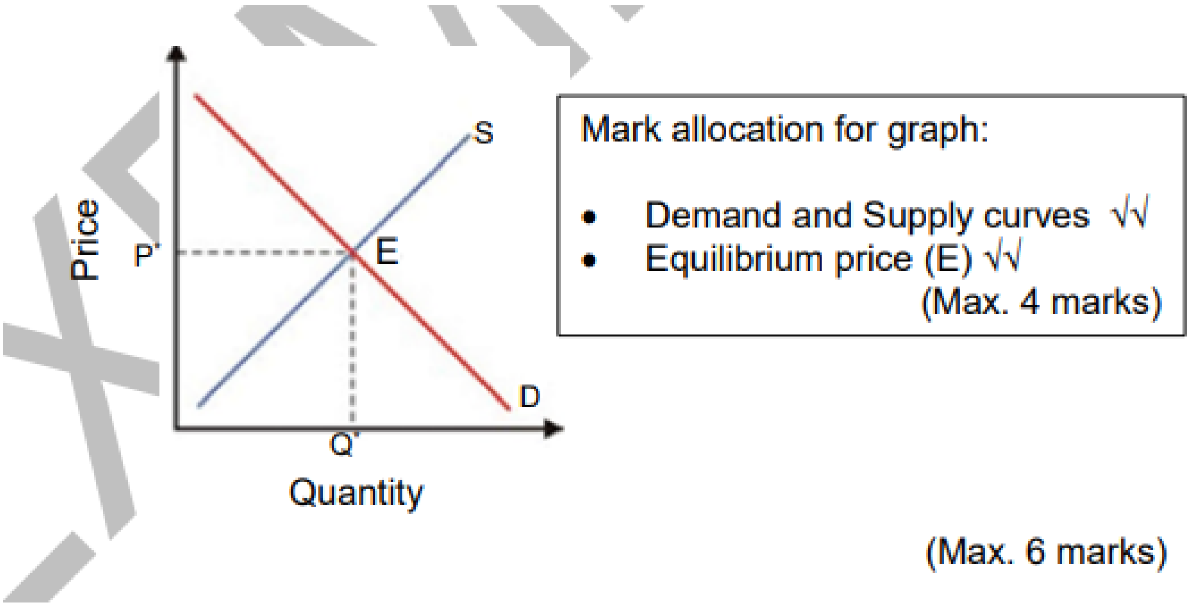
INTRODUCTION

Price is determined by the forces of demand and supply. A change in either force will result in a change of the equilibrium price. ✓✓
(Accept any other relevant introduction) (2)

BODY: MAIN PART

- **Supply:**
  - Supply can be defined as the quantity of goods and services that can be produced by producers over a specific time. ✓✓
  - The law of supply states that if the price of a product increases, the quantity supplied will increase. ✓✓
  - The price of the product is directly linked to the quantity, therefore if the price increases, then the quantity supplied will increase (direct relationship). ✓✓
  - The supply curve indicates the quantity of the product supplied at any given price. ✓✓ o Supply curves have a positive slope – slopes up from left to right. ✓✓
  - The positive slope is the result of the direct relationship between price and quantity demanded. ✓✓
  - Factors that influence supply:
    – Cost of production ✓✓✓✓
    – Cost of technology used during the production process ✓✓
    – Prices of alternative products ✓✓
    – Prices of complementary products ✓✓
    – Number of suppliers ✓✓
    – Weather conditions ✓✓
    – Price that the consumer is willing to pay for the product ✓✓ (Max. 10 marks)
- **Demand:**
  - Demand can be defined as the quantity of goods and services that the consumer is willing to buy at a specific price. ✓✓

- The law of demand states that when the price of goods or services increases, the demand for those goods or services will decrease. ✓✓
- There is an indirect relationship between the amount demanded and the price. ✓✓
- The demand curve indicates the quantity demanded by consumers at a certain price. ✓✓
- Demand curves have a negative slope – slopes down from left to right ✓✓
- The negative slope is the result of the indirect relationship between the quantity demanded and the price. ✓✓
- Factors that influence demand:
  – Price of the product ✓✓
  – Consumers' income levels ✓✓
  – Consumers' tastes and preferences ✓✓
  – Price and availability of substitute products ✓✓
  – Price and availability of complementary products✓✓ (Max. 10 marks)



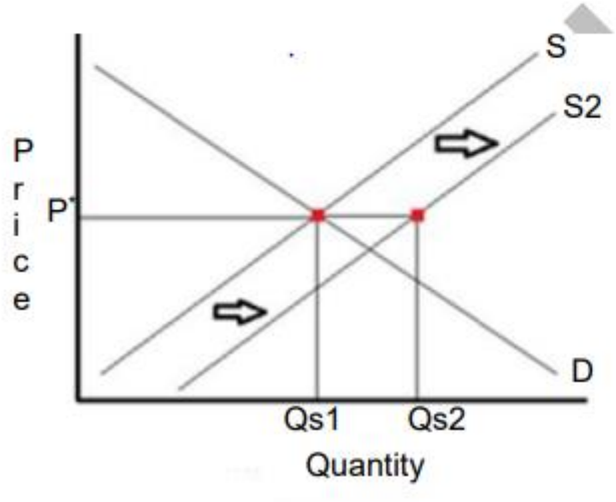
- **Price formation:**
  - Equilibrium price and quantity (market price) is where the demand and supply are equal. ✓✓ (Max. 6 marks)

Mark allocation for **graph:**
- Demand and Supply curves ✓✓
- Equilibrium price (E) ✓✓ (Max. 4 marks)

ADDITIONAL PART
- Government subsidises producers to encourage them to produce certain goods. ✓✓
- The subsidy covers part of the production cost of the company. ✓✓
- By reducing the production cost, more goods can be produced without influencing the price. ✓✓
- Producing more goods at the same price lowers the market price of the goods. ✓✓
(Accept any other relevant answer) (Max. 10 marks)

Mark allocation for graph:
- Supply curve (S) √√
- Change in supply curve (S[1]) √√
- Quantity increase at same price √√

(Max. 6 marks)



CONCLUSION
Price formation is a dynamic occurrence with any change in either supply or demand affecting the market price of goods and services.
(Accept any other relevant higher order response) (2) [40]

QUESTION 10

- **Discuss in detail, the FOUR most important characteristics by which markets can be identified. (26 marks)**
- **Draw a well-labelled graph indicating market equilibrium, market shortage and market surplus. (10 marks)**

INTRODUCTION
- The most common feature of markets is that they facilitate an interaction between buyers and sellers. However, markets take different forms such as perfect and imperfect markets ✓✓
  (Accept any other correct relevant response.) (Max 2)

BODY: MAIN PART
The number of producers□
- In some markets there is only one seller of a product✓✓, e.g., Eskom is a sole provider of electricity in South Africa ✓
- In other markets there are many producers of a good or a service ✓✓ , e.g., many meat farmers ✓
- In between these two extremes are markets in which there are only a few producers of a good or service✓✓, e.g. the motor industry, shoes, coffee etc✓

The nature of the product □
- In some instances goods are homogeneous ✓✓ , goods that are mass-produced like plates, cups, toothpastes and shoes are usually homogeneous✓

- Such goods are often easy to produce✓✓, and result in a large number of suppliers that compete for sales and their prices are bid downwards✓✓
- In other instances, goods are heterogeneous (different) ✓✓, agricultural products are usually heterogeneous ✓, but homogeneity is obtained by grading ✓✓, e.g., grading tomatoes, sorting eggs etc.✓, such homogeneity makes them easier to sell✓✓
- Suppliers of mass-produced goods often use brand names to make their goods appear to be unique and to convert heterogeneity into homogeneity ✓✓
- Generally, consumers are willing to pay more for unique goods an✓✓ d in effect
- allow producers to become a sole producer ✓✓ e.g., Coca Cola✓✓

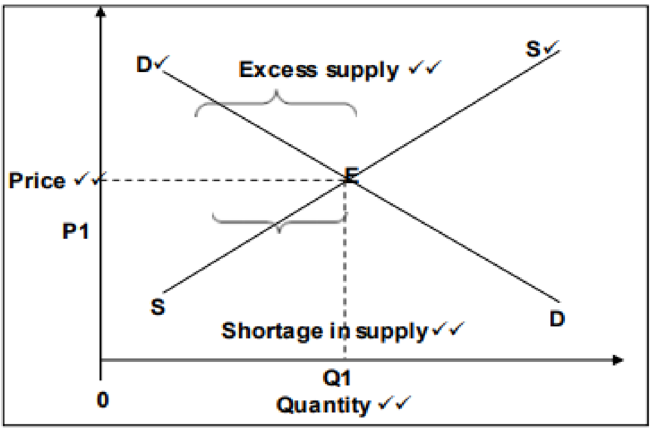
Barriers to entry

- There are barriers in some markets that prevent new producers from entering the markets and supplying the good or service✓✓
- The market for cellular phone providers in South Africa serve as an example, since a producer can enter the market only if it has a government license to provide this service ✓✓
- Government controls entry into this market by issuing licences and this license serves as a barrier ✓✓
- In other markets it may be very easy for new producers to enter the market and start supplying the good or service ✓✓

Availability of information

- In some markets there is full and complete information about the market conditions ✓✓ e.g., JSE there is detailed information available about how many shares have been sold in a given period✓✓, the highest and the lowest prices offered and paid ✓✓, and the price that was paid for the last share sold at the close of trade✓✓
- In some markets producers and consumers have to make decisions based on incomplete information✓✓
  (Accept any other correct relevant response.)
  (Allocate a maximum of 8 marks for mere listing of facts / examples.) (Max 26)

ADDITIONAL PART



(10)

CONCLUSION

Markets, no matter how different they are, are a common place for the convergence of producers and the consumers of their products✓✓ (2)
(Accept any other correct relevant higher order response.) (Max 2) [40]

QUESTION 11

- Discuss in detail, using diagrams, how the forces of demand and supply determine the equilibrium price in the product market. (26)
- Explain the factors that influence the demand for a product. (10)

[40]

BODY:
MAIN PART
DEMAND

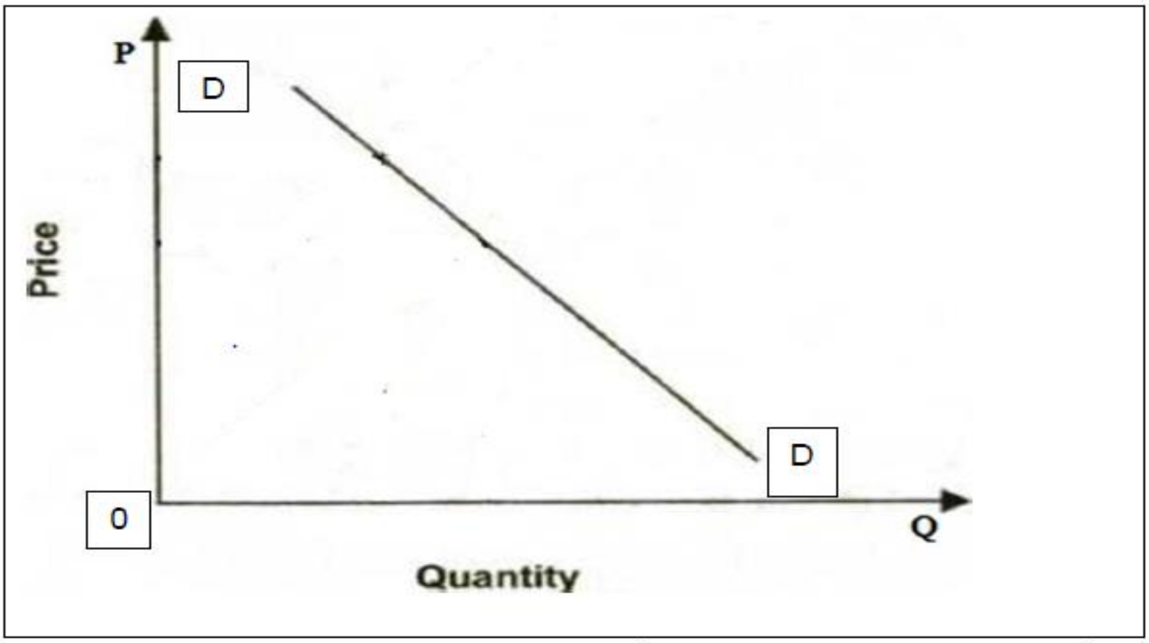
- A demand for a product is the result of decisions made by consumers about which needs and wants to satisfy. ✓✓

LAW OF DEMAND ✓

- The law of demand states that as the price of the product increases, the quantity demanded of the product decreases, and as the price of the product decreases, the quantity demanded of the product increases. ✓✓

DEMAND CURVE□✓

- A demand curve indicates the quantity of a product that is demanded at different prices. ✓✓
- It slopes down from left to right. This indicates that the demand curve has a negative slope. ✓✓
- It is the result of the inverse relationship between the price of a product and the quantity demanded of the product. ✓✓



Quantity / x axis= 1 mark Price / y axis = 1 mark Demand Curve drawn correctly= 2 marks Max = 4 marks

SUPPLY

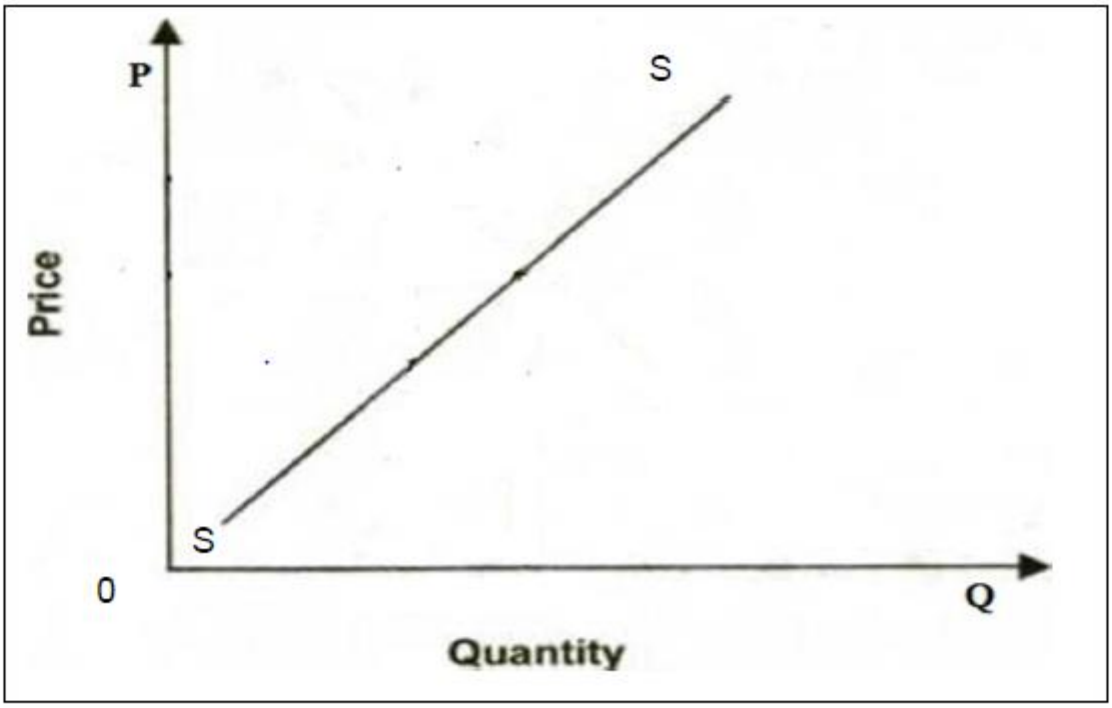
- Supply is the quantity of a product that individual producers plan to sell at a certain price. ✓✓

Law of Supply✓

- The law of supply states that as the price of the product increases, the quantity supplied of the product increases. ✓✓
- There is a direct relationship between the quantity and price. ✓✓

Supply Curve□✓

- A supply curve indicates the quantity of a product that is supplied at different prices. ✓✓
- It slopes up from left to right. This indicates it has a positive slope. ✓✓
- It shows the result of the direct relationship between the price of a product and the quantity supplied of the product. ✓✓

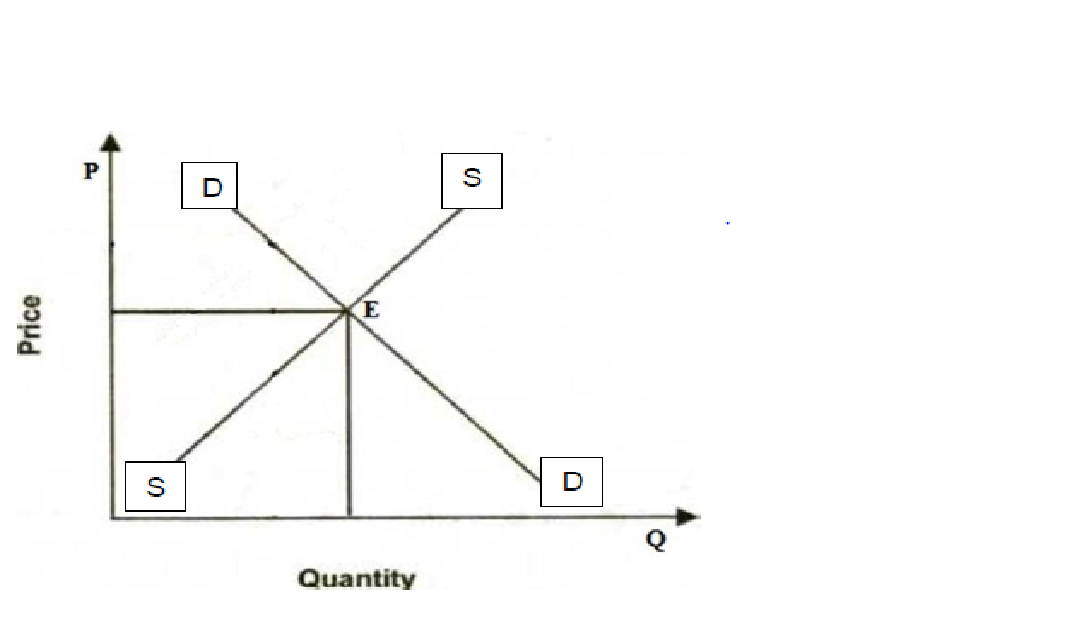


Quantity / x axis= 1 mark
Price / y axis = 1 mark
Supply Curve drawn
Correctly = 2 marks

PRICE FORMATION

- The price that is formed therefore represents a level at which the plans of buyers (consumers) exactly match the plans of sellers (suppliers). ✓✓
- Market equilibrium✓
- The best place for a market to operate is where the quantity demanded by the households is equal to the quantity supplied by businesses. ✓✓
- Equilibrium price (Market price) ✓
- This is the price at which demand and supply are the same. It is the price at which quantity demanded is equal to quantity supplied. ✓✓
- Equilibrium quantity✓
- This is the quantity of goods that are produced and sold at a particular price in order to completely satisfy the household demand and where there will be no left-over goods or services, i.e., quantity supplied is equal to quantity demanded. ✓✓

(Allocate a maximum of 8 marks for headings, subheadings, or examples) (Max 26)



Quantity / x axis= 1 mark Price / y axis = 1 mark Equilibrium Point= 2 marks

ADDITIONAL PART

Factors that influence the demand of a product

The price of the product✓

- When the price is low, consumers demand more while as the price increases consumers demand less✓✓

The consumers" taste and buying behaviour✓

- Consumers may like a certain product and therefore demand more of it while if they don't like it they demand less✓✓

The consumers" income ✓

- Sometimes when incomes of consumers increase the consumers demand more products because they can afford those products✓✓

The availability and price of substitute products ✓

- When a product has no close substitutes, consumers demand it even when its price goes up because they have no choice, while when it has substitutes consumers can demand more of the other choice when the other is expensive✓✓

The availability and price of complementary products✓

- When the compliment product is cheap and available consumers may demand more of a product✓✓

  (Accept any other correct relevant answer) (Max 10)

Conclusion

The equilibrium price is not static but dynamic. It could change at any time if there is a change in the demand for the product by consumers or a change in the supply of the product by producers. ✓✓
(Any other correct relevant conclusion) (Max. 2)

QUESTION 12

- Discuss in detail the characteristics of perfect and imperfect markets. (26)
- What steps can government take to prevent market failure? (10)

[40]

Introduction

- A market exists wherever buyers and sellers meet to exchange goods and services at a price. ✓✓
- A market is any place where buyers and sellers meet in order to determine the price and quantity of goods or services that will be exchanged. ✓✓
  (Accept any other relevant introduction) (Max 2)

Body
MAIN PART

PERFECT MARKETS

A perfect market is one in which no supplier is able to manipulate the price. ✓✓
The *characteristics of perfect markets* are as follows:

Number of buyers and sellers✓

- There are a large number of buyers and sellers. ✓✓
- No individual participant can affect the price through their own supply or demand of goods. ✓✓

Nature of product ✓

- The goods or services supplied are homogeneous products, such as cups, plates, toothpaste, shoes and soaps, are usually mass-produced products. ✓✓
- The products on offer are all more or less the same (identical). ✓✓
- The goods all serve the same purpose and are often easy to produce. This results in a large number of suppliers that compete for sales, which keeps prices low. ✓✓

Barriers of entry✓

- Sellers have unrestricted and easy entry and exit into the market. ✓✓
- Sellers can enter the market at will and they are able to sell their products just as easily as any other seller will, they can also leave the market whenever they want to. ✓✓

Information availability✓

- These markets have perfect or complete information. Buyers know exactly what each seller's price is. ✓✓
- There is also full and complete information available to producers and consumers about market conditions. ✓✓

Ability of suppliers to change prices

- The seller has no control over the prices, they are price takers. ✓✓
- Sellers have to accept the prevailing market price. If they increase prices above prevailing market prices, they will not sell anything. No supplier can influence the price in the market. ✓✓
- In reality there are few perfect markets, however there are some sectors such as mining (for example, oil and gold)✓, agriculture for example, (beef or maize) ✓ and the Johannesburg Stock Exchange (JSE). ✓

IMPERFECT MARKETS

Imperfect markets are markets in which suppliers are able to manipulate the price. ✓✓ There are three specific types of imperfect markets, namely Monopolies, Oligopolies and Monopolistic competition. ✓✓

The *characteristics of imperfect markets* are as follows:

Number of buyers and sellers✓

- There is only one large supplier of a good or service (monopoly) or a few large suppliers (oligopoly). ✓✓
- These producers have a direct influence on the price of the product and are not held back by any competitors and are able to affect the price. Also, there may be many suppliers, but one producer is able to significantly change the demand at the other producers (monopolistic competition). ✓✓

Nature of product✓

- The goods or services supplied are heterogeneous or unique products. ✓✓
- The products in the market are quite different from each other and consumers look for specific qualities of each product. ✓✓
- The seller supplies products that are unique and have no close substitutes. ✓✓
- These products may differ on price or feature or bonus offers. Sometimes products differ due to location or advertising. ✓✓

Ability of suppliers to change prices✓

- The seller has control over the prices, they are price makers. ✓✓
- The producers of the goods and services can set the prices and buyers are not able to bargain or affect the prices in a significant way. ✓✓

Information availability✓

- These markets have imperfect information. ✓✓
- Producers and consumers have incomplete knowledge about market conditions. ✓✓
- It is not easy, and sometimes not possible, for buyers to know what all the prices of a product are within the market. ✓✓

Barriers of entry✓

- Entry into the market is restricted or completely blocked so that new suppliers cannot enter the market. ✓✓
- Other sellers are prevented from entering the market. ✓✓
- The seller is protected from competition through patents, control of resources and government restrictions. ✓✓
- There are many examples of imperfect markets, these include Eskom, ✓Telkom, ✓ DSTV, cell phone companies, petrol stations, restaurants, computer and car manufacturers. ✓

(Allocate a maximum of 8 marks for headings, sub-headings or examples) (Max 26)

ADDITIONAL PART

- The state can provide some goods and service to the public f✓✓or example Eskom ✓
- State funding can be used to provide public goods and services✓✓
- Government can pass laws that encourage competition and prohibit price fixing□□
- They can ban the sale of cigarettes to children and prevent certain products✓✓, for example drugs from being sold✓
- Government can set maximum working hours and a minimum wage for certain jobs✓✓
- They can address issues of income equity and fairness in the workplace✓✓
- Implement fiscal policies which help households and firms to use the resources effectively✓✓
- They can increase indirect tax on sin tax, for e.g., liquor and cigarettes✓✓
- They can provide subsidies or tax relief to firms producing products✓✓
- They can adjust welfare payments for certain individuals, for example single parents and disabled people ✓✓
- Government can inform the market of all the actual costs and benefits of using certain products and services, for example marketing campaign to promote public transport ✓✓

  (Accept any other correct relevant answer) (Max 10)

Conclusion

Markets play a vital role in the economy. Market failure will always occur in an economy but it can be solved through government intervention✓✓

(Accept any other relevant conclusion) (Max.

QUESTION 13

- Discuss the factors that influence the supply of products. (26)
- How does an increase in the price of the petrol affect producers and consumers? (10)

INTRODUCTION

Supply exists only when producers are willing and able to offer goods and services for sale. ✓✓

(Accept any other suitable introduction) Max. (2)

BODY
MAIN PART:

Factors that influence the *supply of products*

- The price of the product ✓
  When prices increase, suppliers are willing to supply more ✓✓
  When prices decrease, suppliers put fewer products on the market ✓✓

- The cost of production (wages and other inputs) ✓
  A decrease in the cost of production enables suppliers to increase supply ✓✓
  An increase in the cost of production means that there is a decrease in supply ✓✓

- A change in technology ✓
  New technology often allows greater production at lower costs✓✓
  Use of inefficient technology makes production more expensive and costs go up ✓✓

- Weather conditions ✓
  Ideal weather conditions result in greater production ✓✓
  Poor weather conditions lead to lower production ✓✓

- The number of producers in the industry ✓
  Supply is greater when there are many producers ✓✓
  Supply is lower when there are only a few producers ✓✓

- Level of productivity and efficiency ✓
  Highly productive processes and workers can produce more at a lower cost ✓✓
  Where productivity is low, costs are high and volume of production is lower ✓✓

- Strikes and other disruptions ✓
  Where there are fewer hold-ups in production time, there would be greater supply ✓✓
  Where there are many factors that disrupt production, supply would be lower ✓✓
  (Accept any relevant fact) Max. (26)

ADDITIONAL PART

How does an increase in the price of the petrol affect producers and consumers?

- Increases the cost of transporting goods and services ✓✓
- Producers transfer the costs to consumers by increasing the price ✓✓
- Supply tends to decrease because of a decrease in demand ✓✓
- Consumers tend to demand less because of an increase in price ✓✓
- Less demand of goods may lead to a decline in economic activities and economic growth ✓✓ Max. (10)

CONCLUSION
In general, sellers will supply more of a good at higher prices than at lower prices. Suppliers need to use cost-effective measures during the production process so as to be able to charge competitive price. ✓✓
(Accept any other relevant higher order conclusion) Max. (2)
[40]

QUESTION 14
- **Discuss the characteristics of a monopoly in detail. (26)**
- **Why are markets so crucial in a country? (10) [40]**

INTRODUCTION
A Monopoly is an example of an imperfect market.
An imperfect market is a market where there is only one supplier or a few suppliers of a unique product✓✓ and there is restricted entry into this market, and where buyers have limited access to information. ✓✓
(Accept any other correct relevant introduction) (Max. 2)

Body
MAIN PART

Characteristics
- One seller and many buyers✓
  - A market in which there is one seller and many consumers on a given market, each so small that its actions have no significant impact on others ✓✓
  - Firms are price setters, meaning that the seller sets the price that consumers must choose ✓✓

- Unique product□✓
  - The product or service is one of a kind ✓✓
  - There are no competitor's products to compare it to, the product will be unique✓✓
  - As a result, there are no close substitutes that buyers can turn to✓✓ □

- Imperfect information✓
  - New firms that wish to enter the market will not have access to all the information available to them ✓✓
  - Therefore, this will hamper their ability to enter the market✓✓ for example new producers may not have information on the real cost of producing the product✓✓

- Price setters/makers✓
  - A monopolist can set its own price they, are price makers✓✓
  - Suppliers can change prices at will ✓✓
  - Monopolists tend to charge higher prices ✓✓this is because they have market power ✓✓

- Barriers to entry✓
    - Entry into the market is restricted□✓✓
    - There are numerous barriers blocking firms from entering or exiting into the market✓✓
    - Firms cannot enter or exit the market as it wishes ✓✓
    - Patents are examples of barriers to entry✓✓
    - Examples of monopolies are Telkom, ESKOM✓, Post Office and TRANSNET✓

(Allocate a maximum of 8 marks for headings, sub-headings or examples) (Max. 26)

ADDITIONAL PART

Reasons why markets are crucial in a country:

- Bringing buyers and sellers together.✓
    - Markets are the interaction of consumers and producers to negotiate prices and exchange of goods and services✓✓
- Helps with allocating of resources✓
    - Market prices direct the economic decisions of both consumers and producers ✓✓
    - Profit maximization and utility maximization lead to an efficient allocation of resources✓✓
    - Thus markets serve the function of allocating resources efficiently✓✓
- Self-regulation✓
    - Markets do not require direct intervention or control from outside forces✓✓
    - They are guided by an "invisible" hand which ensures that prices are set in such a way that resources are allocated efficiently✓✓

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

CONCLUSION

After analysing the conditions under which a monopoly exists, it would be difficult for small businesses to make profits since ESKOM is the only supplier of electricity in the country and their charges are very high✓✓

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

[40]

QUESTION 15

- **Discuss the factors that influence demand and quantity. (26)**
- **Distinguish between the characteristics of a Perfect market and a Monopoly. (10)**

INTRODUCTION

In a competitive market, the price of a product is determined by the interaction between the demand and supply of that product. ✓✓

(Accept any other suitable introduction) Max. (2)

BODY

MAIN PART:
Factors that **influence demand** and quantity

- The price of the product ✓
  Consumers are willing and able to buy more of a product at lower prices and less at higher prices, ceteris paribus ✓✓
  E.g., consumers will buy more of a product when it is on sale ✓

- The price of complements ✓
  If the price of one complementary product increases consumers will demand less of this product and use less of the other complementary good ✓✓
  E.g., if the price of coffee increases consumers will demand less milk ✓

- The price of substitutes ✓
  If the price of a product increases, consumers will demand less of that product and more of the substitute product ✓✓
  E.g., if the price of houses increases consumers will prefer to rent more ✓

- The income of the consumer ✓
  The higher the income of the consumer, the more money there is to spend on goods and services ✓✓
  E.g., if consumer incomes increase there will be an increase in consumer spending on luxury goods ✓

- The tastes and preferences of consumers ✓
  If a consumer prefers A to B, she will tend to buy more of A than B, ceteris paribus ✓✓
  E.g., if a consumer prefers boats to aeroplanes then they will purchase boats more than aeroplanes ✓

- The size of the household
  The larger the household, the greater the demand will be ✓✓

- Expected changes in prices ✓
  If consumers expect a price to change in the future this will influence the demand for the product ✓✓
  E.g., when consumers expect a fuel hike, they will purchase more fuel before the hike in prices ✓
  (Accept any relevant fact) Max (26)

ADDITIONAL PART
Distinguish between the characteristics of a Perfect market and a Monopoly.

- Number of producers
  - In a Monopoly there is a single large supplier of a product ✓✓
  - In a Perfect market there are many producers of goods and services ✓✓
- Nature of the product ✓

    - A monopoly has a unique product ✓✓
    - Perfect markets have identical products ✓✓
- Barriers to entry ✓
    - Monopolies have natural and artificial barriers to entry which block any competitors from entering the market ✓✓
    - Perfect markets exist with no barriers to entry. Entry and exit is free ✓✓

Max. (10)

CONCLUSION

Market equilibrium exists when the quantity demanded, and the quantity supplied of a product, is equal. ✓✓

(Accept any other relevant conclusion) Max. (2)

[40]

TOPIC 2: MICROECONOMICS:

PRODUCTION POSSIBILITY CURVES & INDIFFERNCE CURVES WEEK 4 - 6

KEY CONCEPT	DEFINITION / DESCRIPTION
Allocative efficiency	Producing goods and services demanded by consumers at a price that reflect the marginal cost of supply
Allocative inefficiency	Occurs when businesses **do not maximise** output from the given inputs.
Black market	An **illegal market** in which **illegal goods** are bought and sold or **illegal prices** are charged
Indifference curve	A graphical representation of sets of goods that gives the consumer the same utility
Market failure	Market failure occurs when the resources of the community are allocated **inefficiently**
Non-excludability	Users who do not pay to use goods (free riders) **cannot be excluded** from using them.
Opportunity Costs	This refers to a trade-off between two products, the sacrificed alternative / the cost expressed in terms of the **next best alternative** sacrificed
Pareto efficiency	Refers to the situation where resources cannot be **reallocated** to make one person / group **better** off without making another person / group **worse** off
Production Possibility Curves	The combinations of any **two goods** that can be produced with no wastage and using resources to the best advantage
Productive efficiency	This is achieved when it is not possible for an economy (or individual producer) to allocate its scarce resources to produce more of one good without producing less of another good.
Productive/ technical inefficiency	Occurs when businesses **do not allocate resources** correctly and produce goods and services that consumers do not want.
Scarcity	the limited supply of resources relative to people's needs and wants
Utility	The degree to which a product can satisfy the needs or wants of consumers

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 MULTIPLE CHOICE QUESTIONS

1.1.1 D opportunity costs. ✓
1.1.2 A budget ✓
1.1.3 C outside the Production Possibility Curve. ✓
1.1.4 A the budget line ✓
1.1.5 D inefficiencies occur in the allocation of resources and income. ✓
1.1.6 B points outside the PPC. ✓
1.1.7 C inefficiency✓
1.1.8 A improved technology✓
1.1.9 B Pareto efficiency ✓

1.2 MATCHING ITEMS

1.2.1 B. When it is impossible to increase one's welfare without decreasing the welfare of another✓

1.2.2 **A** Producing goods and services demanded by consumers at a price that reflect the marginal cost of supply ✓
1.2.3 **C.** This is achieved when it is not possible for an economy (or individual producer) to allocate its scarce resources to produce more of one good without producing less of another good ✓

1.2.4 F. the cost expressed in terms of the next best alternative sacrificed ✓

1.2.5 G. This means that the types/quantities of goods or services produced are not what is best for consumers. ✓

1.2.6 E. The combinations of any two goods that can be produced with no wastage and using resources to the best advantage ✓

1.2.7 K. the limited supply of resources relative to people's needs and wants✓

1.2.8 D. A graphical representation of sets of goods that gives the consumer the same utility ✓

1.2.9 L. This refers to a trade-off between two products ✓

1.2.10 I. The degree to which a product can satisfy the needs or wants of consumers✓

1.3 TERM /CONCEPT

1.3.1 scarcity / unattainable ✓

1.3.2 productive inefficiency ✓
1.3.3 Inefficient market ✓
1.3.4 Production Possibility Curve (not PPC!) ✓
1.3.5 indifference curve ✓

SECTION B

QUESTION 2:

HINT: When the question requires you to "list" or "name", you need not write a sentence but merely a 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 allocative✓ and productive / technical ✓
2.2 Are downward-sloping

- Higher indifference curves are preferred to lower ones✓
- They do not intersect (cross) ✓
- They are bent inwards

2.3 Allocative efficiency ✓
productive efficiency✓
2.4 as 2.2

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 Producers will not be able to produce sufficient goods or services because of the limited amount resources. ✓✓

3.2 The combinations of quantities of goods which will satisfy the consumer equally. These combinations give the consumer equal levels of satisfaction, and the goods can substitute each other, so consumers are indifferent to which combination they choose ✓✓

3.3 An opportunity cost is the sacrificed alternative, the thing that is given up ✓✓

3.4 Scarcity is the BASIC ECONOMIC PROBLEM which arises because resources are scarce, but human wants are unlimited ✓✓

3.5 Choice refers to the ability of a consumer or producer to decide which good, service or resource to purchase or provide from a range of possible options ✓✓

3.6 If less is produced than is possible with the existing resources this is referred to as inefficiencies. Producing below the PPC curve, is also inefficient. ✓✓

3.7 The PPC indicates e combinations of any two goods that can be produced with no wastage and using resources to the best advantage. ✓✓

3.8 The indifference curve is a graph that shows all the combinations of quantities of goods which will satisfy the consumer equally. These combinations give the consumer equal levels of satisfaction. ✓✓

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 Identify how many apples will be produced at point s.

275 ✓ **(1)**

4.1.2 Identify the inefficient point.

W (300 APPLES 300 ORANGES) ✓ **(1)**

4.1.3 Briefly describe the term *production possibility curve*

The PPC shows all possible combination of goods that can be produced with a given set of resources. ✓✓ **(2)**
(Any correct relevant description)

4.1.4 What is the purpose of PPCs?

The PPC shows the possible combination of goods that can be produced with the limited resources available to the producer. **(2)**

4.1.5 Why is it not possible to produce at point H?

Point h is outside of the production possibilities, even with the existing resources ✓✓

The point refers to scarcity, because the point is unattainable; ✓✓ but with additional resources the point could be attained, and lead to economic growth ✓✓

(EXCEPT ANY RESPONSE INDICATING THAT THE POINT IS UNREACHABLE)
(4)

4.2.1 What does the negative slope of the indifference curve indicate?

The choice between products ✓ **(1)**

4.2.2 Which participant is represented by the indifference curve?
The consumer ✓ **(1)**

4.2.3 Briefly describe the term *indifference curve*.

An indifference curve is a graph that shows all the combinations of quantities of goods goods which will satisfy the consumer equally. These combinations give the consumer equal levels of satisfaction. ✓✓ **(2)**

4.2.4 What does the indifference curve illustrate?

It is a graphical representation of the groups/combinations of 2 goods that provides the same satisfaction to the consumer ✓✓ **(2)**

4.2.5 Why do consumers make choices between alternative products?

Consumers have unlimited needs and wants and limited resources, and therefore choose between goods to satisfy their needs ✓✓

Consumers also have different tastes and preferences, and choose those products that they prefer ✓✓ **(4)**

4.4.1 What do we call Point A?

Inefficiency / unproductive use of resources ✓ **(1)**

4.4.2 Why is it impossible to produce at point X?

Due to the scarcity of resources the point is unattainable ✓ **(1)**

4.4.3 Briefly describe the term *Scarcity*

the limited supply of resources that has to satisfy unlimited needs and wants ✓✓ **(2)**

4.4.4 How can the PPC to move to Point x?

This point can be reached through an increase in resources and improved technology or expanding the production plant. **(2)**

4.4.5 What would the opportunity costs be if production changes from Point B to Point C?

The sacrifice in the number of Guns to produce more butter, e.g only 10kg butters are produced at Point B and 1000 guns✓✓

At opoint C 1000 kg of butter is produced and only 5 guns therefor the opportunity cost is the 995 guns ✓✓ **(4)**

(Accept any other values, as long as the explainantion is correct)

4.5.1 From the table above how many bundles of food will the household buy if they bought 10 bundles of clothes?

14✓ **(1)**

4.5.2 How many bundles of FOOD must this household give up if they increase the spending on CLOTHES from 5 to 10 bundles?

6 ✓ **(1)**

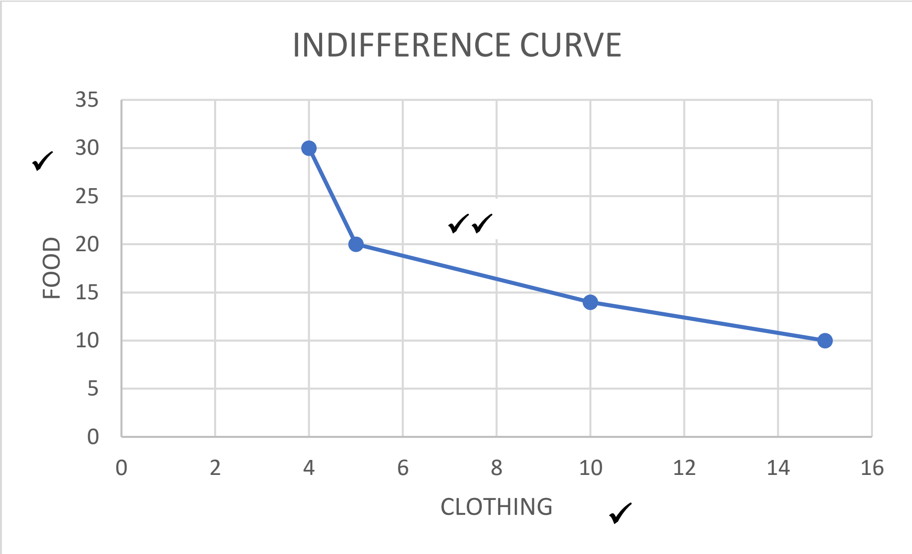
4.5.3 What does any point below the indifference curve indicate?

Any point below the PPC indicates an inefficient production point, because the resources are not being utilised to their fullest. ✓✓ **(2)**

4.5.4 How could the indifference curve influence the choices of producers in a mixed economy?

The producers can use indifference curve to produce and supply the goods which the consumers prefers. . ✓✓ **(2)**

4.5.5 Use the information in the table above to draw an indifference curve to represent Mrs Dubes' household spending.)



Mark Allocation
Correct labelling of x axis = 1 mark
Correct labelling of y axis = 1 mark
Correct shape of the curve = 2 marks

(4)

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

4.6.1 Identify the shape of the curve is shown in Fig. 1?
Concave✓ (1)

4.6.2 What is the main reason for the shift in a consumer's indifference curve?
Consumer income✓ (1)

4.6.3 What is the difference between an indifference curve and a production possibility curve?

- Indifference curve is plotted from a consumer viewpoint✓
- PPC is plotted from the economy's viewpoint✓ (2)

4.6.4 What does an indifference curve analyses?

- Total utility or satisfaction✓✓ (2)

4.6.5 How is *the law of substitution applied to an indifference curve?*)

- The law states that the scarcer a good becomes, the greater its substitution value will be✓✓
- Consumers will substitute one good for the next, as they are indifferent to which good satisfies the particular need ✓✓
- The number of one good that the consumer is willing to give up for another good, in order to obtain more of the other good is called the marginal rate of substitution ✓✓ (4)

4.7

4.7.1 How many tons of wheat will be produced at Point B?

75 tons of wheat ✓ **(1)**

4.7.2 How many tons of tons of steel will be produced at Point B?

75 tons of steel ✓ **(1)**

4.7.3 For what purpose is the production possibility curve used?

PPC is a graph that shows how much of two different products can be produced using the same amount of inputs ✓✓ (2)
(Any relevant answer)

4.7.4 Why does scarcity occur?

Scarcity exists due to limited resources ✓ with which to satisfy unlimited needs and wants ✓ (2)

4.7.5 Why is production at point G regarded as inefficient?)

Point G is regarded as inefficient because …

- resources are used inefficiently ✓✓
- there is a wastage of resources ✓✓

(Any relevant answer) (2 x 2)**(4)**

4.8

4**.8.1 Name the curve above**

ppc✓ **(1)**

4.8.2 Identify the quantity of clothes produced at point B.

0 ✓ **(1)**

4.8.3 Why is it difficult to produce at point F?

There is a lack of resources, it is an unattainable point ✓✓ **(2)**

4.8.4 What would the opportunity cost, in terms of food, be when producing at point C instead of point B?

- 100 – 75✓ = 25 ✓units of food (2)

4.8.5 Identify internal factors that cause the above curve to shift outwards in an equal way.

- Increase in supply of raw materials. ✓ ✓
- Increase in availability of labour. ✓ ✓
- Increase in productivity of labour. ✓ ✓
- Improvement in technology. ✓ ✓
- Increase in capital investment. ✓ ✓ (2 x 2) (4)

4.9

4.9.1 What is depicted by the graph above?

- Consumers' maximum consumption point ✓ (1)

4.9.2 Which combination of the two goods should the consumer choose in order to maximise satisfaction?

- Combination C /Food – 40 units
- Clothing – 20 units ✓(1)

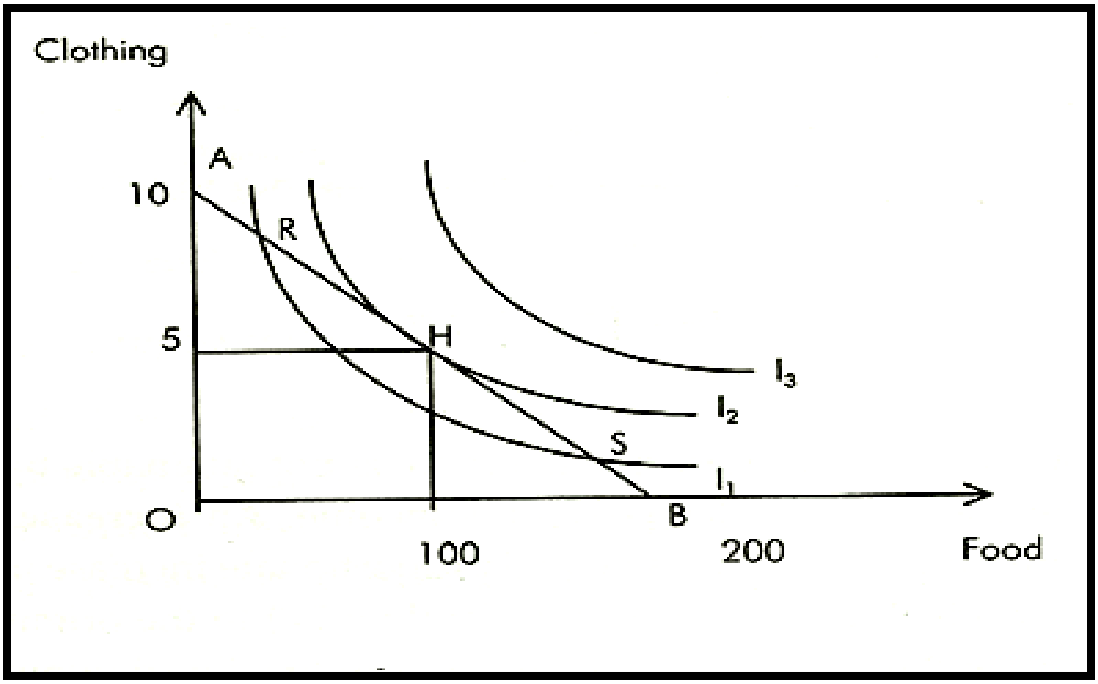
4.9.3 Differentiate between an indifference curve and a budget line.

Indifference curve – shows all the combinations of two goods üthat will provide the consumer with equal levels of satisfaction/utility**.** ✓✓
Budget line – indicates all the combinations of the two goods that a consumer can afford to purchase with the amount of income at their disposal**.** ✓✓ (2 x 2) (4)

4.9.4 How can indifference curves and a budget line be used to determine a consumer's maximum satisfaction point?

The budget line must be superimposed on the indifference map ✓✓
The point where the budget line lies at a tangent to the indifference curve represents the consumer's maximum satisfaction point ✓✓
The indifference curve shows combinations of the two goods that will give the consumer equal satisfaction where the budget line shows the combinations that the consumer can afford. ✓✓
Where the budget line intersects the indifference curve is the combination of two goods that the consumer can afford. ✓✓
(Any correct relevant answer) **(2 x 2) (4)**

4.10 Study the information below and answer the questions that follow.



DATA RESPONSE.

4.10.1 **What is represented by the graph above?**

- Consumer maximum consumption point ✓ (1)

4.10.2 **Which point shows consumer maximum satisfaction?**

- Point **H** ✓ (1)

4.10.3 **Briefly describe the concept *budget line.***

- A budget line indicates all combinations of two goods that a consumer can afford to purchase with the amount of income at their disposal ✓✓ (2)

4.10.4 **What does the shift in the curve from I_2 to I_3 show?**

- An increase in the disposable income ✓ ✓ (2)

4.10.5 **Distinguish between Demand and Quantity demanded**

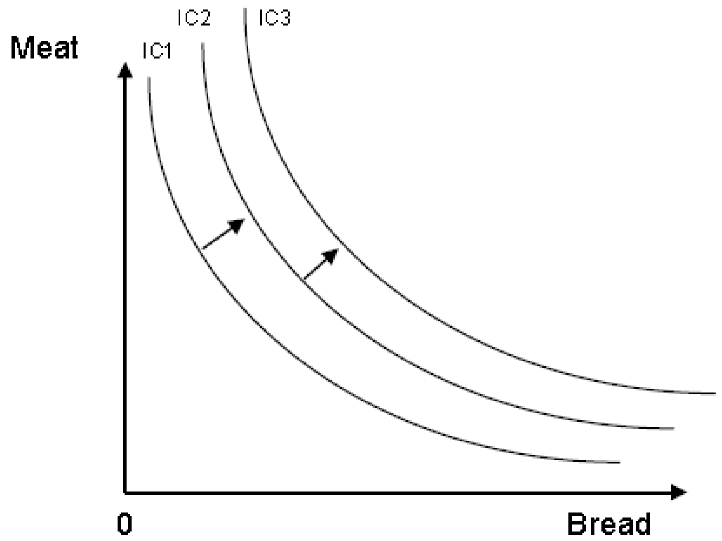
- Demand is the quantity of a good or service that a person is willing and able to buy at a certain price during a given period of time. ✓✓
- Quantity demanded is the number of products that will be bought at a particular price. ✓ ✓ (2 x 2) (4)

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

Characteristics of indifference curves with the aid a graph



✓✓

Discuss the characteristics of indifference curves

Always downward-sloping / negatively sloping – When the quantity of one product increases the other must decrease, as the curve represents all the combinations that give the same utility. The gradient of the slope shows the marginal rate of satisfaction. ✓✓

Higher indifference curves are preferred – There are many different combinations of the consumer's choice between the two products. The further the curve is away from the origin of the graph the greater is the satisfaction that is gained. ✓✓

They bend inwards (convex) – The slope of an indifference curve represents the marginal rate of substitution (MRS). This is the rate at which the consumer trades off one product (of which they have a greater quantity) for the other product (of which they has a smaller supply). ✓✓

Do not cross or touch – As all points on the curve represent the same utility, and all combinations of two goods on a particular curve will yield the same satisfaction to the consumer this means all points will always give the same satisfaction. It is therefore impossible for the consumer to be indifferent. ✓✓

Differently shaped curves from consumer to consumer – An indifference curve only reflects the preferences and utility gained by the individual consumer. ✓✓

Max 2 for the graph

Max 6 for discussion

Max 4 for listing of facts without discussion

5.1.2 **Differentiate between productive inefficiency and allocative inefficiency (8)**

Productive inefficiency

- The producer does not produce at the lowest possible cost ✓✓
- Not all resources are used effectively ✓✓
- There is room to reduce costs without producing fewer goods or without producing at a lower quality ✓✓
- This occurs at any point inside the PPC ; to the left of the curve ✓✓

Max 4

Allocative inefficiency

- The allocation of resources is not in accordance with the consumer demands (tastes) ✓✓
- Not all resources are allocated effectively ✓✓
- The welfare of the community is not maximised ✓✓

Any other relevant response

Max 4

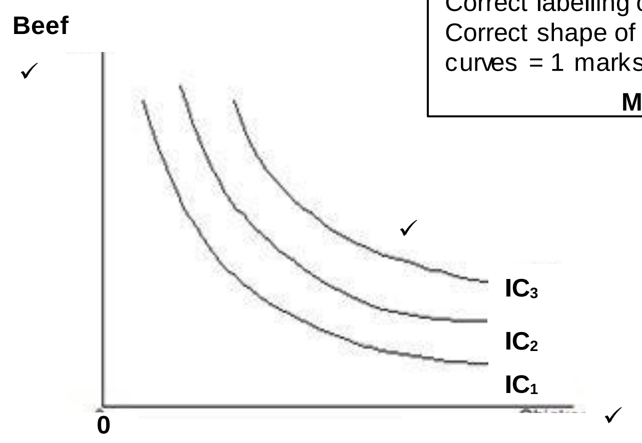
5.1.3 Discuss the difference between COMPLEMENTARY and SUBSTITUTE GOODS

Complementary goods are consumed together in order to satisfy a want✓✓, for example a CD and a CD player✓. They can't be used independently. ✓✓

Substitute goods can be used in the place of other goods to satisfy a want. ✓✓ Example: butter and margarine. ✓ The substitute is usually cheaper. ✓✓

5.1.4 With the aid of a graph discuss consumer's indifference map for beef and chicken.

Correct labelling of axes = 1 marks
Correct shape of indifference curves = 1 marks
Max. 2 marks



- It comprises of a collection of indifference curves.✓✓
- Each curve shows different combinations of two products (beef and chicken) that will provide a consumer with its particular type of satisfaction. ✓✓
- Each curve shows numerous combinations of two products that will provide the consumer with equal levels of satisfaction. ✓✓
- The greater the distance from the origin the higher the level of satisfaction. ✓✓
- Indifference curves in the map will never intersect and have a convex shape. ✓✓
  (Accept any other correct relevant response.) (3 x 2) (6)
  Max 8

5.1.5 Discuss *productive inefficiency* and *allocative inefficiency* as effects of market failure.

- **Productive inefficiency –** firms are not maximising output (quantity produced) from given factors of production ✓✓
- This is a problem as inefficient production leads to a lower quantity produced that could have been used to satisfy more needs and wants ✓✓
- Prices in the market are higher and productivity is lower than it might have been ✓✓
- **Allocative inefficiency –** resources are misallocated and the economy is producing goods and services that are not wanted or not valued by consumers ✓✓
- The right goods and services are not being allocated to the right people or places ✓✓
- This is a problem because resources might be put to a better use making products that are valued more highly ✓✓

(Any correct relevant answer) (2 x 4)(8)

5.1.6 Discuss the internal reasons why a PPC will move outwards (to the right)

- Production technique: ✓an improved production technique can cause an outward movement of the PPC because of more efficient production. ✓✓
- Technology: ✓new improved technology can cause a shift of the PPC because of an increased production level. ✓✓
- Motivated employees: ✓the attitude of employees can cause an outward movement of the PPC ✓✓
- In-house training: ✓an improvement in the skills level of the employees means they would be able to produce more ✓✓
- (Any correct relevant response)

NOTE: A maximum of 4 marks for mere listing (4 x 2)
(8)

5.1.7 Outline the properties of the indifference curve.

- Always downward-sloping / negatively sloping ✓✓
- Higher indifference curves are preferred ✓✓
- They bend inwards (convex) ✓✓
- Do not cross or touch ✓✓
- Differently shaped curves from consumer to consumer ✓✓

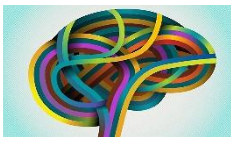
(8)

5.1.8 What are the differences between the PPC and the indifference curve?

Production possibility curve	Indifference curve
Production possibility curve shows a combination of goods that can be **produced** using all the available resources. ✓✓	The indifference curves show all the combinations of two goods üthat will provide **the consumer** with equal levels of satisfaction/utility. ✓✓
Curve is concave, and bend outwards✓✓	Curves are downward sloping from left to right and bend inwards (convex) ✓✓

(8)

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



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

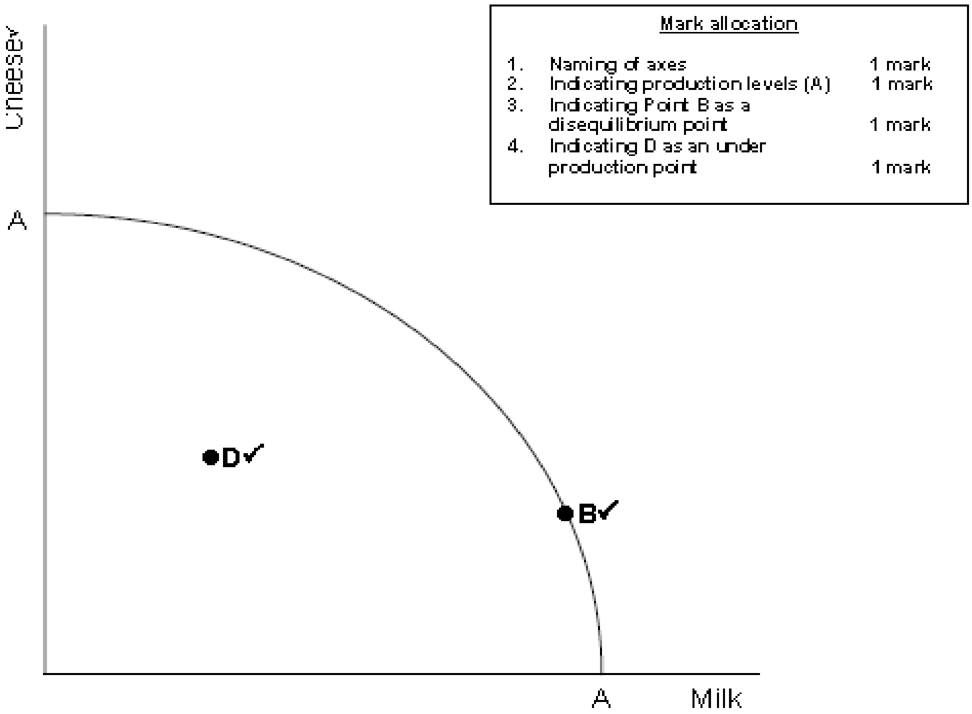
Higher order questions are grounded in the content. These types of questions test critical thinking, where candidates should be able to apply their knowledge, through logical reasoning and also have an awareness of their current economic climate. Content (covered by discuss/examine/describe/ analyse/explain/evaluate/compare/assess/justify/construct/calculate)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

6.1 How can indifference curves and a budget line be used to determine a consumer's maximum satisfaction point?

- The budget line must be superimposed on the indifference map ✓✓
- The point where the budget line lies at a tangent to the indifference curve represents the consumer's maximum satisfaction point ✓✓
- The indifference curve shows combinations of the two goods that will give the consumer equal satisfaction ✓✓where the budget line shows the combinations that the consumer can afford. ✓✓
- Where the budget line intersects the indifference curve is the combination of two goods that the consumer can afford. ✓✓

(Any correct relevant answer) (4 x 2)
(8)

6.2 Analyse productive inefficiency with the aid of a production possibility curve.



PRODUCTIVE INEFFICIENCY

- Production possibility curve (AA), above, shows a combination of goods that can be produced using all the available resources. ✓✓
- Any point on the curve shows a combination of goods where resources will be used efficiently (B). ✓✓
- Therefore any point on the curve indicates productive efficiency. ✓✓
- Any point within the curve shows combinations of goods where resources are used inefficiently (D) ✓✓ (8)

6.3 With reference to a PPC discuss the relationship between the two competing goods.

- The PPC is the graphical representation of production of two different goods. ✓✓
- The trade-offs between the two goods gives the PPC its shape. (convex)✓✓
- As we move along the curve trading product 1 for product 2, we get fewer of the one and more of the other ✓✓
- This is the opportunity cost of choosing product 1 over product 2 ✓✓

Any other relevant description without the use of a graph

6.4 With reference to indifference curves discuss the relationship between the two competing goods

- The Indifference curve is the graphical representation of the two bundles of commodities that gives the consumer the same satisfaction✓✓
- The consumer gets the same satisfaction from the different combinations of goods ✓✓
- The number of one good that the consumer is willing to give up in order to get more of another good is called the marginal rate of substitution ✓✓
- Higher indifference curves point to greater preference by the consumer, therefor higher indifference curves are preferred ✓✓
- Any other relevant description without the use of a graph

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

[40]

QUESTION 7

Discuss in detail the Production Possibility Curve by linking that to the concepts of Productive and Allocative efficiency/inefficiency (with the use of a well labelled graph) (26)

How does the indifference curve relate to the PPC? (10)

The Production possibility curve shows a combination of goods that can be produced using all the available resources. ✓✓ or A PPC shows the maximum number of any two products that we can produce from a fixed amount of resources. ✓✓ (any suitable introduction)

When using a model like the PPC we assume that all resources are fully employed, ✓✓ so this is the productive efficiency ✓✓ It is also assumed that the technology is fixed ✓✓

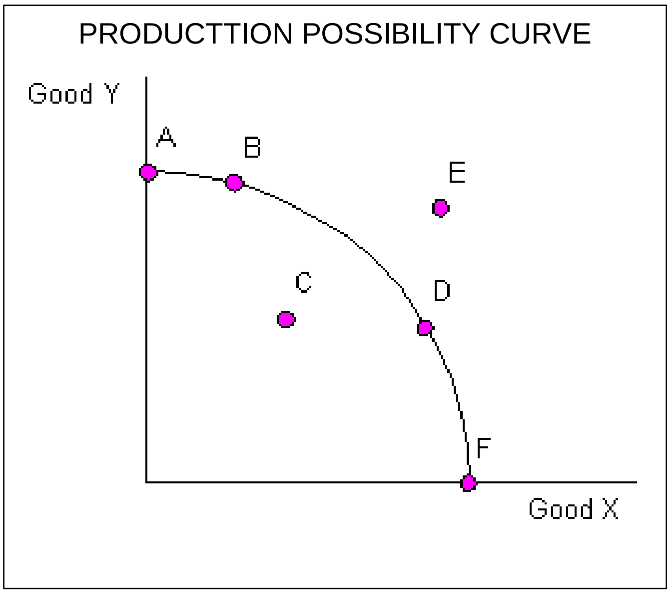
Different combinations of the goods are produced at each point on the PPC ✓✓

As more of GOOD X is made , less of GOOD Y is made ✓✓ (figure 1- below))

This phenomenon is referred to as opportunity costs, as one GOOD is given up to make the other✓✓

The reason for choosing between the two goods is as a result of scarcity✓✓ where people have unlimited needs and wants but limited means with which to sacrifice these unlimited needs and want ✓✓

✓✓



During periods when the economy is not fully utilizing its resources, or not using them most efficiently, ✓✓ that is, when there is either unemployment or inefficiency in the use of resources, output combination of two products will lie below the economy's production possibility curve. ✓✓ Such as point C in the accompanying figure ✓✓

Where the economy can produce more of both the goods or more of either of the two goods by putting the unemployed resources to work, ✓✓ as shown by point E. then by using its idle resources fully and most efficiently, ✓✓the PPC will shift to the right, leading to economic growth. ✓✓

It is obvious that this is the problem of technical efficiency, if all the resources are not optimally utilised. ✓✓

ADDITIONAL PART

How does the indifference curve relate to the PPC? (10)

- The PPC refers to the production of alternate goods while the indifference curves refer to the bundles or combinations of goods that give the consumer satisfaction. ✓✓
- Higher indifference curves point to greater preference by the consumer, therefor higher indifference curves are preferred ✓✓
- The PPC is the production or possible production of goods, and indifference curve are the consumers exercising their choice on the various to select goods that will satisfy them optimally. ✓✓

- Pareto efficiency might come into play in the indifference curves, because goods will be available for some consumers, ✓✓but because of limited resources to produce goods, all goods will not be available for all consumers. ✓✓ So therefor even the indifference curves are limited✓✓
  Any other relevant response relating the PPC to the indifference curve

Conclusion

Both the PPC and indifference curves are models employed by economists to study the underlying question in Economics of scarcity, and subsequent choice. These models try to illustrate how production or consumption choices are made, in the aim to satisfy the multitude of human needs and wants. ✓✓

(any Higher Order conclusion)

MICROECONOMICS

TOPIC 3: PUBLIC SECTOR INTERVENTION
WEEK 7 - 9

KEY CONCEPT	DEFINITION /DESCRIPTION
Ad valorem tax	Where tax is levied as a percentage of the product
Direct taxes	taxes on the income of individuals and profits of businesses
Employment subsidy	subsidization of wages by the government as an incentive to businesses to create more jobs
Excise duty	levied on consumption of products which are harmful to human health
Merit goods	A product that society values and everyone should have
Minimum wage	The lowest wage an employer is allowed to pay an employee, which sits above the equilibrium point
Price ceiling / Maximum price	the highest price for which a good or service can be sold which sits below the equilibrium point
Price floor / Minimum price	Where the price set above the equilibrium price
Public sector	Central government, provincial governments, local governments and state-owned enterprises
South African Revenue Services	Collects taxes on behalf of the South African government
Taxes	compulsory payments made by the people and businesses to the state.

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

1.1.1 A maximum ✓✓
1.1.2 B under supply ✓✓
1.1.3 D above ✓✓
1.1.4 D sin tax ✓✓
1.1.5 C Transnet ✓✓
1.1.6 C maximum prices ✓✓
1.1.7 B charging indirect taxation ✓✓
1.1.8 A improvement in the standard of living of the workers ✓✓
1.1.9 A Goal failure ✓✓
1.1.10 D negative externality✓✓
1.1.11 B externality ✓✓
1.1.12 C maximum price ✓✓
1.1.13 D minimum price ✓✓
1.1.14 D Law ✓✓
1.1.15 D So that basic food prices can be kept low ✓✓

(15 x 2) (30)

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 P subsidization of wages by the government as an incentive to businesses to create more jobs ✓
1.2.2 G minimum price set above the equilibrium price ✓
1.2.3 D taxes on the income of individuals and profits of businesses ✓
1.2.4 F levied on consumption of products which are harmful to human health ✓
1.2.5 B collects taxes on behalf of the South African government ✓
1.2.6 A compulsory payments made by the people and businesses to the state ✓
1.2.7 C the maximum price for which a good or service can be sold ✓
1.2.8 K the lowest wage that the employer is allowed to pay an employee ✓
1.2.9 N Where tax is levied as a percentage of the product ✓
1.2.10 O The benefits gained by individuals through the use of public goods and services
1.2.11 C the maximum price for which a good or service can be sold
1.2.12 I Central government, provincial governments, local governments and state-owned enterprises
1.2.13 G Minimum price set above the equilibrium price

(8 x 1) (8)

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 with these type of questions, that are found in Section A of the paper

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, acronyms and examples will be accepted.*

1.3.1 Minimum price/ price floor ✓
1.3.2 Minimum wage ✓
1.3.3 Maximum price/price ceiling ✓
1.3.4 Subsidy ✓
1.3.5 Indirect taxation ✓
1.3.6 Maximum Price ✓
1.3.7 Minimum Price/ price floor ✓
1.3.8 Minimum wage ✓
1.3.9 Direct taxes ✓
1.3.10 Excise Duties ✓
1.3.11 Private costs ✓
1.3.12 Merit Goods ✓
1.3.13 Private goods ✓

(5 x 1) (5)

SECTION B

QUESTION 2:

HINT: When the question requires you to “list” or “name”, you need not write a sentence but merely one or two words. 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 List any TWO levels of the government

- Central government ✓
- Provincial government ✓
- Local government ✓

(2 x 1) (2)

2.2 List any TWO examples of indirect taxation

- Excise duty/sin tax ✓
- VAT ✓
- Import duty/custom duty ✓
- stamp duty ✓
- transfer duty ✓

Accept other correct examples (2 x 1) (2)

2.3 Name any TWO types of subsidies

- Producer subsidies ✓
- Consumer subsidies ✓
- Export subsidies ✓
- Employment subsidies ✓
- Income subsidies ✓

(2 x 1) (2)

2.4 List any TWO types of workers who qualify to receive minimum wage in South Africa?

- Farm workers ✓
- Domestic workers ✓

- Workers employed on an expanded public works programme ✓

Accept other relevant and correct responses

(2 x 1) (2)

2.5 Name any TWO social welfare grants which are received by South Africans.

- Old age pensions ✓
- Child support grant ✓
- Disability grant ✓
- War veteran's grant ✓
- Foster-child grant ✓
- Care dependency grant ✓ (2 x 1) (2)

2.6 Name any TWO businesses which are owned by the South African government

- Eskom ✓
- South African Post Offices ✓
- South African Airways ✓
- South African Broadcasting Corporation ✓
- Transnet ✓
- Alexkor ✓
- Denel ✓
- Safcol ✓

Accept other relevant and correct responses

(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 Why did the South African government introduce a minimum wage?

- To improve the standard of living of certain workers such as farm workers, domestic workers etc. ✓✓
- To address the problem of income inequality in the country✓✓
- To prevent exploitation of workers by their employees ✓✓
- To ensure that workers are able to provide for basic needs of their households ✓✓

Accept other relevant and correct responses (1 x 2) (2)

3.2 Why do governments provide export subsidies?

- To encourage local producers to sell goods in other countries✓✓
- To increase the country's competitiveness in international markets✓✓
- To assist exporters to reduce the costs of production such as transport, advertising, storage etc. ✓✓

Accept other relevant and correct responses (1 x 2) (2)

3.3 Why does the government provide subsidies to the farmers?

- Farming is a risky business, as farmers face natural hazards such as drought, floods and crop diseases. ✓✓

- Farmers have very high input costs, in particular diesel, farm machinery, fertilisers and pesticides. ✓✓
-Farmers are essential for the food security of a country. ✓✓

(1 x 2) (2)

3.4 How will an increase in VAT affect the consumers?

- Consumers will not be able to afford to buy basic goods and services due to increased prices/It will be expensive for the low-income earners and the poor to afford buying of goods and services. ✓✓

Accept other relevant and correct responses (1 x 2) (2)

3.5 How does the minimum price benefit businesses?

- At a higher price, businesses will make higher profit✓✓
- Minimum prices will lead an increase in production/supply of the products✓✓

Accept other relevant and correct responses (1 x 2) (2)

3.6 What is the impact of maximum price on the consumers?

- Consumers are able to afford basic goods and services. ✓✓
- Consumers are protected from exploitation of businesses charging high prices✓✓

Accept other relevant and correct responses (1 x 2) (2)

3.7 Why does the government charge excise duty?

- To raise revenue for the state ✓✓
- To reduce consumption by influencing consumer behavior/to reduce or discourage consumption of harmful products such as cigarette, alcohol etc.✓✓

(1 x 2) (2)

3.8 How will consumers benefit from production subsidies?

- Consumers will pay lower prices because of a decrease in production costs as a result of production subsidies✓✓ (1 x 2) (2)

3.9 Why does the government provide public goods and merit goods?

- Because the private sector finds it unprofitable to provide these goods and as a result they are undersupplied by the market. ✓✓
-The private sector charges a price for public goods and merit goods as a result the poor and low-income earners will not be able to afford these goods. ✓✓

(1 x 2) (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 **Data-response**

4.1.1 Identify the equilibrium price from the above graph

R15 ✓ (1)

4.1.2 Which price is regarded as the maximum price on the graph?

R10 ✓ (1)

4.1.3 Briefly describe the term *price ceiling*.

A price set below the equilibrium price/market price to make goods affordable. ✓✓ (2)

4.1.4 What will happen if there is a shortage of goods when a price ceiling is implemented on a certain product?

- Sellers can sell the product on a first-come-first-served basis. ✓✓
- Sellers can ration the milk by limiting the quantity of the product that each family can purchase. ✓✓
- Consumers will buy the product from the black market. ✓✓

Accept correct and relevant response (2)

4.1.5 How do price ceilings influence the economy?

- Price ceilings improve the welfare of the consumers who are able to purchase the product since they are able to buy the product for less than the market price. ✓✓
- Other consumers lose out because they are unable to purchase the product as a result of the market shortage. ✓✓
- Black market are created due to the shortage of the product. ✓✓

Accept correct and relevant response (2 x 2) (4)

[10]

4.2 **Data-response**

4.2.1 State the equilibrium price of cigarettes before the implementation of the tax

R40 ✓ (1)

4.2.2 What is the new equilibrium price after the R10, 00 tax was imposed?

R50 ✓ (1)

4.2.3 Briefly explain the term *equilibrium quantity*.

It refers to the situation where the quantity supplied is equal to the quantity demanded. ✓✓ (2)

4.2.4 Explain what effect the per-unit tax has had on the price and quantities demanded and supplied.

The quantity supplied and the quantity demanded decreased from 25 to 20 units✓✓

(2)

4.2.5 Why does the government always ensure that there is an increase in sin tax.

- To raise revenue for the state in order to cover state expenditure ✓✓
- To reduce consumption by influencing consumer behavior/to reduce or discourage consumption of harmful products such as cigarette, alcohol etc.✓✓

(Accept correct and relevant response) (2 x 2) (4)

[10]

4.3 **Data-response**

4.3.1 Name ONE sector in which minimum wage laws currently apply.

Contract Cleaning✓, Domestic workers✓, Farm workers✓, Forestry✓, Hospitality✓, Private security✓,Wholesale and Retail✓, Taxi✓

(Accept correct and relevant response) (1)

4.3.2 Which government department is responsible for monitoring the implementation of minimum wages in South Africa?

Department of labour ✓ (1)

4.3.3 Briefly describe the term *minimum wage*.

A wage rate set by the government, below which no employer can pay their workers and it is set above the equilibrium wage rate. ✓✓ (2)

4.3.4 What will be the reaction of the supply of labour after the introduction of a minimum wage?

There will be an oversupply of labour, as workers will be attracted by the minimum wage.✓✓ (2)

4.3.5 How will minimum wage positively affect the workers?

- They are protected by law and basic human rights. Many farmworkers and domestic workers are better off than before. ✓✓
- They enjoy a better living standard/ensure sustainable income ✓✓
- They can also enjoy unemployment benefits for which they did not qualify before
- They are also entitled for sick leave with pay ✓✓
- They are also entitled to annual leave with pay ✓✓
- Women are also entitled to maternity leave without the risk of becoming unemployed ✓✓

Accept other relevant and correct responses (2 x 2) (4)

[10]

4.4 **Data response**

4.4.1 Which government function received the highest percentage of total MTEF allocation?

Learning and culture✓ (1)

4.4.2 Provide ONE example of social security funds.

- Old age pensions ✓
- Child support grant ✓
- Disability grant ✓
- War veteran's grant ✓
- Foster-child grant ✓
- Care dependency grant ✓ (1)

4.4.3 Briefly describe the term *merit* *goods*

Merit goods are goods which are beneficial to the society as a whole and are provided by the government e.g. education, health etc. ✓✓ (2)

4.4.4 What would happen if the government does not provide merit goods and services such as basic education and health?

- The rate of illiteracy and school drop outs will increase. ✓✓
- The labour force will be dominated by unskilled workers. ✓✓
- There will be a shortage of skilled workers. ✓✓
- Production capacity of the country will decrease due to poor quality of the labour force. ✓✓
- Criminal and illegal activities will rise.
- The mortality rate will increase due to illnesses/more deaths due to Illnesses. ✓✓

-Poor people and the low-income earners will not be able to afford basic health services/Only rich people and middle and higher income earners will afford health services✓✓
- HIV/AIDS rate will increase due to lack of free condoms. ✓✓

(Accept other correct and relevant responses) (2)

4.4.5 What would happen if the government does not provide merit goods and services such as basic education and health?

309 512m/1 954 445m✓ x 100✓ = 15.83% or 15.84% ✓✓ (4)

[10]

4.5 **Data response**

4.5.1 Provide ONE type of a government subsidy.

- Producer subsidies ✓
- Consumer subsidies ✓
- Export subsidies ✓
- Employment subsidies ✓
- Income subsidies ✓ (1)

4.5.2 Identify the quantity produced before the subsidy was granted.

Qe ✓ (1)

4.5.3 What does the law of supply entail?

More is supplied when prices are high and vice versa ✓✓ (2)

4.5.4 What is the effect of subsidies on the price of the product?

Subsidies lead to a decrease in the price of the product/price decreases from Pe to P1✓✓ (2)

4.5.5 How would a subsidy on petrol benefit the economy?

- More cars/vehicles will be demanded and produced. ✓✓
- The price of petrol will decrease and petrol will be affordable✓✓
- Transport costs and traveling costs will decrease to a drop in the price of petrol✓✓
- Production capacity of the country will increase/Real GDP will increase✓✓

- The general price level of goods and services will decrease/inflation rate will decrease✓✓

(Accept other correct and relevant responses) (2 x 2) (4)

[10]

4.6 **Data response**

4.6.1 Which product is manufactured by Eskom?

Electricity✓ (1)

4.6.2 Identify a company from the table above which manufactures defence equipment in South Africa?

Denel✓ (1)

4.6.3 Briefly explain the role of the government in production.

The government produces goods and services which the market Under supplies and those which the market does not supply at all/the government produces goods and services of a strategic nature/The government establishes businesses which requires a large capital outlay✓✓

Accept other correct and relevant responses. (2)

4.6.4 What are the impact of Eskom's load shedding on the economy?

- Load shedding lead to a decrease in production level of businesses✓✓
- Decreased production leads to lower profits of the businesses. ✓✓
- Due to a reduction in production, the real GDP also declines. ✓✓
- Lower profits lead to retrenchment and increased unemployment. ✓✓
- Load shedding discourages foreign investment. ✓✓

Accept other correct and relevant responses. (2)

4.6.5 Suggest solutions on how the efficiency of the state-owned enterprises can be improved

- Having proper and clear guidelines to fight corruption. ✓✓
- Forming Private Public Partnerships to enable a faster, more efficient delivery of goods and service. ✓✓
-Setting clear costing and development mandates with financial implications clearly set out. ✓✓
- Developing a framework for the appointment and remuneration of members to the Board of State-owned companies. ✓✓
-Ensuring efficient management and accountability. ✓✓
- Focusing on scarce resources for highest financial impact, ✓✓ e.g. encouraging a competitive work culture by hiring and retaining talented individuals through competitive compensation packages. ✓✓
-By privatising state-owned enterprises to ensure efficiency and competitiveness. ✓✓
-Strengthening internal and external audit to control systems and to reduce corruption. ✓✓

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

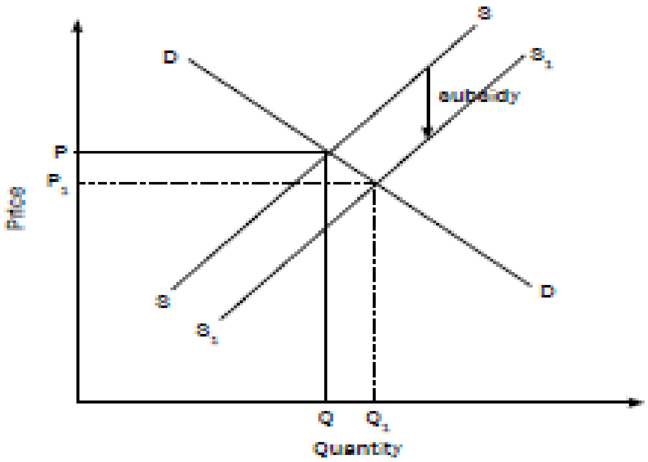
[10]

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 by means of a neatly labelled graph, the impact of a subsidy on the maize market.

Subsidies for maize



Mark Allocation
• Appropriate heading for Graph = 1 Mark • Subsidies = 1 mark (Correct direction) • S to S1 = 1 Mark • P to P1 and Q to Q2 = 1 Mark
Max 4

- The market price of maize is P and the corresponding quantity is Q. ✓✓
- If the government subsidises the production of maize, the market price will decrease to P1 with corresponding quantity Q1. ✓✓
- The lower price, P1, allows the poor to purchase more maize. ✓✓
- Therefore, subsidies increase the supply of the maize. ✓✓

Max.4

(8)

5.2 Discuss export subsidies and employment subsidies.

<u>Export subsidies</u>

- Some governments subsidise the production of particular goods that are exported, or exports in general. ✓✓
- The aims are to support infant industries to establish themselves or to assist the country's balance of payments account. ✓✓
- Export subsidies assist businesses to find markets for the goods they wish to export and pay some of the costs of overseas fairs and marketing campaigns. ✓✓

Accept other relevant and correct responses

Max.4

<u>Employment subsidies</u>

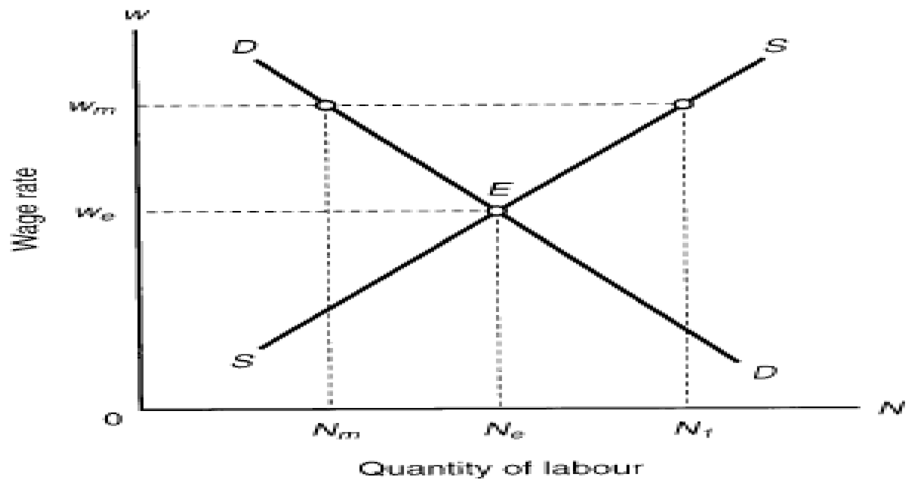
- This is the subsidisation of wages by the government as an incentive to business to create more job opportunities, thereby reducing the level of unemployment. ✓✓
- In South Africa some SMMEs qualify for a cash grant on the capital they invested if the labour they employ adds at least 30% value. ✓✓
- Accept other relevant and correct responses

Max.4

(2 x 4) (8)

5.3 Explain, with the aid of a diagram, the impact of minimum wage on the labour market.

LABOUR MARKET



Demand curve = 1 mark Supply curve = 1 mark Equilibrium point = 1 mark Minimum wage = 1 mark Labelling on the axis =1 mark Labelling of the axis = 1 mark Max. 4

- DD and SS are the demand and supply curves for labour. ✓✓
- The original equilibrium wage is W_e and the quantity employed is N_e. ✓✓
- The imposition of a minimum wage at W_m decreases the quantity of labour demanded to Nm and an increase in the supply of labour to Nf
- The excess supply of labour will lead to retrenchment of workers as employers will find it expensive to pay minimum wage
- Retrenchment will lead to an increase in unemployment ✓✓

Max. 4

(8)

5.4 Distinguish clearly between price ceilings and price floors.

Price ceilings (maximum prices)

- This is the highest price at which producers can sell a product. ✓✓
- Prices may not rise above the ceiling, that is above a certain maximum price. The ceiling forces the price down. ✓✓

- If the state feels that in some markets the prices are pushed up too high by producers, the government can intervene by offering subsidies to the businesses to reduce the price. ✓✓
- Examples are: rent control, medical products, bread, maize and electricity. ✓
  Accept other relevant and correct responses

(max 4)

Price floors (minimum prices)

- They protect producers from low prices and poor profits. ✓✓
- The state may feel that in some markets the prices are too low and they need to aid the suppliers. ✓✓
- In this case, the state can intervene in markets by setting a minimum price. Many producers, such as farmers, face stiff competition from other suppliers. ✓✓
- Although government is happy for consumers to pay affordable prices, it is important for producers to make a profit to stay in business otherwise unemployment will increase. ✓✓
  Accept other relevant and correct responses

(max 4)
(2 x 4) (8)

5.5 Discuss production and welfare as government intervention in the economy.

Production

- Government provides goods and services which are not provided by the private sector. ✓✓
- This means that governments operate businesses that produce public goods and merit goods. ✓✓
- Public goods include a national defence force, a local policing unit, street lights etc. ✓
- Merit goods refers to goods or services which are more beneficial to the society as a whole but are undersupplied by the market ✓✓
- Merit goods include health, education etc. ✓
- These goods are non-rival and non-excludable such as protection services, parks, streets, refuse removal etc. ✓✓
  Accept other relevant and correct responses

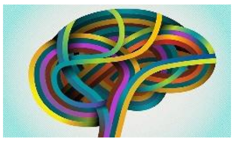
(max 4)

Welfare

- Due to the uneven distribution of wealth, welfare grants are provided for people to meet their basic needs. ✓✓The government provides merit goods and also supplements the income of poor people. ✓✓
- Cash grants e.g. old-age pensions, disability and childcare grants are used. ✓
  Accept other relevant and correct responses

(max 4)
(2 x 4) (8)

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



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.***

6.1 How has the implementation of minimum wages advantaged the workers in South Africa?

- They are protected by law and basic human rights. Many farmworkers and domestic workers are better off than before. ✓✓
- They enjoy a better living standard/ensure sustainable income ✓✓
- They can also enjoy unemployment benefits for which they did not qualify before
- They are also entitled for sick leave with pay ✓✓
- They are also entitled to annual leave with pay ✓✓
- Women are also entitled to maternity leave without the risk of becoming unemployed ✓✓
  (Accept other relevant and correct responses) (8)

6.2 Analyse the impact of minimum wages on unemployment

- The problem that contributes to unemployment is that minimum wages lead to an excess supply or a surplus of labour in the market. ✓✓
- People are paid a more equitable and fair wage for their services which causes higher wage costs. ✓✓
- If a minimum wage is set, the demand for labour will decrease and some people may become unemployed due to the introduction of a minimum wage. ✓✓
- Employers will cut production costs by retrenching the workers or alternatively reducing the hours of work. ✓✓
- This can lead to employment of foreign nationals who accept lower wages. ✓✓
  Accept other relevant and correct responses

(8)

6.3 How effective is the government use of maximum and minimum prices to help consumers and producers?

Positives:

- Maximum price keeps prices below the market level, and this benefit consumers by buying goods at lower prices.
- Minimum price keeps prices above the market price and this benefit producers who will earn more profits. ✓✓
- Minimum price encourages an increase in the supply of a product, there will be no shortage of the product. ✓✓

Negatives:

- Maximum prices are often ignored by the sellers and the consumers end up paying higher prices. ✓✓
- A maximum price will benefit consumers who manage to buy the good but will create a shortage at the set price.✓✓

- This will require government intervention to allocate the restricted supply among the would-be consumers but may result in illegal, black markets that favour the richer consumer. ✓✓
- A minimum price will cause an excess supply that will require government action such as storage or destruction with its associated costs. ✓✓
(Accept other relevant and correct responses)

(8)

6.4 Why does the government grant subsidies?

- To benefit consumers as subsidised goods are cheaper/When the state subsidises products, consumers are able to buy the cheaper products✓✓
- Products become cheaper in other countries because the government subsidises exporters. ✓✓
- The costs of production are reduced, and it becomes easier for many new businesses to be formed because they are assisted in starting up. ✓✓
- To increase employment opportunities and make jobs more secure/As new and many businesses are formed, employment opportunities increase and ultimately the country's unemployment rate reduces. ✓✓
- Improves the standard of living of the people as they receive social grants and free basic goods and services such as education, health etc. ✓✓
Accept other relevant and correct responses

(8)

6.5 Why does the government need to intervene in the economy?

- To correct inefficiencies in the economy such as monopolies, distribution of wealth etc. ✓✓
- The market is not able to provide goods and services for the people e.g. health services and infrastructure/to supply essential services which are undersupplied by the market such as health, education etc. ✓✓
- To prevent unequal opportunities in the marketplace/ to create fair competition by investigating collusion, excessive prices, merging of large business undertakings etc. ✓✓
- To guard against market prices that may be detrimental to the economy's economic health ✓✓
- To improve the level of welfare by financing a system of grants payable to the poorest members of the society ✓✓
- To manage strategic industries in the country such as power generation, water supplies and transport infrastructure ✓✓
- To correct market failures which result in insufficient supply of essential goods and services ✓✓
- to promote fair treatment of workers and prevent exploitation, so it sets minimum wages and maximum working hours ✓✓
Accept other relevant and correct responses

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

[40]

QUESTION 7

- With the aid of the relevant graphs, discuss in detail state intervention as a consequence of market failures, under the following headings:

  - Maximum prices (10)
  - Minimum prices (8)
  - Taxation (8)

(26)

- How does the South African government attempt to solve the problem of income inequality? (10)

[40]

Introduction

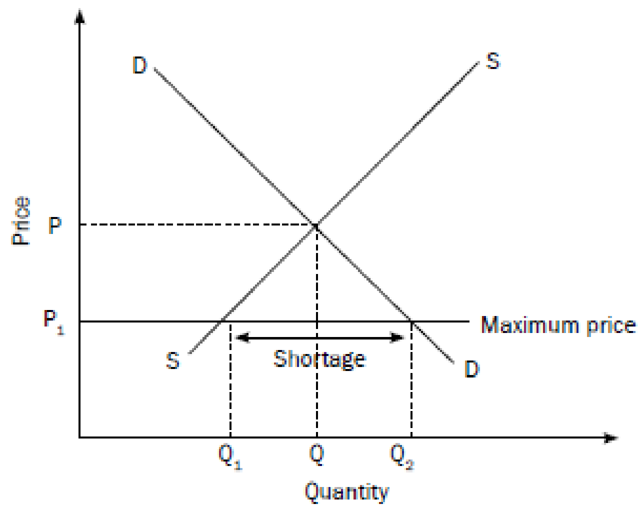
The purpose of government intervention is to ensure that the right quantity of resources is allocated to the production of output so that society as a whole maximizes its benefits. ✓✓

(Max. 2)

(Accept any other relevant introduction)

Body

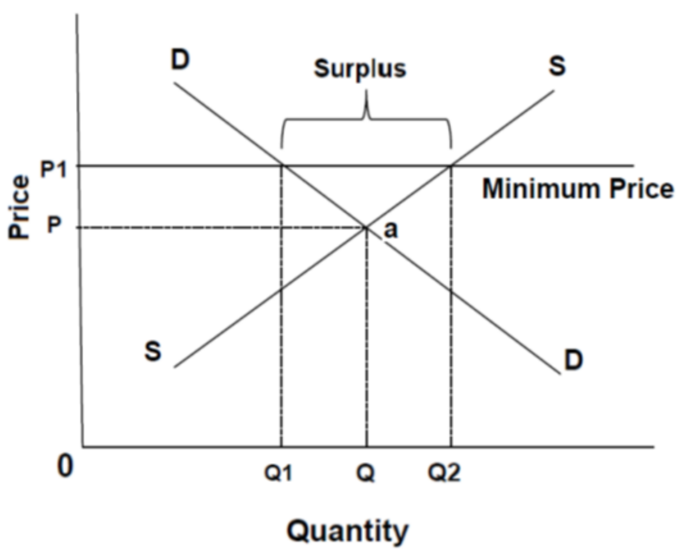
Maximum prices



Mark Allocation
Equilibrium = 1 mark
DD = 1 mark
SS = 1 mark
Maximum price = 1 mark
Max 4

- Sometimes government will set the price of a good or service at a maximum level that is below the market price ✓✓
- The government intervene and passes a law that suppliers may not charge more than the maximum price ✓✓
- The immediate effect is that quantity supply will drop ✓✓
- The original market equilibrium price and quantity is P and Q respectively ✓✓
- The price set by the government is P1, at this price the demand will increase to Q1 and the supply will decrease to Q2 ✓✓
- The difference between Q1 and Q2 is the shortfall that will be created on the market ✓✓
- The shortage caused by the price ceiling creates a problem of how to allocate the good since the demand has increased ✓✓
- Black markets start to develop ✓✓ (Max.6)

Minimum prices

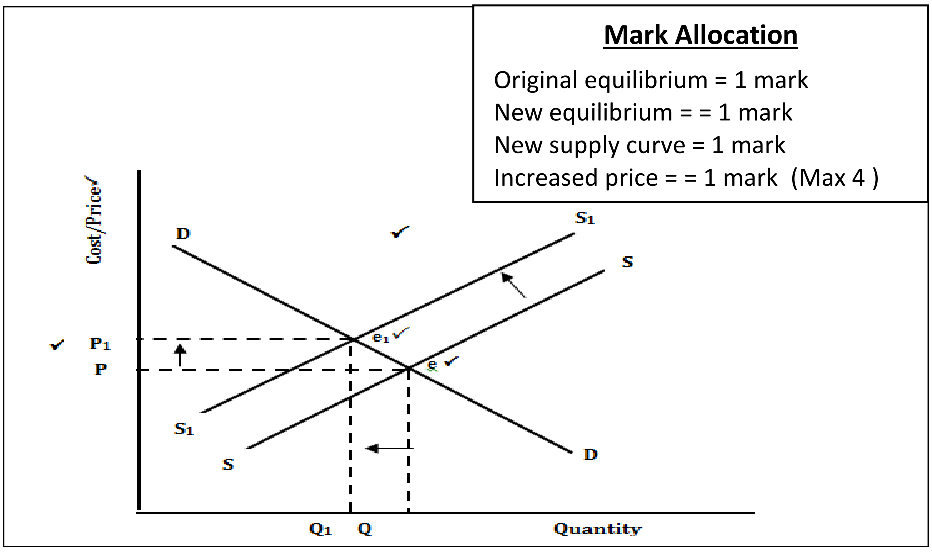


Mark Allocation
Equilibrium = 1 mark
DD= 1 mark
SS = 1 mark
Minimum price = 1 mark
Max 4

- It is important for all countries that their agricultural sector produces enough food to feed the population. ✓✓
- Some foodstuff is more important than others because it is a staple food. ✓✓
- Poor people will suffer if there is no staple food available and it could lead to famine. ✓✓
- Governments intervene in the market to ensure that enough quantity of food is produced. ✓✓
- Sometimes they introduce a minimum price on staple food. ✓✓
- They want to make it worthwhile for farmers to produce enough food. ✓✓
- In S.A. maize and wheat are staple food. ✓✓
- Before 1994 farmers were guaranteed a minimum price on these foodstuffs. ✓✓
- Setting of minimum prices has side-effects. ✓✓
- When government is not involved in the market, 0P = equilibrium price, 0Q = equilibrium quantity. Point a = market price. ✓✓
- When the government intervenes, a minimum price is established above the market price at 0P1. ✓✓
- Price increases from 0P to 0P1. ✓✓
- The quantity demanded decreases from 0Q to 0Q1. ✓✓
- The quantity supplied increases from 0Q to 0Q2. ✓✓
- A surplus (excess supply) exists on the market/Quantity supplied is more than the quantity demanded. ✓✓
- Farmers have a surplus = a problem which they will have to solve. ✓✓
- They can dump it on other markets. (Dumping = selling of goods on foreign markets at a price that is less than the country of origin.) ✓✓
- The WTO prohibits this. The only manner to get rid of this surplus is to destroy it or feed it to animals. ✓✓

(Max.6)

<u>Taxation</u>



• The appropriate way to intervene in the market by government is by levying taxes as a method to recover external cost ✓✓

• The original market equilibrium is at e, with P as the equilibrium price and Q as the equilibrium quantity ✓✓

• The tax increase will shift the supply curve to the left ✓✓

• The new equilibrium will be at E1✓✓

• A tax would raise the price from P to P1 ✓✓

• Production will decrease from Q to Q1 ✓✓ (Max.6)

Additional part

How does the South African government attempt to solve the problem of income inequality?

- The government can attempt to solve the problem of income inequality by:
- Implementing a progressive tax system which has reduced the income gap between income earners ✓✓
- Levying indirect taxes on consumption (e.g. VAT), while certain basic items that the poor often consumes, were excluded ✓✓
- Providing free primary health care in provincial hospitals and clinics ✓✓
- Making provision for those who cannot afford to pay by offering a free basic education ✓✓
- Making transfer payments and subsidies payable to the poor and previously disadvantaged ✓✓
- Implementing minimum wages ✓✓
- Implement job creation programmes ✓✓
- Implementing BBBEE and labour laws✓✓ (Max.10)

Conclusion

The intervention of government ensures that inefficiencies is eliminated and that the market is operating effectively ✓✓

(Accept any other relevant higher order conclusion)

Max. 2

[40]

TERM 3 & 4 - CONTENT PROGRESSIONS

Grade 10	Grade 11	Grade 12
Growth, Development & Globalisation / 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

TOPIC 1: ECONOMIC GROWTH AND DEVELOPMENT - GLOBALIZATION (WEEK 1-3)

: 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 self-sufficiency ✓
1.1.2 A Khoisan ✓
1.1.3 A Guilds ✓
1.1.4 B Metallurgy
1.1.5 D the difference between the birth rate and the death the of a country✓
1.1.6 C Fertility rate ✓
1.1.7 C technology ✓
1.1.8 B Metallurgy✓
1.1.9 A immigration ✓
1.1.10 D circuit migration ✓

1.2 Choose a description from COLUMN B that matches the item in OLUMN 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 F ✓
1.2.2 A✓
1.2.3 H✓
1.2.4 B✓
1.2.5 C✓
1.2.6 D✓
1.2.7 G✓
1.2.8 M✓
1.2.9 I✓
1.2.10 L✓
1.2.11 N✓
1.2.12 K ✓
1.2.13 P ✓
1.2.14 J✓

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 Barter Trade ✓
1.3.2 Migration ✓
1.3.3 Urbanisation ✓
1.3.4 Nomadic existence ✓
1.3.5 Manufacturing ✓
1.3.6 Migration ✓
1.3.7 Globalisation ✓

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 any TWO labour unions found in South Africa/.

- NEHAWU (National Education, Health and Allied Workers Union)✓
- NUMSA (National Union of Metal Workers of South Africa) ✓
- NUM (National Union of Mine Workers)✓
- COSATU (Congress of South African Trade Unions)✓
- FEDUSA (Federation of Trade Unions of South Africa) ✓
- NACTU (National Council of Trade Unions) ✓
- AMCU (Association of Construction and Mineworker Union) ✓

(Accept any other relevant answers)

Any (2x1)(2)

2.2 Explain the changes brought by the evolution of markets.

- Thousands of immigrants moved to South Africa. ✓✓
- The poor infrastructure that existed had to develop to answer to the needs of the mining industry . ✓✓
- Better infrastructure helped farmers to get their products to markets. ✓✓
- Demand for farm produce increased significantly with the development of mining cities. ✓✓

(2 x 1) (2)

2.3 How do modern governments spend their Money?

- Investment on merit goods ✓✓
- Salaries of government services✓✓
- Social services✓✓ (2 x 1) (2)
- (Accept any other relevant correct response)

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 How does an increase in income lead to the development of industries?
(1 x 2) (2)

An increase in income leads to an expansion of economic activities because better pay for workers in the factories increases both the demand and supply of goods and services which leads to an increase in GDP resulting in economic growth. ✓✓

3.2 What is immigration?

Foreigners entering the country on a permanent basis. ✓✓ (1 x 2) (2)

3.3 How does economic growth lead to economic development?

A country that produces more goods and services has a population that has a better standard of living because they use those goods to improve their lifestyle ✓✓

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

3.4 Why were labour unions established during the industrial revolution?

- At the time of the industrial revolution, working conditions in factories were bad. ✓✓
- As a result, labour unions, which are organisations of workers aiming to improve wages and working conditions, were formed. ✓✓
- At the beginning of the 20th century, the right of workers to organise and bargain collectively was recognised in most Western countries.
- Labour unions put a constraint on what employers can do with workers, expect from them and pay them.
- Some industries have suffered from strikes, but labour unions have won many improvements in working conditions. (2 x 1) (2)
  (Accept any relevant correct response)

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 Briefly explain the term *urban migration*.

It is a movement of people from rural areas to urban areas ✓ (1)

4.1.2 What could be a reason for this migration?

They may be searching for better economic opportunities/✓ better livelihoods such as employment, education (search for greener pastures) ✓ (1)
(Accept any other correct relevant answer)

4.1.3 Explain briefly how the policy of apartheid affected the rate of urbanisation in South Africa. (2)

Apartheid delayed urbanization as the pass laws controlled the influx of people, labourers were forced to go back to their homelands and not stay in the cities so the population in the cities grew slowly ✓✓

(Accept any other correct relevant answer) (2)

4.1.4 Why is rapid urban migration a problem, particularly to the government?

Migration leads to densely populated informal settlements✓✓ / slums

necessitating a massive demand for housing and infrastructure such as land, roads, health clinics✓✓

Uncontrolled migration leads to service delivery problems where the demand for electricity, water supply and other services puts a lot of pressure on the government ✓✓

(Accept any other correct relevant answer) (2)

4.1.5 Describe the relationship between urbanisation and industrialization.

- The increase in the population in cities increases labour which is needed in industries✓✓
- Houses must be built for the increasing population in cities✓✓
- Innovation and entrepreneurship increase as urban populations increase so industries will increase✓ ✓ (Accept any other correct relevant answer (4)

4.2 **Study the Cartoon below and answer the questions that follow:**

4.2.1 What negative effect can migration have on the economy?

Crime rate increase.✓

High unemployment leading to poverty.✓

High dependency on government.✓

(Any relevant negative effect) (1)

4.2.2 Why do people migrate to urban areas?

- People are searching for better economic opportunities. ✓
- Looking for better standard of living ✓
- Searching for employment. ✓ (1)

4.2.3 Briefly describe the concept *Net Migration*

- The net migration rate is the difference between the number of immigrants and the number of emigrants throughout the year. When the number of immigrants is larger than the number of emigrants, a positive net migration rate occurs. ✓ ✓ (2)

4.2.4 How will the net migration influence the South African economy?

- Workers who are unemployed will tend to move elsewhere to find work. ✓✓
- South Africa will face a shortage of skilled workers as they will be immigrating to other countries. ✓✓ (2)

4.2.5 Why is it important for the government to know the population growth rate in the country?

- In order for the government to conduct planning on resources that citizens will require in future. ✓✓
- To allocate resources efficiently. ✓✓

- Resources like infrastructure, education and health projects. ✓✓
  (Any relevant response) (4)

4.3 Study the information below and answer the questions that follow:

4.3.1 Which stage of economic development is depicted in the above information

- The self-sufficient stage.✓
- Hunter gatherers.✓
- Hunting.✓
- Gathering.✓ (1)

4.3.2 Name ONE activity that was practiced by these groups of people?

They just produced enough for themselves and not for markets✓✓

4.3.3 Briefly describe the concept *nomadic lifestyle*.

A way of life where people move with herds to other pastures as resources become depleted.✓✓ (2)

4.3.4 What makes traditional societies self-sufficient?

They produce enough for consumption and not for market.✓✓ (2)

4.3.5 How were skills transferred during the traditional stage?

- Skills were acquired on the job.✓✓
- Experienced people taught their skills to the younger generation.✓✓
- E.g. Stone work, Metal work, Animal Husbandry etc.✓✓ (4)

4.4 Read the extract and answer the questions that follow

4.4.1 Identify the industry that creates the largest income in the country.

Oil industry✓ (1)

4.4.2 According to the extract, which sector provides the most opportunities for employment?

Manufacturing sector ✓ (1)

4.4.3 Briefly describe the term *urbanisation.*

It is the movement of people from rural areas to urban areas with the aim of finding jobs. ✓✓ (2)

4.4.4 What is meant by the term unemployment?

Unemployment is a situation whereby people are willing and able to find jobs but they cannot find work. ✓✓
(Accept any relevant response) (2)

4.4.5 Why were labour unions established during the industrial revolution?

- At the time of the industrial revolution, working conditions in factories
- were bad. ✓✓
- As a result, labour unions, which are organisations of workers aiming to improve wages and working conditions, were formed. ✓✓
- At the beginning of the 20th century, the right of workers to organise

and bargain collectively was recognised in most Western countries.✓✓

- Labour unions put a constraint on what employers can do with workers, expect from them and pay them. ✓✓
- Some industries have suffered from strikes, but labour unions have won many improvements in working conditions. ✓✓

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

4.5 Read the extract and answer the questions that follow

4.5.1 Under which economic sector is mining classified?

Primary sector✓ (1)

4.5.2 Mention any economic activity that early societies were involved in.

- Farming ✓
- Agriculture ✓ (1)

4.5.3 Briefly describe the term *commercialisation*.

- Commercialisation is the process of bringing new products or services to market ✓✓
- The broader act of commercialisation entails production, distribution, marketing, sales, customer support and other key functions critical to achieving the commercial success of the new product or service ✓✓

(2)

(Any other correct relevant response)

4.5.4 Explain the changes brought by the evolution of markets.)

- Thousands of immigrants moved to South Africa ✓✓
- The poor infrastructure that existed had to develop to answer to the needs of the mining industry ✓✓
- Better infrastructure helped farmers to get their products to markets ✓✓
- Demand for farm produce increased significantly with the development of mining cities ✓✓ (2)

4.5.5 How does GDP relate to economic growth?

- An increase in GDP leads to improvement in economic growth ✓✓
- The more the production capacity, the more labour units are required ✓✓
- Creates employment ✓✓
- Job creation increases the standard of living of people ✓✓
- Increased disposable income of households demands more goods to be produced ✓✓ (Any 2 x 2) (4)

4.6.1 Which of the African countries in the table had the lowest level of urbanisation in 2010?

Uganda ✓ (1)

4.6.2 Who is responsible for the publication of the above information?

The World Factbook ✓ (1)

4.6.3 Briefly explain the term *urbanisation*.

This is the gradual increase in the number of people staying in urban areas, leading to the growth of towns and cities✓✓ (2)

4.6.4 What is the relationship between poverty and migration?

When people are poor, they are more likely to move to areas where poverty is low so that they can find ways of reducing their poverty ✓✓

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

4.6.5 Why is urbanisation a problem, especially to government?

- Problem of infrastructure,✓
    - Migration leads to densely populated informal settlements✓✓ or slums necessitating a massive demand for housing and infrastructure such as land, roads, health clinics ✓✓ problem of service delivery, problem of electricity ✓✓
    - Cities are now unable to absorb labour especially the unskilled ones ✓✓
    - Unemployment is rife in towns and cities leading to crimes, such as violence, robbery, theft etc ✓✓
  - Government is faced with an uncontrollable influx of people leading to housing, water problems etc. ✓✓

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

4.7.1 Select one of the words to identify Pictures A – D.

Picture A – Mercantilism ✓

Picture B – Feudalism ✓

Picture C – Communism ✓

Picture D – Capitalism ✓ (4x1) (4)

4.7.2 Who is known as the father of Communism?

Karl Marx ✓✓ (1)

4**.7.3 Briefly describe the term *Feudalism***.

Feudalism was a social, political, and military system that dominated medieval life in Western Europe. ✓✓(Solutions for all Economics)

A manorial system whereby a large proportion of the society worked as peasants for the landlords (owners) of the manor. □□ (Focus Economics)

Any relevant definition (2)

4.7.4 Why is Capitalism often criticized?

- For its persistent business cycles ✓
- Waves of unemployment ✓
- Exploitation of labour ✓
- Gap between rich and poor ✓
- Self interest and profit motive

Any relevant answer (2 x 1) (2)

4.7.5 Analyse the fundamental human rights which South African citizens enjoy.

Economic development is based upon three core human rights, namely:

- Basic Needs – all people have a basic need for food, shelter and health. Without these, they cannot live. The main purpose of all economic activity must therefore be to provide as many people as possible with the means to meet these basic survival needs. ✓✓
- Self-esteem – all people have the right to respect, recognition, dignity and a future.✓✓
- Freedom – All people have a basic, human right to be free from poverty, ignorance and ownership by another (slavery) (Solutions for all Economics)✓✓
- With the adoption of our constitution, South Africans gained rights that had previously been withheld from them. ✓✓
- The right to fair labour practices. We may not be unfairly dismissed or unfairly discriminated against in the workplace. ✓✓
- The right to an education. All South Africans have the right to a basic education and the right to learn skills and obtain training, which will help them to get jobs and become productive members of the economy.✓✓
- The right to health care and safe living conditions. We have the right to safe living conditions, a good police force and a safe and unpolluted living environment. ✓✓
- Access to a basic standard of living. Our government has committed itself to improving the living conditions and standard of living of all its citizens and is trying to provide houses, pensions, food and health care for all. (Focus Economics) ✓✓
- Human rights are the basic rights that are held by all human beings.✓✓
  They include:
- Political rights, the right of all adults to vote in free elections and to belong to any political party.✓✓
- Civil rights, which include the right to be treated fairly and equally and to freedom of speech.✓✓
- Economic rights, such as the right to work and to own fixed property. (Oxford Successful Economics) ✓✓

Naming rights maximum 4 marks.(2x2) (4)

4.8 DATA RESPONSE

4.8.1 Which stage of economic development is depicted in the cartoon?(1)

The self-sufficient stage✓

4.8.2 Quote one activity that took place during this stage

"Hunting" ✓

"gathering" ✓

"hunter gatherers" ✓ Any (1x1)(1)

4.8.3 The agricultural nature of the economy is one of the characteristics of this stage. Briefly discuss two other characteristics of this stage.

- The absence of markets ✓
  Markets did not exist, crops produced on landlords land were used to pay the landlord✓✓, pay wages of the workers and trade / barter with. ✓✓
- Little or no labour specialisation ✓
  Nothing was produced on a large scale, as there were no markets to produce for. There was no place where goods could be sold or exchanged. ✓✓
- Limited freedom of choice ✓
  There was no choice in their profession, as it was dependent on family tradition. People who worked for a particular landlord, were regarded as the "property" of the landlord and could not move away. ✓✓

- Wealth and Power ✓
  Landlords expanded their already wide base of wealth, mostly by surplus crops paid to them by people employed by the manor. □□ Consequently it was impossible for workers to accumulate wealth and improve their quality of life. □□
- Limited tools ✓
  Initially stone aged tools were used, for hunting and protection. ✓✓ More advanced tools were developed to cultivate their land and use as protection as time went by.✓✓
- In Africa ✓
  In Northern parts of Africa, some tribes started domesticating cattle, and developing some agricultural products ✓✓ (2 x 2) (4)

4.8.4 How does globalisation affect the South African economy?

In a mature state an economy is able to trade on a global (worldwide) scale✓✓ The process whereby the world becomes more integrated and connected in different activities (economic and social) ✓✓ (2 x 2) (4)

(Accept any other relevant answer)

4.9 Read the extract and answer the questions that follow

4.9.1 What economic problem is being experienced by the migrants?

Poverty or Scarcity ✓

(Accept any other correct relevant response) (1)

4.9.2 Provide one example of a government aid program.

- Old age pension ✓
- Child support grant ✓
- Social relief of distress ✓
- Care dependency grant ✓
- Grant in aid ✓
- War veterans grant ✓
- Foster child grant ✓
- Disability grant ✓
- TERS under Covid -19 (1)
  (Accept any other correct relevant response)

4.9.3 Briefly describe the term *migration.*

Migration is simply moving from one place to another with the intention of settling permanently or temporarily. ✓✓

(Accept any other correct relevant response) (2)

4.9.4 Why do migrants work mostly in the informal sector?

Many migrants are here illegally or do not have work permits ✓✓

(Accept any other correct relevant response) (2)

4.9.5 What can be done to assist the migrants who have lost their income?

- Government could allow migrants access to government aid programs. ✓✓

- Government could give migrants access to enter the country and access work permits. ✓✓
- Welfare organisations could provide aid to the migrants. ✓✓
  (Accept any other correct relevant response) (2 x 2) (4)

4.10 DATA RESPONSE

4.10.1 Which province of South Africa has the biggest population size?

Gauteng ✓ (1)

4.10.2 Why do people move from rural areas to big cities like Johannesburg?

A move from a rural to an urban area is mostly driven by economic and employment reasons, but education related reasons such as moving for your own or other's education are also important factors ✓

(Accept any other correct relevant response) (1)

4.10.3 Briefly describe the term *urbanisation*.

Urbanisation refers to the increasing number of people that live in urban areas.✓✓

(Accept any other correct relevant response) (2)

4.10.4 Why is the growing rate of urbanisation a problem for local government?

Congestion, pollution, crime and disease are problems associated with urbanisation. ✓✓
(Accept any other correct relevant response) (2)

4.10.5 What measures may be used to slow down the rate of urbanisation?

- Combat poverty by promoting economic development in rural areas. ✓✓
- Create private-public partnerships to provide employment in rural areas. ✓✓
  (Accept any other correct relevant response) (2 x 2) (4

4.11 Study the table below and answer the questions that follow

4.11.1 What does the graph depict?

The percentage increase in a country's economic growth / GDP growth✓ (1)

4.11.2 When did South Africa Experience the highest growth?

1st quarter in 2007 (1)

4.11.2 Briefly describe the term *economic growth*

Economic growth is an increase in the production of **economic** goods and services, compared from one period of time to another ✓✓ **(2)**

4.11.4 Difference between economic growth and economic development.

Growth refers to production while development refers to the quality of life of an individual or household✓✓

4.11.5 Why might an increase in alcohol consumption lead to an increase in GDP, but decrease in the standard of living? **(4)**

More people will spend their income on alcohol✓✓ and then there will be less to spend on other necessary goods and services, ✓✓thereby decreasing the quality

of life of an individual or household.

Alcohol dependency also might lead to an increase in the need for medical treatment , placing a greater burden on the state. ✓✓

(Any other relevant answer) (2 x 2) (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 Describe the development of markets and trade in early societies.

- As production increased there was a need for more outlets ✓✓
- Weekly markets were held in town squares and on quay sides ✓✓
- Regional trade fairs were held; i.e. bigger markets where products from a wide area were sold and other entertainment offer ✓✓
- Merchants emerged who brought together buyers and sellers from different communities and regions ✓✓
- Specialised markets developed in many parts of the world, such as areas specialising in silks, spices, fine wood and leather products ✓✓
  (Accept any other relevant response) (Any 4x2)(8)

5.1.2 How did landlords use their wealth in ancient times? (8)

- Different people fulfilled different economic roles, depending on their status. For example, successful farmers became landlords who owned large pieces of land, called manors. ✓✓
- Peasants were allowed to live on land that was owned by a landlord or member of the royalty. ✓✓
- Peasants could support themselves and their families, but had to pay most of their annual surplus production to the landlord. ✓✓
- Landlords then used these surpluses to build their wealth and support their power. ✓✓
- They used this wealth to finance their luxury consumption, to construct castles, pay for the work of artisans and to wage wars. ✓✓
- In return, landlords protected the peasants. ✓✓
  (Accept any relevant answer) (8)

5.1.3 Discuss globalisation

Globalisation

- Refers to the increase in trade between countries, making the world a global village. ✓✓
- It integrates both economies and societies. ✓✓
- The reduction in trade barriers, e.g. has increased globalisation.✓✓
- The improvement of international transport and communication, ✓✓ especially the internet ✓✓ /has further increased trade between countries. ✓✓
- The introduction of trading alliances/trading blocs, ✓✓ e.g. EU has further expanded trade ✓✓ (Any 4 x 2) (8)

5.1.4 Briefly discuss the evolution of labour unions.

- Poor working conditions during the Industrial Revolution led to the formation of trade unions. ✓✓
- Trade unions were workers' organizations trying to improve wages and working conditions. ✓✓
- By the beginning of the twentieth ✓✓ century, the rights of workers to organize and bargain collectively was recognized in most western countries.
- Trade unions have imposed restrictions on the mistreatment of workers and setting minimum wages. ✓✓
- Some industries suffered as a result of strikes, but the unions brought about many improvements in working conditions. ✓✓
- Trade unions played an important role in South Africa because they served as a political forum for workers and contributed to the formation of a new government. ✓✓

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

5.1.5 Briefly discuss the evolution of international economic cooperation in Africa.

- Governments worldwide are trying to improve cooperation with other countries. ✓✓
- Negotiations takes place regarding international and multilateral agreements. ✓✓
- Governments are trying to align their economic policies. ✓✓
- African governments have also recognised the need to develop a common trading area. ✓✓ this was implemented in January 2021 AfCFTA
- The African Union seeks to bring about the economic integration of African countries. ✓✓
- Other integration efforts ranged from regional customs unions to economic and monetary unions. ✓✓
- Important South African trade initiatives include the Southern African Customs Union (SACU) and the bilateral trade and aid agreement with the European Union. ✓✓
- In 2010, South Africa joined the BRICs group, which is made up of Brazil, Russia, India and China. ✓✓

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

5.1.6 How does industrialisation lead to the development of transport and communication networks? (8)

Transport

- Railway lines are built so that **industries** can transport raw materials✓✓
- Road networks are expanded and improved to serve **industries**✓✓
- Bulk volumes of goods can be transported and delivered in shorter times using the improved transport networks✓✓
- Harbours are built to make imports and exports possible to support industrialisation✓✓

Communication

- Improved communication networks lead to improved distribution of information✓✓
- Business develops communication so that their consumers are easily contacted for sales✓✓
- Exports and imports businesses flourish as a result of increased international communication systems✓✓
- Money transfers become easy through internet banking and cell phone banking. ✓✓

Accept any other relevant correct response **(8)**

QUESTION 6

6.1 How do transport and communication contribute to economic growth?

Transport

- Railway lines are built so that industries can transport raw materials✓✓
- Road networks are expanded and improved to serve industries✓✓
- Bulk volumes of goods can be transported and delivered in shorter times using the transport networks✓✓
- Harbours are built to make imports and exports possible✓✓

Communication

- Improved communication networks lead to improved distribution of information✓✓
- Business develops communication so that their consumers are easily contacted for sales✓✓
- Exports and imports businesses flourish as a result of increased international communication systems✓✓
- Money transfers become easy through internet banking and cell-phone banking. ✓✓

(8)

6.2 How was surplus production, trade and transport development used in the evolution of markets.

- Over time agriculture became more productive through the invention of crop rotation, irrigation, food storage, the use of livestock and plant breeding. ✓✓
- This increase in productivity, along with refinements in tools, created surplus. ✓✓
- These surpluses allowed for non-agricultural activities to develop such as manufacturing and trade. ✓✓
- Farmers increased productivity, allowing the communities and settlements to expand. ✓✓
- The agricultural surpluses and manufactured items brought about the start of real trade with other communities and even with other parts of the world. ✓✓
- External trade concentrates mainly on primary products. ✓✓
- At the same time that trade started, transport infrastructure was developed that supported trade. ✓✓
- Ocean-going ships allowed long-distance trade and made speciality goods available in communities. ✓✓
- The expansion of local and international trade led to the emergence of merchants who earned their wealth by facilitating trade. ✓✓

(Accept any relevant response) (Max. 8)

6.3 Why should South Africans save more?

- Savings is a big determinant of economic activity. ✓✓
- A rise in savings can have a big impact on economic activity. ✓✓
- Higher savings can help finance higher levels of investment.✓✓
- Investments boost productivity over the longer term. ✓✓
- The level of savings determines the level of investment since investment needs to be financed from savings.✓✓
- If people save more, it enables banks to lend more to firms for investment. ✓✓
- The level of savings is a key factor in determining economic growth. ✓✓

6.4 What is the impact of immigration and refugees on the population of South Africa

- Immigration of skilled people addresses the demand for scarce skills and expertise ✓✓
- Conflicts surrounding migrant labourers taking jobs from SA citizens have recently become apparent ✓✓
- Huge inflow of illegal immigrants increases the population of S.A resulting to an increase in financial burden to government ✓✓
- Illegal immigrants and refugees add to the development of informal sectors ✓✓
- Inflow adds to pressure on government to provide education and basic health services ✓✓

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

6.5 Why should the nation be encouraged to save?

- Capital formation is about savings and how savings are transformed into investments. ✓✓
- Savings began to play a very important role in the growth of economies. ✓✓
- Investments and growth of economies depend on the volume of available savings. ✓✓
- There are many sources of savings that are important in the nation such as corporate savings, household savings and foreign savings. ✓✓

  (Accept any relevant response) (8)

6.6 How do stokvels contribute towards a better form of saving for members?

Stokvels contribute towards a better form of saving because:

- Stokvels area savings or investment society to which members regularly contribute an agreed amount and from which they receive a lump sum payment. ✓✓
- Stokvels are sociable, members have common values and understand one another✓✓
- They impose self-discipline and commitment on people✓✓
- No one wants to let their friends down when it comes to paying✓✓
- There is social prestige in belonging to a stokvel ✓✓
- You must be invited to join✓✓

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

6.7 What is the impact of immigration and refugees on the population of South Africa?

- There are many immigrants and refugees currently in SA
- There is a large population of immigrants and refugees in SA✓✓
- This leads to a increase in population, and greater demands on the state for services ✓✓
- There has been some unhappiness in certain communities, because they claim that the foreigners are taking the businesses and jobs away from South Africans; which is not true ✓✓
- Foreigners are bringing in skills that can assist the SA population✓✓ (8)

  Accept any other relevant correct response

ECONOMIC PURSUITS

SOUTH AFRICA'S POPULATION AND LABOUR FORCE (WEEK 4-6)

SECTION A

Question 1

1.1. SHORT QUESTIONS

Various options are provided as answers to the following questions. Write only the correct letter (A – D) next to the question number (1.1.1 – 1.1.11).

1.1.1 C old men, urban ✓

1.1.2 D Land redistribution, primary ✓

1.1.3 B 71% or more is aged under 35 years od age. ✓

1.1.4 A help stimulate ✓

1.1.5 B skilled✓

1.1.6 C retired✓

1.1.7 A. first✓

1.1.8 A World Economic Forum✓

1.1.9 C population size ✓

1.1.10 C habitat loss ✓

1.1.11 B Furloughed employees ✓

(11X2 = 22)

1.2. MATCHING ITEMS

Choose a description from COLUMN B that matches an item in COLUMN A. Write only the letter (A – G) next to the question number (1.2.1 – 1.2.4), for example 1.2.7 H.

1.2.1. A Includes employed and unemployed people✓

1.2.2 E The total number of people employed or seeking employment in a country. ✓

1.2.3 F The percentage of the working age population who are employed ✓

1.2.4 B Those who want to work, but have given up looking for work✓

(5X1 = 5)

1.3 TERMINOLOGY

Give the correct term for each of the following descriptions. Write only the term next to the question number (1.3.1 – 1.3 4).

1.3.1. Fertility rate ✓

1.3.2. Census ✓

1.3.3. Emigration ✓

1.3.4. Urbanisation ✓

1.3.5. Mortality rate ✓

1.3.6. Labour force ✓ (6X1 = 1)

SHORT QUESTIONS:

1.4. In the economy we have formal and informal sectors. Give two job types under each sector.

Formal - Doctors, Nurses, Accountants, Educators etc ✓✓

Informal – Street vendors, Gardeners, Domestic workers etc ✓✓ (2X2 = 4)

1.5. Write out the following abbreviations out in full:

1.5.1 EAP Economically Active Population ✓

1.5.2 HIV Human Immune-deficiency Virus ✓

1.5.3 Aids Acquired Immune Deficiency Syndrome✓

1.5.4 QLFS Quarterly Labour Force Survey ✓

1.5.5 LFPR Labour Force Participation Rate✓

1.5.6 IKS Indigenous Knowledge Systems✓ (6X1 = 6)

1.6 How is the Unemployment rate calculated? (2)

$$\frac{\text{Unemployed people}}{\text{Labour force}} \times \frac{100}{1} \quad \text{OR} \quad \frac{\text{Unemployed people}}{\text{EAP}} \times \frac{100}{1}$$ ✓✓

(2)

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.

<u>SECTION B</u>

Question 2

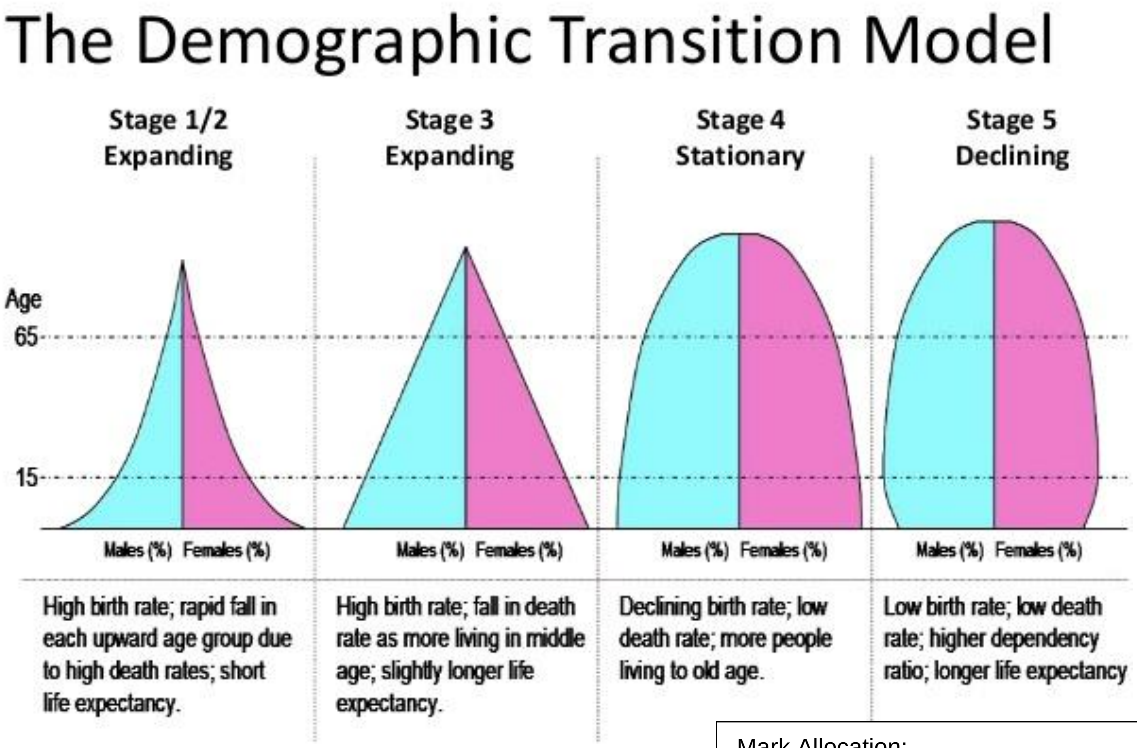
2.1.1 Calculate the natural growth in our population based on the information below. Show your calculations. (11)

Year	Reported birth	Reported deaths	Natural increase
1997	949341	317131	632210 ✓
1998	933526	365852	567673 ✓
1999	949281	381820	568661 ✓
2000	960493	415983	544510 ✓
2001	944345	454847	489498 ✓
2002	953680	502031	451649 ✓
2003	944546	556769	387777 ✓
2004	994537	576700	417837 ✓
2005	1027650	598054	429596 ✓
2006	1046130	612462	433668 ✓
2007	1015370	601033	414337 ✓

2.1.2. Draw a conclusion about any tendency, in question 2.1 that can be observed from the natural increase in the population over the period 1997 to 2007.

There is a gradual decrease in natural population growth over the ten years. The decrease is due to the higher death rates though birth rates have increase ✓✓ (2)

2.1.3. Draw and fully label the four stages of Demographic cycles. (4X4 16)



Mark Allocation:
2 Marks for each illustration
2 marks for each correct explanation below
4 X 4 = 16

2.2. Study the statement below, answer the questions which follow.

> Since 1994, urbanisation was rapid. Large-scale migration put high pressure on municipalities to delivery services, as an increase number of people needed housing, water, electricity, schooling and transport.

2.2.1. What occurred in 1994 that lead to the increased migration.
South Africa had its first democratic election which ended apartheid, and people were free to move anywhere in the country✓ (1)

2.2.2 What is the migration from rural to urban centres called?
urbanisation ✓ (1)

2.2.3 Briefly describe the term *migration.*
Migration is moving from one country or area to another country or area. ✓✓ (2)

2.2.4 Discuss in detail service delivery in Urban areas in the year 1994 compared to 2020.

- Service delivery has improved, because all people now have access to services ✓✓
- During apartheid, and just after democracy, there were many people who lacked service delivery ✓✓
- Housing programmes like the RDP have ensured that people in townships have access to decent housing ✓✓
- Other services like water and electricity are available to more South Africans, now than in 1994 ✓✓ (8)

Learners answers can be both positively or negatively answered

Accept any other correct relevant responses

2.3 DATA RESPONSE

2.3.1 Which sector employs the most workers according to the information above?

Formal sector % 2009 –and 2010 – 70%.✓ (1)

2.3.2 Provide one example of an informal activity in your community.

hair styling ✓ mechanics ✓ car wash ✓ selling fruit & vegetables ✓ (1)

Accept any other relevant correct response

2.3.3 What is the percentage of workers in South Africa was employed in the formal sector 2018?

2010 – 70%.✓ (8974/12802) ✓ (2)

2.3.4 Why is there a downward trend in the Agricultural sector?

less employment in the agricultural sector due to mechanisation ✓✓

Drought during those years means less output, less people employed ✓✓
Accept any other relevant correct response (2)

2.3.5 Employment in the informal sector is also declining. Do you think this is a true reflection of what is happening in reality?

More people are becoming unemployed, and are joining the informal sector ✓✓

The information was probable not recorded correctly, and people do not disclose that they ae part of the informal sector, as they do not pay tax on their earnings✓✓
Accept any other relevant correct response (4)

2.4 DATARESPONSE

2.4.1 Identify the source of the above information .

STAS SA ✓ (1)

2.4.2 By how much did the employment numbers increase by in Q4?

16000 (10213000-10917000)✓ (1)

2.4.3 Briefly describe the term *employment.*

- An agreement between the individual and another entity that stipulates the responsibilities, payments, terms and arrange rules of the workplace and is recognized by government ✓✓ (2)

Accept any other correct definition

2.4.4 Discuss in detail what government has done to improve employment in South Africa.

- Improve education and training ✓✓
- compulsory school for learners under 16 ✓✓
- Improve skills development , and building of skills through the EPWP ✓✓
- Improve job opportunities ✓✓
- Entrepreneurship has more opportunities, with support programmes to new entrepreneurs through various agencies ✓✓ (8)

Accept any other relevant correct response

2.5 DAT RESPONSE (CARTOON)

2.5.1 What negative effect can migration have on the economy?

over-population / lack of services /shortages of essential goods ✓ (1)

2.5.2 Why do people migrate to urban areas?

They may be searching for better economic opportunities□/ better livelihoods□ such as employment, education (search for greener pastures) ✓
(Accept any other correct relevant answer) (1)

2.5.3 Briefly describe the concept *Urban Migration*

It is a movement of people from rural areas to urban areas ✓✓ (2)

2.5.4 How will the net migration influence the South African economy?

- Migration leads to densely populated informal settlements / slums necessitating a massive demand for housing and infrastructure such as land, roads, health clinics ✓✓
- Uncontrolled migration leads to service delivery problems where the demand for electricity, water supply and other services puts a lot of pressure on the government✓✓

(Accept any other correct relevant answer) (2)

2.5.5 Why is it important for the government to know the population growth rate in the country?

- The increase in the population in cities increases labour which is needed in industries✓✓
- Houses must be built for the increasing population in cities ✓✓
- Innovation and entrepreneurship increases as urban populations increase so industries will increase✓✓

(Accept any other correct relevant answer (4)

2.6 DATA RESPONSE

2.6.1 Name the province that had the highest HIV prevalence in 2002.

Free State ✓ (1)

2.6.2 Name the province with the highest HIV prevalence in 2002.

KwaZulu Natal ✓ (1)

2.6.3 Name the province with the biggest increase of HIV prevalence from 2002 to 2008.

KwaZulu Natal (15,8 – 11,7 = 4,1) ✓✓ (2)

2.6.4 Identify which province was the most successful in the prevention of HIV/Aids. Explain your answer.

Western Cape – the province had a decrease of 6,9% from 2002 to 2008. ✓✓ (2)

2.6.5 Discuss any TWO measures which can possibly be taken to improve the situation in the province named in 6.4.

Introduce HIV truths in school education, training, more HIV campaigns/ information sessions. ✓✓ Any valid answer the learner gives can be accepted. Critical thinking needs to be encouraged. (4)

Question 3

3.1. Discuss *immigration* and *foreigners in term of SA population size.*

Immigration

Immigration is foreigners entering the country on a permit basis. ✓✓ These immigrants add to the population in the country, cause an increase in the population size✓✓(2X2) (4)

Foreigners

Foreigners are people who are born in one country but move to another country.✓✓ These foreigners add to the population in the country, therefore case an increase in population size✓✓ (2X2) (4)

(2X4) (8)

3.2. **There are four types of foreigners entering South Africa. Name and define each one**

Immigrants – entering the country legally on a permit basis. ✓✓

Migrants – temporary residents and contract workers ✓✓

Illegal immigrants – entering the country without having the required documents✓✓

Asylum seekers – are classified as refugees who apply to enter the country seeking protection from their own country due to wars etc. ✓✓

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

3.3 Discuss *age composition* and *geographic distribution* in terms of SAs labour force

Age Composition:

- Labour force between the ages of 15 and 65 ✓✓
- There is an aging labour force in South Africa, with a large component of unemployed youth. ✓✓
- The increase in the age of the working population is because people are working until they reach retirement age, for financial reasons. ✓✓

Geographical Composition:

- Gauteng has the largest population, followed by KwaZulu Natal ✓✓
- The South Africa population is mainly concentrated in the urban areas of Gauteng, Durban, Cape Town, Port Elizabeth, East London and Bloemfontein ✓✓
- People tend to move to urban areas in the hope of better prospects, but this leads to competition for resources and services (housing, sanitation, water) ✓✓

Accept any other relevant correct response (8)

3.4 Discuss the reasons why unemployment has increased in South African in the last few years.

- Youth unemployment continues to grow in the country. ✓✓.
- Youth between the ages of 15 to 34 years. ✓✓.
- The Covid 19 pandemic has lead to a huge amount of jobs being lost in SA ✓✓.

- The economy has to generate more job opportunities to decrease the rate of unemployment. ✓✓.
- Policy uncertainty has lead to some businesses not increasing their capacity, but rather adopting a wait and see attitude ✓✓.
- Some business were not allowed to operate under certain level of the national lockdown (tourism, restaurants, etc.) ✓✓
- Decline in labour intensive primary sector areas namely mining and agricultural sectors. ✓✓.
- Due to the increase in population the economy has been slow to create job opportunities. ✓✓.
- Production methods have changed over the years, this is due to the technological changes and environmental issues. ✓✓.
- Tertiary and services sector has increased due to training and skills development. ✓✓.

Accept any other relevant correct response (4X2 = 8) (Max 8)

3.5 What are the effects on wages when population increase due to immigration?

- due to the increased supply of labour there will be a decrease in the wage rate ✓✓
- But in South Africa there is a minimum wage that is implemented by government ✓✓
- Some immigrates will accept a job below the minimum wage rate, saving the employers some money ✓✓
- If employers pay the minimum wage, it normally leads to less people being employed ✓✓
- There would be more people offering their services to be employed
- the difference between the two above mentioned bullets leads to a surplus in the market ✓✓ (8)

SECTION C

STRUCTURE OF THE ESSAY	MARK ALLOCATION
Introduction The introduction is a lower-order response. • A good starting point would be to determine the main concept related to the question topic. • Do not include any part of the question in your introduction. • Do not repeat any part of the introduction in the body. • Avoid saying in the introduction what you are going to discuss in the body	Max. 2
Body Main part: Discuss in detail / In-depth discussion / Examine / Critically discuss / Analyse / Compare / Evaluate / Distinguish / Explain Additional part: Critically discuss / Evaluate / Critically evaluate / Draw a graph and explain / Use the graph given and explain / Complete the given graph / Calculate / Deduce / Compare / Explain / Distinguish / Interpret / Briefly debate / How? / Suggest / Construct a graph	Max. 26 Max. 10

Conclusion Any higher-order conclusion should include: • A brief summary of what has been discussed without repeating facts already mentioned • Any opinion or value judgement on the facts discussed • Additional support information to strengthen the discussion / analysis • A contradictory viewpoint with motivation, if required • Recommendations	Max. 2
TOTAL	40

Question 4

Discuss the factors impacting on population growth in South Africa under the following headings:

- **Immigration and emigration**
- **HIV/AIDS**

Additional

Discuss natural growth with regard to the difference between birth and death rates of a population.

Introduction

South Africa has a high birth rate and continuous inflow of immigrations and asylum seeker but the Covid 19 pandemic is impacting negatively on population growth. ✓✓.

(Any relevant correct response) 2

Body

Immigration and emigration

- Flow of immigrations into and emigrations out of South Africa. ✓✓.
- High number of illegal immigrants within the borders of the country. ✓✓.
- Foreigners enter the country as one of the following:
  - Immigrants ✓
  - Migrants ✓
  - Illegal immigrants✓
  - Asylum seekers ✓
- Since 1990 immigrants have increased into our borders. ✓✓.
- Many have emigrated but also returned. ✓✓.
- Refugee's applications have also increased since 1994. ✓✓.

HIV/AIDS

- The total number of HIV/Aids is estimated at 5.24 million in 2000. ✓✓.
- With 17% being adults between the ages of 15-49 years. ✓✓.
- Increase in the number of infected people using the required medication has also increased. ✓✓.
- More people that are infected with HIV are now on the required medication, and are able to live normal productive lives ✓✓.
- Death rate at the beginning was high as the disease was not understood. ✓✓.
- People have since evolved and now more education has been given to the matter, and this awareness has slowed the disease down to some extent ✓✓.

- Research and development continues in this area, in the hope of finding a cue to the HIV scourge✓✓.

  Accept any relevant correct response 26 max

Additional

- Natural growth is the difference between birth and death rates in the population. ✓✓.
- Birth and death rate of the population during a specific period of time. ✓✓.
- Overall growth rate includes migration, entering and leaving the country. ✓✓.
- Fertility rate deals with the number of births in a population of the area. ✓✓.
- Mortality rate deals with the death rate of the population of the area. ✓✓.
- It is important for the government to know all of this, to ensure that sufficient services, and other infrastructure is available to accommodate all its people ✓✓.
  Accept any other relevant correct response 10 max

Conclusion

The ever increasing population in SA, despite pandemics such as HIV and Covid 19 means the government will have to institute measures to ensure that it is able to provide adequate services to all its people, as is mandated in the constitution of the country. ✓✓

Accept any other relevant correct response (2)

Question 5

Discuss in an essay format the population composite of South African labour force under the following headings:

- **Age composition (6)**
- **Employment and unemployment (10)**
- **Geographical composition (10)**

Additional

How is immigration and emigration affecting the South African population? (10)

Introduction

South Africa has a productive and industrialised economy with many characteristics associated with developing countries including division of labour between formal and informal sectors. ✓✓

Accept any other relevant correct response 2

Body

Age composition

- Labour force between the ages of 15 and 65 ✓✓
- There is an aging labour force in South Africa, with a large component of unemployed youth. ✓✓
- The increase in the age of the working population is because people are working until they reach retirement age, for financial reasons. ✓✓
- There is an aging labour force in South Africa, with a large component of unemployed youth. ✓✓
  The increase in the age of the working population is because people are working until they reach retirement age, for financial reasons.

Employment and unemployment

- South Africa has an increasingly high unemployment rate. ✓✓
- Highest among unskilled and semi-skilled workers. ✓✓.
- Agricultural provinces are the worst affected.
- Youth unemployment continues to grow in the country. ✓✓.
- Youth between the ages of 15 to 34 years. ✓✓.
- The economy has to generate more job opportunities to decrease the rate of unemployment. ✓✓.
- Trading industry has the highest employment rate. ✓✓.
- Decline in labour intensive primary sector areas namely mining and agricultural sectors. ✓✓.
- Tertiary and services sector has increased due to training and skills development. ✓✓.
- Due to the increase in population the economy has been slow to create job opportunities. ✓✓.
- Production methods have changed over the years, this is due to the technological changes and environmental issues. ✓✓.

Accept any other relevant correct response

Geographical composition

- Gauteng has the largest population, followed by KwaZulu Natal ✓✓
- The South Africa population is mainly concentrated in the urban areas of Gauteng, Durban, Cape Town, Port Elizabeth, East London and Bloemfontein ✓✓
- People tend to move to urban areas in the hope of better prospects, but this leads to competition for resources and services (housing, sanitation, water) ✓✓

Accept any other relevant correct response (10)

26 max

Additional Part:

An important factor that affects the country's population figures. ✓✓

Immigration

- Foreigners entering the country on a permanent basis. ✓✓.
- Illegal immigrates are a concern as many people enter the country without the correct documents. ✓✓.

Emigration

- Citizens leaving the country to become a citizen of another country. ✓✓.
- Most destinations are USA, Canada, Australia and New Zealand. ✓✓
- South Africa is gaining skilled foreigners, such as Cuban doctors, and engineers, on work visas ✓✓
- Many foreign nationals are shop owners in township areas. but their businesses are looted every time there are flare ups of protests ✓✓

Accept any other relevant correct response 10 max

Conclusion

The population of South Africa reached 60 million (2021 estimates) and is largely urbanised. All the main city areas are industrialised and offer some job opportunities.

Accept any other relevant correct response 2 max

CONTEMPORARY ECONOMIC ISSUES

TOPIC 1: UNEMPLOYMENT
WEEK 7-9

SECTION A: TYPICAL EXAM QUESTIONS

UNEMPLOYMENT

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 with these type of questions, that are found in Section A of the paper

1.2 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.

1.2.1 C employed and unemployed ✓
1.1.2 C poverty ✓
1.1.3 D cyclical ✓
1.1.4 A unskilled ✓
1.1.5 B people move between jobs ✓ (5 x 2) (10)

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 – 1.2.10) in the ANSWER BOOK.

1.2.1 C a policy that tries to reduce discrimination by ensuring equal opportunity in employment. ✓
1.2.2 E is an insurance scheme that provides temporary income for people who have lost their jobs. ✓
1.2.3 H is the result of cyclical changes or fluctuations in the economy✓
1.2.4 F a situation in which members of the labour force are without work, are available or suitable for work and are seeking work, but are unable to find employment ✓

1.2.5 G uses labour-intensive methods to improve roads, pipelines, water supply and sanitation, and to build houses, schools, and clinics ✓

1.2.6 B the number of unemployed people divided the number of people actively participating in the labour force ✓

1.2.7 D occurs when a person is between jobs, or is looking for a job for the first time ✓

1.2.8 A refers to when people work fewer hours or days than are willing and able to work ✓

1.2.9 J Provides unemployment figures according to the narrow and broad definition of unemployment. ✓

1.2.10 K When people will accept any kind of work just to be employed✓

(10 x 1) (10)

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, acronyms or examples* will be accepted.

1.3.1 Underemployed✓

1.3.2 Retrenchment ✓

1.3.3 Frictional unemployment ✓

1.3.4 Unemployment ✓

1.3.5 Economically marginalised ✓

1.3.6 Discouraged job-seeker✓

1.3.7 Economic growth ✓

1.3.8 Informal sector ✓

(8 x 1) (8)

SECTION B

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. This types of questions are applicable for 2.1.1, 3.1.1 and 4.1.1

2.1 **List any TWO types of unemployment.**

- Structural ✓
- Cyclical ✓
- Frictional ✓
- Seasonal ✓
- Classical/real wage unemployment✓

(2 x 1) (2)

2.2 Name any TWO causes of unemployment

- Lack of suitable skills✓
- More capital-intensive industries✓
- Trade unions✓
- The world recession✓
- Population growth✓
- Low rate of economic growth✓

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

2.3 Name any TWO approaches to solve unemployment.

- Growth of production/demand-side approach/supply-side approach ✓
- Unemployment insurance✓
- Public works programmes✓
- Employment Equity Act of 55 of 1998 ✓
- Black Economic Empowerment (BEE)/ Broad-based Black Economic Empowerment (BBBEE) ✓
- The Skills Development Act ✓
- Affirmative Action✓
- ASGI-SA✓
- The Joint Initiative on Priority Skills Acquisition/JIPSA✓
- The Growth, Employment and Redistribution policy/GEAR✓

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

2.4 List any TWO objectives of the Public works programmes.

- To build or maintain basic infrastructure. ✓
- To create employment/to create productive jobs.
- Skills development. ✓
- To build community capacity. ✓
- To create sustainable economic development. ✓

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

2.5 List any TWO factors which contributed to groups of people being marginalised

- Limited or no access to education✓
- Poor health/Disabilities✓
- Cultural factors✓
- Poor infrastructure✓
- Gender✓
- Age✓
- Geographical location✓
- Immigration✓

(Accept any other 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 What is meant by an economically active population?

People between 15 – 64 years who are willing, available and able to work✓✓

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

3.2 How do public works programmes help in reducing the rate of unemployment in the country?

Jobs are created in the construction sector and provision of basic infrastructure services for the unemployed citizens. ✓✓

Jobs are created for short term employment, but eople gain skills through this, which they can later use to join the formal sector, or start their own small business applying the newly accquired skills ✓✓

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

3.3 How do SMMEs contribute to creation of jobs?

- Empowers previously disadvantaged people so that they can start and sustain a business✓✓
- The government stimulates growth in this sector because people who own this type of enterprise are most likely to employ people with low skills levels and train them as their businesses grow. ✓✓
  (Accept any other correct relevant response.) (1 x 2) (2)

3.4 How can the government solve unemployment through fiscal policy?

- The government can budget for a deficit and decrease taxation which will leave consumers and businesses with more money to spend and as a
- result aggregate demand, production and employment will increase. ✓✓

3.5 What is the relationship between technology and unemployment?

- The use of technology lead to an increase in unemployment due to the reason that workers may not have the skill to use the technology or may not be needed to operate the technology. ✓✓ (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 **Name ONE factor which causes unemployment.**

- Lack of information✓
- Lack of education✓
- Legacy of apartheid✓
- Unsuitable skills✓
- Occupational immobility✓
- Geographical immobility✓
- Technological change✓
- Structural change✓
- Recession✓
- Slow economic growth✓
  (Accept any other relevant correct response (1)

4.1.2 Which institution provides statistical information for unemployment in South Africa?

- Statistics South Africa (SSA) StatsSA✓ (1)

4.1.3 Briefly explain the term *unemployment rate*.

- The number of unemployed people divide by the number of people actively participating in the labour market. ✓✓
  (Accept any other relevant correct response (2)

4.1.4 Why should the government be concerned with the high unemployment rate in our country?

- The more people who are unemployed, the more people that will depend on government for financial assistance✓✓
- High rate of unemployment leads to a low economic growth rate✓✓
  (Accept any other relevant correct response). (2)

4.1.5 How can the government intervene to ensure participation of the marginalized groups in the economy of the country?

- Economically marginalised groups should be targeted for education and -training as this can improve their quality of life. ✓✓
- The government should focus on building better facilities such as schools, hospitals and police stations in those communities that need them desperately✓✓
- Government should monitor and examine information about these groups and how the changes are affecting them. ✓✓
- Skills training for young women and men on entrepreneurship and small business development. ✓✓
- Empowering young women for long-term livelihood security. ✓✓
- Ensuring that BBBEE is closely monitored to ensure that it benefit the previously disadvantaged groups. ✓✓

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

4.2 Data response

4.2.1 State the formula to calculate unemployment.

- The number of unemployed people divide by the number of people actively participating in the labour market. ✓ (1)

OR

- Unemployment rate = $\frac{\text{number of unemployed}}{\text{EAP}} \times \frac{100}{1}$ ✓ (1)

4.2.2 Which institution releases the unemployment rate?

- Statistics South Africa ✓ (1)

4.2.3 How did COVID19 affect employment in SA?

- COVID19 affected employment negatively / Many people lost their jobs✓✓ (2)

4.2.4 Why is unemployment a problem in South Africa?

- Legacy of apartheid and poor education and training ✓✓
- Role of trade union federations in government ✓✓
- General lack of interest in entrepreneurship ✓✓
- The South African economy has been growing slowly with a relatively small employment growth ✓✓

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

4.2.5 How can a long-term unemployment rate affect the economy?

- If people are unemployed, it implies that output that could have been produced, is lost. ✓✓
- The government does not benefit from income taxes and other potential taxes such as VAT, if production does not take place.✓✓
- The country is not using all its resources and not producing at the maximum output. ✓✓
- Such a country produces inside its production possibility curve. ✓✓
- The governments' real costs are higher because of unemployment insurance payments, health and other social costs, such as fighting crime. ✓✓
  (Accept any other relevant correct response). (2 x 2) (4)

4.3 Data response

4.3.1 Who is responsible for implementing the Public Works Programme?

- The Public Works Department ✓
- Provincial governments ✓
- Local governments (municipalities) ✓ (1)

4.3.2 Name ONE type of unemployment.

- Structural ✓
- Cyclical ✓
- Frictional ✓
- Seasonal ✓
- Classical/real wage ✓ (1)

4.3.3 Briefly describe the term *infrastructure*.

Infrastructure is the facilities like transport and communication that support the production process. Infrastructure is the facilities like transport and communication that support the production process. ✓✓

(Accept any correct and relevant response) (2)

4.3.4 What is meant by *Public Works Programme*?

Is a government programme to provide employment on a temporary basis/and to create infrastructure and render certain services while building the skills of the employees ✓✓

(2)

4.3.5 How does the Public Works Programme achieve poverty relief?

- The EPWP arranges for and creates jobs for the poor and the vulnerable, such as rural women, households without breadwinners, the youth and disabled people. ✓✓
- It sees to it that the projects are started and finished ✓✓
- The work is labour intensive. ✓ (2 x 2) (4)

[10]

4.4 Data-response

4.4.1 Name ONE example of marginalised groups.

- Disabled people ✓
- women ✓
- Black people/Coloureds/Indians/minorities/indigenous people✓
- Refugees✓
- People with disabilities/handicapped people✓
- The elderly/older people✓
- School-leaving youths✓
- Rural people✓

(Accept any correct and relevant responses) (1)

4.4.2 Which redress policies/programmes are used by the South African government to assist the marginalised groups?

- Employment Equity Act of 55 of 1998 ✓
- Black Economic Empowerment (BEE)/ Broad-based Black Economic Empowerment (BBBEE) ✓
- The Skills Development Act ✓
- Affirmative Action✓
- ASGI-SA
- The Joint Initiative on Priority Skills Acquisition/JIPSA✓
- The Growth, Employment and Redistribution policy/GEAR✓

(Accept any correct and relevant responses) (1)

4.4.3 Briefly describe the term *economically marginalised groups.*

Economically marginalised groups are those who find it difficult or impossible to participate in economic decisions and activities. ✓✓ (2)

4.4.4 Why do economically marginalised groups exist?

They exist due to the following reasons:

- Limited access to education, low-skills levels and investment in training. ✓✓
- Widespread poverty among low-wage earners and the unemployed ✓✓
- Extreme levels of inequality, mainly on the basis of race and gender ✓✓
- Inadequate protection (legislation) for some low-wage earners such as farm workers and domestic workers✓✓

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

4.4.5 How can the government reduce the vulnerability of economically marginalised groups, using supply side policies?

- Government can implement these policies in the form of providing education and training initiatives for marginalised groups. ✓✓
- Government can provide bursary opportunities to previously disadvantaged groups to study further✓✓

(Accept any correct and relevant responses). (2 x 2) (4)

[10]

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 **Distinguish between seasonal unemployment and structural unemployment**.

Seasonal unemployment

- It occurs when workers are only needed during certain periods of the year✓✓.
- The workers are unemployed during the quiet periods of the year and are employed in the busy time of the year again, e.g. farming sector and tourism sector. ✓✓
  (2 x 2))(4)

Structural unemployment

- It occurs when fundamental or big changes occur in a country's economy. ✓✓
- Reason for these changes can be production methods and techniques change, foreign competition increases and important industry changes ✓✓ (2 x 2) (4)

(Accept any other correct relevant response) (8)

5.2 **Differentiate between frictional unemployment and seasonal unemployment.**

Frictional unemployment:

- At a given time, a certain percentage of the labour force will be unemployed either because they may be trying to enter the labour market or because they are in a process of changing employment/happens when people move between jobs or are looking for a job for the first time. ✓✓
- Frictional unemployment is a result of normal labour turnover which occurs in any dynamic economy and the time lags involved in the re-employment of labour. ✓✓
- There are always unemployed people as well as well as vacancies which can be filled by those unemployed people at any given time. ✓✓
- These can be jobs based on the holiday season, jobs on farms or fishing. ✓✓
  (Accept any other correct relevant response) (2 x 2) (4)

Seasonal unemployment:

- Seasonal unemployment occurs when workers in a particular occupation are only needed for part of the year. ✓✓
- For example, fruit farmers only use fruit-pickers and packers during the harvest. ✓✓
- Seasonal unemployment is caused by normal and expected changes in economic activity during the course of a single year. ✓✓
  (Accept any other correct relevant response) (2 x 2) (4)

(8)

5.3 Distinguish between cyclical unemployment and classical unemployment.

Cyclical unemployment:

- This is when unemployment occurs as a result of a lack of demand for labour during the downswing of the business cycle. ✓✓
- During such periods, aggregate demand is low, and as a result there is reduced demand for labour. ✓✓
- During the recessions few or no jobs are created for people entering the labour market. ✓✓
- Even existing workers may lose their jobs through retrenchments. ✓✓
  (Accept any other correct relevant response). (2 x 2) (4)

Classical unemployment:

- It occurs when wages are set above the market equilibrium level. ✓✓
- This causes the number the number of job-seekers to exceed the number of jobs and there is therefore an excess supply of labour. ✓✓
- Traditionally, trade unions and minimum wage legislation are seen as the factors causing this type of unemployment. ✓✓
  (Accept any other correct relevant response). (2 x 2) (4)

(8)

5.4 Discuss the economic costs of unemployment.

- Unemployment causes a waste of scarce economic resources and reduces the long run growth potential of the economy/an economy with high unemployment is producing within its production possibility frontier and there is an inefficient use of resources. ✓✓

- The government does not benefit from income taxes and other taxes such as VAT. ✓✓

- High levels of unemployment cause businesses to lose income in the form of profits that could have been made if the economy was growing. ✓✓

- An increase in unemployment results in higher benefits payments such as UIF and social grants and this reduces government revenue. ✓✓

- Unemployment wastes some of the scares resources used in training workers. ✓✓
(Accept any other correct relevant response). (8)

5.5 Discuss the social costs of unemployment.

- Increased unemployment leads to increased pressures on societies and communities such as crime, divorce, domestic violence etc. ✓✓

- Areas of high unemployment will see a decline in real income and spending, together with a rising scale of relative poverty and income inequality. ✓✓
- As younger workers are geographically mobile than older employees, there is a risk that areas with above average unemployment will suffer from an ageing workforce making them less attractive as investment locations for new businesses. ✓✓
- High unemployment can encourage xenophobia and protectionism as workers fear that foreigners are stealing their jobs. ✓✓
- Those who are unemployed are already dissatisfied so they are more likely to express their discontent about government policy by demonstrations and riots. ✓✓
  (Accept any other correct relevant response) (8)

5.6 Discuss public works programmes and unemployment insurance as methods to combat unemployment.

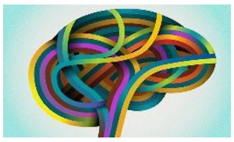
Public works programmes

- The Expanded Public Works Programme is an initiative started by the government to create work for the unemployed and raise living standards✓✓
- It usually involves things like building roads, building low cost housing, cleaning up communities and building dams✓✓
- The idea is that people without jobs will be employed to improve the infrastructure in rural and municipal areas ✓✓ (2 x 2) (4)
  (Accept any other correct relevant response (8)

Unemployment Insurance

- UIF offers limited short-term financial assistance to workers when they become unemployed ✓✓
- Every worker and employer in the formal sector has to contribute to the UIF✓✓
- Workers who lose their jobs can claim a portion of their wages from the fund for six months. ✓✓
- A special UIF was instituted under covid -19, to ensure that the unemployed was supported during the lock-down (2 x 2) (4)

(Accept any other correct relevant response) (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 What is the impact of unemployment on individuals?

- Unemployment causes people's living standards to fall. ✓✓
- It is the most important cause of poverty and income inequalities in South Africa. ✓✓
- When people are out of work, they are more likely to suffer from poor physical and mental health. ✓✓
- Unemployment affects the dignity and pride of individuals negatively.
- Absence from work reduces human capital of workers. ✓✓
- They lose work skills and are not being trained in the latest developments in their occupation. ✓✓
- Loss of confidence reduces the chances of finding employment again✓✓
- It can lead to social and family presures such as criminal activities, break-up of families and domestic violence. ✓✓
- High unemployment can encourage xenophobia and protectionism as workers fear that foreigners are stealing their jobs. ✓✓

(Accept any other correct relevant response) (8)

6.2 Analyse RSA's strategies to redress the issue of unemployment.

- Laws regarding jobs in South Africa have undergone transformation since 1994✓✓
- Laws that inhibited people's freedom and hindered participation in the economy were abandoned✓✓
- The Labour Relations Act, Basic Conditions of Employment Act, Employment Equity Act and the Skills Development Act are the most significant laws/legislation that have been introduced✓✓
- These laws have had a great impact on jobs in South Africa. ✓✓
- Entrepreneurship programmes, grants, skills development and training programmes have been implemented to motivate people to become self employed✓✓

- The National Youth Agency was launched in 2009 and it aims to help people between the ages of 16 and 25 who want to continue their education by providing them with part-time jobs. ✓✓ (8)

(Accept any other correct relevant response)

6.3 Argue in favour and against public works programmes as one of the approaches to solve unemployment.

Arguments in favour of public works programme:

- Public works programmes can be linked to specific development initiatives and therefore they may fit well with the government's effort to relieve poverty✓✓
- For example, the government may want to encourage low-cost housing and public works programmes can be used to complement such a project by employing people to level the site and dig trenches for storm water drains and sewerage pipes. ✓✓
- Public works programme can be organised in a labour-intensive manner in order to deliberately employ more people. ✓✓ (2 x 2) (4)

Arguments against public works programmes:

- Public works programmes can play only a temporary (cyclical) role. ✓✓
- Structural unemployment problem can therefore not be addressed effectively through public works programmes. ✓✓
- Funds allocated for public works programmes could rather be used to finance tax cuts, so that individuals and businesses pay less in taxes. ✓✓ Then they would have more money available to spend and this would raise aggregate demand and would have positive effects on employment creation. ✓✓
- Public works programme can be more expensive than contracting out the same work to business enterprise. ✓✓

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

6.4 How can the government solve unemployment through monetary policy?

- Government can reduce interest rates which makes credit cheaper. ✓✓
- Thus consumers and producers can now borrow more and spend more. ✓✓
- Interest cost on previous borrowing e.g. home loans and hire-purchases fall, when interest rates are reduced, they will have more money available to spend. ✓✓
- Aggregate demand increases, leading to an increase in demand for labour/workers. ✓✓
- An increase in demand and production result in an increase in employment rate. ✓✓

(Accept any other correct relevant response) (8)

6.5 How can the supply-side approach stimulate job creation?

- By stimulating the production of basic consumer goods. ✓✓
- Giving financial support or advisory srevices to SMMEs. ✓✓
- Deregulate unnecessary laws to make it easier to do business. ✓✓
- Improve the quality of labour by improving education and training and provide facilities. ✓✓
- Give a wage subsidy for employers of young inexperienced job-seekers. ✓✓
- Improve skills of new entrants to the labour market. ✓✓
- The government must also assist in wage negotiations to ensure that wage increases are linked to productivity. ✓✓
- Reward companies that use labour-intensive methods of production. ✓✓
- Promote regional development, particularly in areas where unemployment is high e.g. offer incentives. ✓✓

- Implement Public work programmes or special employment programmes that will provide employment for unemployed people and generate a basic income for poor households. ✓✓
  (Accept any other correct relevant response) (8)

6.6 Propose ways which can be used to solve economic marginalisation

- Economically marginalised groups should be targeted for education and -training as this can improve their quality of life. ✓✓
- The government should focus on building better facilities such as schools, hospitals and police stations in those communities that need them desperately. ✓✓
- Government should monitor and examine information about these groups and how the changes are affecting them. ✓✓
- Skills training for young women and men on entrepreneurship and small business development. ✓✓
- Empowering young women for long-term livelihood security. ✓✓
- Ensuring that BBBEE is closely monitored to ensure that it benefit the previously disadvantaged groups.

(Accept any other correct relevant response) (8)

6.7 Why are certain groups of people economically marginalised in South Africa?

- Limited access to education, low-skills levels and investment in training. ✓✓
- Widespread poverty among low-wage earners and the unemployed ✓✓
- Extreme levels of inequality, mainly on the basis of race and gender ✓✓
- Inadequate protection (legislation) for some low-wage earners such as farm workers and domestic workers✓✓
  (Accept any other correct relevant response) (8)

SECTION C

TYPICAL EXAM QUESTIONS

ESSAY STRUCTURE

: 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 (summarising). The mark allocations for Section C is as follows:

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

QUESTION 7

- Discuss in detail the impact of unemployment on the economy and individuals. (26)
- How can the government solve unemployment through a sound monetary and fiscal policy? (10)

[40]

INTRODUCTION

Unemployment is a situation in which members of the labour force are without work, are available or suitable for work and are seeking work, but are unable to find employment.
✓✓
(Accept other correct and relevant introduction). (2)

BODY: MAIN PART:

The economy:

- Unemployment causes a waste of scarce economic resources and reduces the long run growth potential of the economy/an economy with high unemployment is producing within its production possibility frontier and there is an inefficient use of resources. ✓✓
- The government does not benefit from income taxes and other taxes such as VAT because fewer people are paying taxes. ✓✓
- High levels of unemployment cause businesses to lose income in the form of profits that could have been made if the economy was growing. ✓✓
- An increase in unemployment results in higher benefits payments such as UIF and social grants and this reduces government revenue./government expenditure increases. ✓✓
- Unemployment wastes some of the scares resources used in training workers. ✓✓
  (Accept any other correct relevant response)

The individuals:

- Unemployment causes people's living standards to fall. ✓✓
- It is the most important cause of poverty and income inequalities in South Africa. ✓✓
- When people are out of work, they are more likely to suffer from poor physical and mental health. ✓✓
- Unemployment affects the dignity and pride of individuals negatively.
- Absence from work reduces human capital of workers. ✓✓
- They lose work skills and are not being trained in the latest developments in their occupation. ✓✓
- Loss of confidence reduces the chances of finding employment again✓✓
- It can lead to social and family presures such as criminal activities, break-up of families and domestic violence. ✓✓
- High unemployment can encourage xenophobia and protectionism as workers fear that foreigners are stealing their jobs. ✓✓
  (Accept any other correct relevant response) (26)

BODY: ADDITIONAL PART

How can the government solve unemployment through a sound monetary and fiscal policy?

Monetary policy:

- Government can reduce interest rates which makes credit cheaper. ✓✓
- Thus consumers and producers can now borrow more and spend more. ✓✓
- Interest cost on previous borrowing e.g. home loans and hire-purchases fall, when interest rates are reduced, they will have more money available to spend. ✓✓
- Aggregate demand increases, leading to an increase in demand for labour/workers. ✓✓

- An increase in demand and production result in an increase in employment rate. ✓✓

Fiscal policy:

- The government can budget for a deficit and decrease taxation which will leave consumers and businesses with more money to spend. ✓✓
- As a result aggregate demand, production and employment will increase. ✓✓

(Accept any other correct relevant response)

(10)

CONCLUSION

Apart from the monetary and fiscal policies to solve unemployment, the government can use the supply-side approach which aims at reducing the costs of doing business and improve efficiency of inputs of the market. ✓✓

(Accept other correct and relevant conclusion of a higher cognitive level). (2)

[40]

CONTEMPORARY ECONOMIC ISSUES

TOPIC 2 LABOUR RELATIONS
WEEK 1-3

SECTION A: TYPICAL EXAM QUESTIONS

LABOUR RELATIONS

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.

1.3 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 C workplace forums ✓✓
1.1.2 B Labour Relations Act ✓✓
1.1.3 C majorification ✓✓
1.1.4 A Labour union ✓✓
1.1.5 B mediation ✓✓
1.1.6 D conciliation ✓✓
1.1.7 A Basic Conditions of Employment Act ✓✓
1.1.8 B as the wage levels increases, the labour supplied increases ✓✓

(8 x 2) (16)

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 F handling of labour disputes like unfair dismissal ✓

1.2.2 D machines or robots are used to produce goods and services. ✓
1.2.3 A formula used to express the percentage of the population that is presenting itself for work. ✓

1.2.4 C protects the rights of the individual and promotes collective bargaining and consultation within the workplace. ✓

1.2.5 G negotiation to resolve differences that is conducted by an impartial party ✓

1.2.6 B Determines the minimum terms and conditions of employment. ✓

1.2.7 I a person can act freely and independently when reaching the age of 18. ✓

1.2.8 E Salaries and wages that labour demands ✓

(8 x 1) (8)

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 acronyms or examples will be accepted.*

1.3.1 Labour Union ✓
1.3.2 labour intensive production ✓
1.3.3 mediation ✓
1.3.4 Commission for Conciliation, Mediation and Arbitration ✓
1.3.5 Arbitration ✓
1.3.6 Economically active people ✓

(6 x 1) (6)

SECTION B

QUESTION 2:

HINT: When the question requires you to "list" or "name", you need not write a sentence but merely one or two words. 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 labour laws in South-Africa

- Labour Relations Act ✓
- Basic Conditions of Employment Act ✓
- Compensation for Occupational Injuries and Diseases Act ✓

(Any correct relevant answer) (2 x 1) (2)

2.2 Name any TWO labour unions in South Africa.

- COSATU ✓
- NUM ✓
- SADTU ✓

(Accept other correct and relevant responses) (2 x 1) (2)

2.3 List any TWO dispute resolution methods.

- Bargaining councils ✓
- The Commission for Conciliation, Mediation and Arbitration✓
- The Labour Court✓

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

2.4 Name any TWO dispute resolution methods used by the CCMA.

- Conciliation ✓
- Mediation ✓
- Arbitration ✓

(2 x 1) (2)

2.5 List any TWO conventions of the International Labour Organisation.

- Elimination of Child labour and minimum age ✓
- no discrimination ✓
- Elimination of forced labour ✓
- Freedom of association ✓
- Hours of work ✓

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

2.6 List any TWO recommendations of the International Labour Organisation.

- Unemployment recommendations ✓
- Night work ✓
- Accident compensation ✓
- Sickness insurance ✓
- Holidays ✓

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

QUESTION 3:

HINT: These types of questions are applicable to 2.1.2, 3.1.2 and 4.1.2. Answers must be written in full sentences

3.1 Describe the term workplace forum.

- A workplace forum provides an opportunity for all the employees in a workplace to be involved in managerial decisions that may affect them. ✓✓
- A workplace forum is different from a union in that all members of the workplace are involved, not just the union members. ✓✓

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

3.2 Briefly describe the reason for the CCMA.

The CCMA has been established to help solve disputes that cannot be settled within a business. ✓✓ (1 x 2) (2)

(Accept any other correct relevant response.)

3.3 Briefly describe the function of Labour Conventions.

- Member countries meet and discuss various issues relating to labour and the responsibilities of government towards it's country's workforce.✓✓
- They draw up conventions and recommendations regarding labour that must be followed. ✓✓

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

3.4 Explain the main function of the International Labour Organisation.

The International Labour Organisation is a body that tries to encourage and promote social justice throughout the world. ✓✓ (1 x 2) (2)

(Accept any other correct relevant response.)

3.5 Briefly explain the law of demand for labour.

The higher the price for labour is, the lower the demand for such labour will be. ✓✓

The lower the price for labour is, the higher the demand for such labour will be.✓✓

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

3.6 Briefly explain the concept of arbitration.

- When a dispute between an employer and employee cannot be resolved after the conciliation process, the dispute will be referred for arbitration. ✓✓
- Arbitration is a hearing and determination of a dispute by an impartial party. ✓✓
- A judgement is made by the arbitrator after listening to the two parties. ✓✓

(Accept any other correct relevant response) (1 x 2) (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 **Data-response**

4.1.1 How many workers will lose their jobs according to the article?

40% ✓ (1)

4.1.2 Give one example of a trade union mentioned in the article.

Information Communication Technology Union (ICTU) ✓ (1)

4.1.3 What is the importance of the Basic Conditions of Employment Act?

- The Basic Conditions of Employment Act prescribes certain minimum conditions of employment which must be applied. (e.g. work hours, leave and remuneration) ✓✓ (2)

4.1.4 Mention one possible reason for the proposed job cuts by Cell C.

- Poor economic conditions. ✓✓
- Effect of the Covid-19 lockdown ✓✓
  (Accept any other relevant response) (2)

4.1.5 Why is it beneficial for an employee to join a trade union?

- Trade unions negotiate with employers on behalf of members to improve wages, and for benefits such as improved pensions and medical aid. ✓✓
- Trade unions negotiate with employers on behalf of members to improve working conditions, and health and safety conditions. ✓✓
- Trade unions work towards reducing any loss of jobs through retrenchment. ✓✓
- Help members to resolve grievances. ✓
- Represent members in labour disputes. ✓
  (Accept any other relevant response)
  (Any TWO) (4)

4.2 Data-response

4.2.1 Identify the equilibrium wage rate

- R500 ✓ (1)

4.2.2 From the graph, what would the labour surplus be?

200 – 100 = 100 ✓ (1)

4.2.3 Briefly describe the term *labour union.*

An organisation that protects and fights for the rights of employees. ✓✓ (2)

(Accept any other relevant response)

4.2.4 What would be the impact on the market if the size of the population increases?

The supply curve will shift to the right as the size of the labour force has increased. There will be greater demand for labour good/services and for labour ✓✓

(Accept any other relevant response) (2)

4.2.5 How is arbitration used to solve labour disputes?

- Trade unions negotiate with employers on behalf of members to improve wages, benefits such as improved pensions and medical benefits, working conditions, health and safety conditions. ✓✓
- Trade unions work towards reducing any loss of jobs through retrenchment ✓✓
- Help members to resolve grievances. ✓
- Represent members in labour dispute✓✓ (4)

(Accept any other relevant response)

[10]

4.3 **Data-response**

4.3.1 What does CCMA for?

- Commission for conciliation ,Mediation and Arbitration ✓ (1)

4.3.2 Why according to the extract was George's dismissal considered unfair?

- Because the presiding officer who investigated the allegations against him and found him guilty, was hired through the same attorneys who conducted the probe. ✓

(1)

4.3.3 Briefly describe the term *bargaining council* .

- It the organisation which facilitates the negotiation process between unified employees (typical trade unions) and employers on matters such as working conditions and wages✓✓ (2)

4.3.4 Why does the Labour Appeal Court have greater powers than Labour Court.

- It can hear appeals against Labour Court decisions ✓✓
- It can make final decisions which are legal and binding ✓✓
- It can deal directly with matters normally dealt with by the Labour Court ✓✓

(2)

4.3.5 What would the results of an unsuccessful mediation process be?

- When conciliation fails, a party may request the CCMA to resolve the dispute by arbitration. ✓✓
- At an arbitration hearing, a commissioner gives both parties an opportunity to fully state their cases. ✓✓
- The decision, called the arbitration award, is legally binding on both parties ✓✓

(Accept any correct relevant answer) (4)

[10]

4.4 Data-response

4.4.1 Identify the city affected by the strike in the extract above

- Nairobi ✓ (1)

4.4.2 What is the cause of the dispute in the extract above?

- Contracts and job security ✓ (1)

4.4.3 Briefly explain the term *trade union*

An organization that represents the economic interest of workers✓✓ (2)

4.4.4 What is the importance of the basic conditions of employment act to workers?

- To ensure workers right to fair labour practices✓✓ (2)

4.4.5 How can unemployment affect the economy?

- Living standard decreases✓✓
- More people that are unemployed costs the government more ✓✓
- Less people take part in economic activities✓✓
  Accept any other correct relevant response (4)

[10]

4.5 Data-response

4.5.1 Write the abbreviation CCMA in full?

- Commission for conciliation Mediation and Arbitration ✓ (1)

4.5.2 Name a goal of the labour relations act

- Collectively bargain to determine wages ✓✓
- Formulate industrial policy ✓✓
- Provide a mechanism promoting orderly collective bargaining ✓✓
- Employment participation in decision making in the workplace ✓✓
- The effective resolution of labour disputes. ✓✓ (1)

4.5.3 Why is it important that the CCMA does not belong to any political party, trade unions or business

- They should be totally independent (biased). ✓✓
- Integrity plays a very important part in the CCMA. ✓✓ (2)

4.5.4 Why is it important to limit the amount of working days lost?

- Production is affected (decreases) ✓✓ /Profits are lost ✓ (2)

4.5.5 Which phrase from the extract above indicates that the introduction of the labour relations act was to the advantage of the economy as a whole? WHY?

- The total number of working days lost as a result of industrial action decreased by 68% since the introduction of the new Labour Relations Act. ✓✓ Both employers and employees are benefitting from the Act. Both parties have a legal framework to refer to in case of disputes. ✓✓ (4)

Any other relevant correct response

[10]

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 Distinguish between conciliation and arbitration at the CCMA.

Conciliation:

- Representatives from the CCMA called commissioners brings the two parties together. ✓✓
- The commissioner will then get them to agree on a certain course of action. ✓✓
- The aim of conciliation is to get both parties to solve the problem without intervention. ✓✓

Arbitration:

- If a dispute between employ between an employer and employee cannot be resolved after the conciliation process, the dispute will be referred for arbitration. ✓✓
  Commissioners listens to the case and then determines the matter. ✓✓
- The commissioner will hear both sides of the case and make a ruling that is binding and that the parties have to adhere to. ✓✓
  (Accept any other 2 correct relevant responses at conciliation and 2 at arbitration) (8)

5.2 Briefly discuss/tabulate conventions that are essential to achieve improved conditions in the workplace.

Conventions	Explanation
• Freedom of association and Protection of the Right to Organise Convention✓ • The Collective Bargaining Convention✓	A person can belong to any lawful group or associate with any person or type of people that he or she chooses. ✓✓
• Forced Labor Convention ✓ • The Abolition of Forced Labour Convention ✓	All necessary measures must be taken to prevent forced labour and provide that wages are paid regularly and rights are respected.✓✓
• Discrimination Convention ✓ • Equal Remuneration Convention ✓	Unlawful discrimination must be eliminated✓
• Minimum Age Convention ✓ • Worst Forms of Child Labour Convention ✓	Support for children by providing education and assisting their families with training and employment opportunities.

(Accept any 2 other correct responses on conventions and 2 explanations) (8)

5.3 Discuss labour rights in South Africa.

- Everyone has the right to fair labour practices. ✓✓
- Every worker has the right to form and join a trade union✓✓
- Every worker has the right to participate in the activities and programmes of a trade union and to strike. ✓✓
- Every employer has the right to form and join an employers' organisation. ✓✓
- Every employer has the right to participate in the activities and programmes of an employers' organisation. ✓✓

- Every trade union and every employers' organisation has the right to determine its own administration, programmes and activities, to organise and to form and join a federation. ✓✓✓✓
- Every trade union, employers' organisation and employer has the right to engage in collective bargaining.
- National legislation may recognise union security arrangements contained in collective agreements. ✓✓

(Any 4 correct answers) (8)

5.4 Discuss the objectives of the Labour Relations Act no 66 of 1995.

- The act gives effect to and regulate the fundamental rights conferred by section 27 of the constitution.✓✓
- The act gives effect to obligations incurred by the Republic as a member state of the International Labour Organisation.✓✓
- The act provides a framework within which employees and their trade unions, employers and employers' organisations can collectively determine wages, terms and conditions of employment and other matters of mutual interest.✓✓
- To formulate industrial policy.✓✓
- The act promotes orderly and collective bargaining.
- The act promotes collective bargaining at sectoral level.
- The act promotes employee participation in decision making in the workplace.
- The act promotes the effective resolution of labour disputes.

(Any 4 correct answers) (8)

5.5 Discuss the rights of trade union members.

Every employee has the right to

- participate in forming a trade union or federation of trade unions.✓✓
- Join a trade union, subject, subject to its constitution✓✓

Every member of a trade union has the right to:

- To participate in its lawful activities✓✓
- To participate in the election of any of its office-bearers, officials or trade union representatives✓✓
- To stand for election and be eligible for appointment as an office bearer or official ✓✓
- To stand for election and be eligible for appointment as a trade union representative and carry out such functions. ✓✓

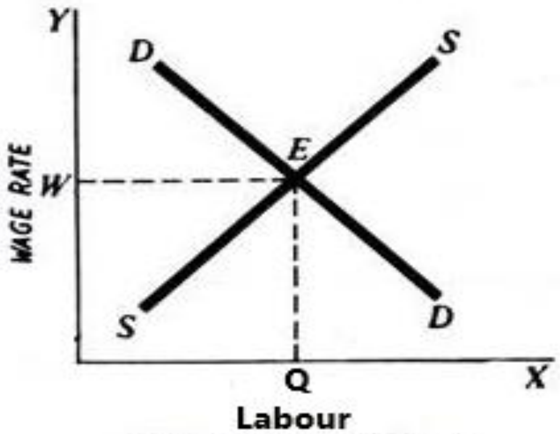
(Any 4 correct answers) (8)

5.6 Discuss the general functions of a workplace forum.

- Workplace forums promote the interest of all the employees in a workplace.✓✓
- Workplace forums enhance the efficiency in a workplace.✓✓
- Workplace forums allows involvement in joint decision-making about specific important issues affecting employees.✓✓
- Workplace forums promote consultation by the employer when dealing with issues affecting employees.✓✓

(Accept any relevant correct answer) (8)

5.7 With the aid of a graph, discuss the interaction of supply and demand for labour:



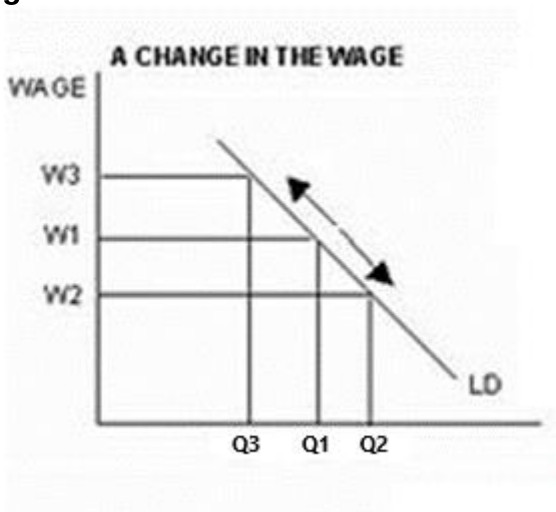
Determination of Wages

Labelling of the axes = 1 mark Labelling on the axes = 1 mark Correct slope of the supply curve = 1 mark Labelling of the supply curve = 1 mark Max.4

- The interaction of the demand for labour and the supply of labour will Determine the equilibrium wage rate and the equilibrium quantity. ✓✓
- Movements of the demand and supply curve and changes in wage levels will affect equilibrium in the market. ✓✓
  (Accept any other correct explanation)

Graph = 4 marks
Explanation = 4 mark
(8)

5.8 Illustrate the movement along the demand curve for labour, if the level of wages increases and decreases.



Heading = 1 mark Labelling of the axis = 1 mark Correct slope of the LD = 1 mark Correct shift of wage and quantity = 1 mark Max. 4 marks

- If the price of wages decrease from W1 to W2 the quantity demanded will increase from Q1 to Q2. ✓✓
- If the price of wages increase from W1 to W3 the quantity demanded will decrease from Q1 to Q3. ✓✓

(Max 4 marks for the explanation) (8)

5.9 Discuss the functions of the CCMA.

- They resolve disputes through conciliation or arbitration. ✓✓
- The CCMA publish information on its activities and guidelines for dispute Resolutions ✓✓
- The CCMA advise on getting legal advice. ✓
- The CCMA determine dispute resolution fees ✓
- The CCMA make rules to regulate. ✓
- CCMA is an independent body that helps to resolve labour disputes. ✓✓
- Any party of a dispute can approach the CCMA to assist with legal aid. ✓✓
- The aim is to resolve the dispute before strike action occurs. ✓✓
- CCMA assists with the establishment of workplace forums. ✓✓

(Accept any other relevant answer (8)

5.10 Discuss the powers of the Labour Court.

- The labour court grants interdicts. ✓✓
- The labour court award compensation in any circumstance which are mentioned in the Labour Relations Act. ✓✓
- The labour court make orders for costs which need to be paid. ✓✓
- The labour court order parties to comply with the LRA. ✓✓
- The labour court make an arbitration award or any settlement agreement on order of the court. ✓✓ (8)

5.11 Discuss the *size* and *growth* of the population as a factor affecting the supply of labour.

- The number of economically active people in South Africa will affect the supply of labour.✓✓
- The growth rage of the population will have an impact on the supply of future labour.✓✓
- The labour force participation rate(LFPR) has been steadily growing in the country.✓✓
- The fact that there is a growth in the population means that the supply of labour will increase.✓✓
- An influx of workers from other countries also increases the supply of labour.

(Accept any other correct relevant response) (8)

5.12 Discuss the wages offered as a factor affecting the supply of labour

- Households and individuals can choose whether they want to offer their labour or not.✓✓
- Individuals can decide for what wages they are prepared to work.✓✓
- The law of supply states that as the wages increase the number of workers prepared to offer their services will also increase.✓✓
- If the wages therefor increase in the market the supply of labour in the market will also increase.✓✓
- There is a direct relationship between the wages offered and the quantity of labour supplied.

(Accept any other correct relevant response) (8)

5.13 Discuss the influence of *mechanisation* and *substitution* on labour.

- Mechanisation takes place when human labour is replaced with machinery.✓✓
- Businesses makes this decision when labour is too expensive or not productive.✓✓
- Mechanisation will decrease the demand for labour drastically.✓✓
- Mechanisation will result in workers losing their jobs.✓✓
- This will cause the unemployment rate to increase.

(Accept any other correct relevant response (8)

5.14 Discuss FOUR factors that determine the demand for labour.

- Performance of the economy – If the economy grows, more goods and services, produced by labour, are sold and more labour is employed✓✓
- Productivity of labour – The relationship between real output and the quantity of input used to produce that output. Productivity is a measure of efficiency✓✓
- Improvements in technology – Technology extends human ability, and it advances raises the marginal product of labour✓✓
- The supply of other factors – If capital, land, proper education and entrepreneurship are not available, workers will not find employment✓ (8)

QUESTION 6 Paragraph type questions – Higher cognitive

6.1 Evaluate the influence of productivity and skills on labour.

- All businesses employ workers that are able and have the skills to do the required job.✓✓
- The better skilled and trained the labour is, the better the productivity will be.✓✓
- Businesses will therefor look for skilled workers to employ.✓✓
- Businesses will also train workers to become more skilled for them to be more productive.✓✓
- The higher the qualifications and skills of the labour is, the easier it will be to get employment. ✓✓
- Workers with higher skills will also be paid more in wages than workers without such skills. ✓✓

(Accept any other correct relevant response) (8)

6.2 How is arbitration used to solve labour disputes?

- If a dispute between an employer and employee cannot be resolved after the conciliation process the matter will be referred for arbitration.✓✓
- The commissioner will hear both sides of the case.✓✓
- The arbitrator/commissioner listens to the case and determine the matter.✓✓
- The commissioner will then make a ruling that is binding and that the parties must adhere to.✓✓

(Accept any other correct relevant response) (8)

6.3 Discuss majorification as one of the objectives of the Labour Relations Act.

- When a person reaches the age of 18 years old, they are considered a major ✓✓
- This means that they are able to enter into contracts and conduct their own matters without needing consent from their parents or guardians ✓✓
- Before a person reaches the age of 18 years, they may be employed if they have reached fifteen years old or they have reached their school-leaving age ✓✓
- Children may not be employed in a position that is inappropriate for a person of that age ✓✓
- Children may not work in a place where their well-being, education, physical or mental and their social or spiritual development is at risk ✓✓ (8)

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

QUESTION 7

- Discuss Labour relations, dispute resolutions and dispute resolution mechanisms in detail. (26)
- Evaluate the need for consultation as an objective of Labour Legislation (10)

[40]

INTRODUCTION

Dispute resolution is the consequence of a disagreement usually between employers and employees. ✓✓
(Accept other correct and relevant introduction). (2)

BODY: MAIN PART

- <u>The Commission for Conciliation, Mediation and Arbitration</u> ✓

    - Reconciliation and mediation
        - The Commission for Conciliation, Mediation and Arbitration (CCMA) is an organization set up to help resolve disputes that cannot be resolved within a business. ✓✓
        - The CCMA consists of representatives of organised labour, the formal business sector, and the government. ✓✓
        - The CCMA's main function and purpose is to resolve disputes sent to it by bringing the parties together and getting them to agree on a plan of action, which is known as conciliation. ✓✓
        - The CCMA focuses on consensus-building, gathering facts and the commitment by both parties to reach an agreement. ✓✓
        - If reconciliation is not successful, the next process is arbitration. ✓✓

    - Arbitration
        - During arbitration, a decision is made by a third person. ✓✓
        - A commissioner/arbitrator hears both sides of the dispute and makes a ruling that is binding and that the parties must abide by. ✓✓

    - Functions of the CCMA
        - The CCMA resolves disputes by conciliation or arbitration. ✓✓
        - The CCMA helps to establish workplace forums. ✓✓
        - The CCMA publishes information on its activities and guidelines on dispute resolution. ✓✓
        - The CCMA provides advice on obtaining legal aid. ✓✓
        - The CCMA determines fees for dispute resolution where necessary. ✓✓
            - The CCMA lays down rules regarding their meeting procedures, conciliation and arbitration procedures, forms to be used and how the cost of arbitration is to be calculated. ✓✓

(Accept any other relevant response) (Maximum 13 points)

- <u>The labour court</u> ✓

    - Powers of the Labour Court;
        - The Labour Court has the same status as the Supreme Court. ✓✓

- The main function of the labour court is rulings regarding labour disputes between employees and employers. ✓✓
- The labour court must ensure that the Labour Relations Act is adhered to. ✓✓
- The labour court grants interdicts. ✓✓
- The labour court awards compensation under any of the circumstances mentioned in the Labour Relations Act. ✓✓
- The labour court makes decisions on costs to be paid. ✓✓
- The Labour Court recommends that parties comply with the Labour Relations Act. ✓✓
- The labour court can make an arbitration award or settlement agreement, a court order. ✓✓
- The labour court may order an employer, employee, or trade union to put an end to an unfair labour practice. ✓✓

○ Representation in the labour court:

- Only a legal representative (attorney or advocate) can act on behalf of an employer or employee. ✓✓
- The legal representative must notify the court of his name, postal address and business, and telephone number. ✓✓
- The registrar should be notified should the legal representative no longer represent the client. ✓✓
- The Labour Court of Appeal is the highest court for labour appeals and hears appeals against decisions taken in the labour court. ✓✓
- The Labour Court of Appeal then issues the final court order which is binding. ✓✓

(Accept any other relevant response) (Maximum 13 points)

(26)

ADDITIONAL PART

Consultation is an important objective of labour legislation. ✓✓

- It is essential that employees have an opportunity to contribute to issues in the workplace. ✓✓
- Consultation is essential because it gives employees a say in the workplace. ✓✓
- Consultation promotes a good relationship between employees and employers that is essential for success. ✓✓
- Consultation encourages productivity in the business because workers feel they are part of the management process. ✓✓
- Consultation is also essential so that alternative issues and new ideas can be heard which can benefit the business. ✓✓
- C onsultation is needed for things that directly affect employees such as, the introduction of new technologies, changes, education and training and health and safety issues. ✓✓

(Accept any other correct relevant response)

(10)

CONCLUSION

It is essential that businesses and employees are aware of the laws and also of the dispute resolution procedures so that as little productivity as possible is lost, which can negatively affect the economy. ✓✓

(Accept other correct and relevant conclusion of a higher cognitive level). (2)

[40]

CONTEMPORARY ECONOMIC ISSUES:

TOPIC 3 ECONOMIC REDRESS (WEEK 4-6)

SECTION A: TYPICAL EXAM QUESTIONS

QUESTION 1 **SECTION A – Short Questions**

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

1.1.1. C. Human resources✓✓
1.1.2. C. education✓✓
1.1.3. B. SAQA✓✓
1.1.4. D. To improve the quality of working life for workers✓✓
1.1.5. D. Sector Education and Training Authority✓✓
1.1.6. A. Learnership✓✓
1.1.7. B. Employment Equity Act✓✓
1.1.8. A. Land Redistribution Programme✓✓
1.1.9. B. Department of Agriculture, Forestry and Fisheries✓✓
1.1.10. C. IDC✓✓
1.1.11. D. National Skills Authority✓✓
1.1.12. B. Department of Water Affairs and Forestry✓✓
1.1.13. B. Capital✓✓
1.1.14. A. Subsidies✓✓
1.1.15. B. Small Enterprise Development Agency✓✓

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.-1.2.10)

1.2.1. E - It provides the foundation for the transformation of the South African economy so that black who own, manage and control the country's economy can increase✓

1.2.2. G - It provides and coordinates management and entrepreneurship training. ✓

1.2.3. A - It is a people-made resources✓

1.2.4. H - It aims to accelerate redress in the mining industry ✓

1.2.5. I - It access the validity of claims, restore land or pay financial compensation to the claimants✓

1.2.6. C - It refers to policies and practices aimed at redressing social, economic and educational imbalances arising out of unfair discrimination✓

1.2.7. F - It provides for a national skills training strategy✓

1.2.8. D - It focuses on the quality and quantity of labour✓

1.2.9. K - It is dependent on the birth and mortality rates, and labour force participation rate✓

1.2.10. B - Oversee NQF implementation and collaborate with the Quality Councils✓

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

1.3.1. Skills Programme✓
1.3.2. Learnership agreement✓

1.3.3. Employment Equity Act✓
1.3.4. Land restitution✓
1.3.5. Subsidies ✓
1.3.6. National Small Business Act No 102 of 1996✓
1.3.7. Reconstruction and Development Programme✓
1.3.8. National Growth Plan✓
1.3.9. Poverty✓
1.3.10. Nedlac✓

HINT: When the question requires you to “list” or “name”, you need not write in full sentence but merely few words or phrases. This MUST be done in bullet form. This type of questions are applicable for 2.1.1., 3.1.1. and 4.1.1.

QUESTION 2

2.1.1. List any TWO factors of production

- Labour✓
- Capital✓
- Natural resources✓
- Entrepreneurship✓ (2)

2.1.2. Mention any TWO factors to improve the quality of labour.

- In-service training✓
- Further education and training✓
- Workshops✓
- Seminars ✓

Any other relevant correct response

2.1.3. Mention TWO objectives of Skills Development Act (No. 97 of 1998)

- To improve the quality of the working life for workers to enhance workplace productivity. ✓
- To encourage employers to make their workplace available as active learning environment where trainees can get work experience. ✓

2.1.4. Name TWO learning programmes created by the Skills Development Act.

- Learnership✓ / Skills programme✓

2.1.5. Name any TWO SETAs created by the National Skills Authority.

- BANKSETA✓
- CHISETA✓
- ETDPSETA✓
- ESETA✓
- HWSETA✓
- INSETA✓
- SERVICESETA✓

2.1.6. List the TWO programmes introduced in South Africa to deal with land issues.

- Land restitution programme✓
- Land redistribution programme✓

2.1.7. Mention any TWO sources of money to acquire businesses.

- Money owned by Black South African businessmen✓
- Money from institutions such as IDC, PIC, and DBSA. ✓
- Loans guaranteed by shares✓
- Postponed repayments✓
- National Empowerment Fund ✓

2.1.8. Name TWO ways of capital to acquire properties

- Government subsidies✓
- Home loans ✓

2.1.9. List any TWO BEE codes of good practice

- Ownership✓
- Management✓
- Employment equity✓
- Skills development✓
- Preferential procurement✓
- Enterprise development✓
- Socio-economic development✓

2.1.10 Mention any TWO redress programmes introduced by the government to deal with the imbalances of the past.

- Reconstruction and Development Programme (RDP) ✓
- Growth, Employment and Redistribution Programme (GEAR) ✓
- Accelerated and Shared Growth Initiative for South Africa (AsgiSA) ✓
- The National Growth Path (NGP) ✓
- National Development Plan (NDP) ✓

2.1.11 Name any TWO natural resources .

- Trees✓
- Sunlight✓
- Water in the river✓
- Bushes✓
- Animal life✓
- Reptiles ✓ (2x1) (2)

2.1.12 List any TWO importance of capital in the economy

- Start business
- Expand businesses✓
- To buy raw materials ✓
- To pay for the business's daily expenses✓
- To pay for the workers' salaries and wages✓ (1x2) (2)

HINT: These types of questions are applicable for 2.1.2, 3.1.2 and 4.1.2. Answers must be provided in full sentences

QUESTION 3

3.1. Answer the following questions

3.1.1. Why is capital of importance the economy

- It is used to start and expand businesses, which contributes to economic growth✓✓
- To buy raw materials and fund ither expenses in the business✓✓
- To pay for the workers' salaries and wages which is then used to purchase other goods and services, contributing positively to economic growth✓✓ (1x2) (2)

3.1.2. What is the aim of RDP?

- The broader aim of this socio-economic policy was to establish more equal society through reconstruction and development as well as strengthening democracy for all South Africans. ✓✓ (1x2) (2)

3.1.3 What is the objective of BEE?

(BLACK ECONOMIC EMPOWERMENT PROGRAMMES (BEE)

- The main objective of B-BBEE is the inclusion of black people (defined broadly as Africans, Indians and Coloureds) in the economy, within a larger goal of national empowerment, targeting historically disadvantaged people such as black people, women, the youth, rural communities and disabled people✓✓ (1x2) (2)

3.1.4 What is the SBDPP? (Small Business Development Promotion Programme)

- It was designed to deliver support and services to small, medium and micro enterprises. ✓✓
- Department of Trade, Industry and Competition (DTIC), Industrial Development Corporation (IDC) and the National Small Business Act offer these services

(1x2) (2)

3.1.5 What is the NDP?

- The NDP was implemented in 2012. ✓
- The NDP aims to eliminate poverty and reduce inequality by 2030. ✓✓

(1x2) (2)

3.1.6 What is the purpose of the EPWP?

- Poverty and income relief through temporary work to poor, unskilled and unemployment South Africans. ✓✓
- It provides labour intensive work opportunities. ✓✓ (1x2) (2)

3.1.7 What is the NGP?

- The *New Growth Path* proposed major improvements in government, with a call for slashing unnecessary red tape, improving competition in the economy and stepping up skills development✓✓ (1x2) (2)

3.1.8 What is ASGISA and its objective?

- GEAR was replaced in 2005 by the *Accelerated and Shared Growth Initiative for South Africa* (ASGISA) ✓✓
- Its objective is to co-ordinate government initiatives to create economic development✓✓

(1x2) (2)

3.1.9 What is the purpose of GEAR?

- Strengthening economic development
- Broadening of employment
- Redistribution of income and socioeconomic opportunities in favour of the poor.

(1x2) (2)

QUESTION 4 – DATA RESPONSE

4.1. Study the information below and answer the questions that follow.

4.1.1 Identify ONE economic problem from the picture above.

- Lack of jobs ✓
- Poverty ✓ (1x1) (1)

4.1.2. Name the programme introduced to solve the problem above.

- The introduction of BEE to empower black people ✓ (1x1) (1)

4.1.3. Briefly describe the concept Black Economic Empowerment

- Black Economic Empowerment is an integration programme launched by the South African government to reconcile South Africans and redress the inequalities of Apartheid ✓✓

(1x2) (2)

4.1.4. Explain the rationale behind the BEE programme in South Africa.

- It is aimed at redressing the imbalances of the past by seeking to substantially and equitably transfer and confer the ownership, management and control of South Africa's financial and economic resources to the majority of its citizens. ✓✓
- It seeks to ensure broader and meaningful participation in the economy by black people to achieve sustainable development and prosperity ✓✓ (1x2) (2)

4.1.5. Evaluate the success of the BEE programme in South Africa.

Positives

- BEE gave many black women in South Africa a chance to fully participate in the mainstream of the economy. ✓✓
- Today women are a driving force behind economic development since they are owners and managers of many black-led businesses ✓✓
- Women today are found in many spheres of the economy ranging from management to ownership of businesses✓✓
- to some extent the gap between the rich has been reduced. ✓✓

Negatives

- BEE has created a brain drain, where the qualified expertise is emigrating to countries where they would not be discriminated against ✓✓
- Reckless implementation of the affirmative action policy is forcing many people to leave the country in search of work, creating a skills shortage crisis ✓✓
- BEE exacerbate South Africa's income inequality by unintentionally prioritizing wealthy politically connected members of the black elite over poorer black South Africans. ✓✓
- Black Economic Empowerment only serves a few black elite (and the politically connected; as has been learned from the Zondo commission) (2x2) (4)

4.2 DATA RESPONSE

4.2.1 In what year was the NDP implemented?

- 2012✓ (1)

4.2.2 Name ONE way how the government can reduce poverty of vulnerable groups in South Africa.

- Providing social grants✓
- Improving quality of education✓ Offering skills training ✓ (1)

4.2.3 Briefly describe the concept *economic development.*

- It implies an increase in the capacity of the population to produce more goods and services
- The process by which the standard of living improves.
  (Accept any other correct relevant response) (2)

4.2.4 What negative effect can the NDP have on tax payers?

- For implementation of the NDP the state will need more revenue, therefore more and higher taxation will be needed. ✓✓
  (Accept any other correct relevant response) (2)

4.2.5 How will the South African economy benefit from the implementation of the NDP?

The South African economy will benefit from NDP implementation by:

- Reducing youth unemployment/ providing young people with broader opportunities. ✓✓
- Increasing the competitive capacity of the economy. ✓✓
- Improving the standard of living of the people. ✓✓
- Increasing industrialisation. ✓✓
  (Accept any other correct relevant response) (4)

4.3 DATA RESPONSE

4.3.1 What type of workers are often employed through the Extended Public Works Programme?

- Unemployed/Unskilled/semi-skilled workers✓ (1)

4.3.2 Mention the economic policy implemented in 1994 with the aim of addressing the imbalances of the past

- Reconstruction and Development Programme (RDP) ✓ (1)

4.3.3 Briefly describe the concept *economic growth.*

- Economic growth is the increase in the capacity of the economy to produce more goods and services. ✓✓ (2)

4.3.4 How can *human resources* be used as an approach to alleviate poverty/

- People should be developed in terms of skills, education and business opportunities. ✓✓
  This will enable them to become employed and break out of poverty levels. ✓✓
  (Accept any other correct relevant response) (2)

4.3.5 How can Extended Public Work Programmes be used to reduce unemployment rate?

- Unemployed people will be provided with jobs. ✓✓
- Unskilled people will also be trained in various ways. ✓✓
  These skills could be valuable in obtaining employment in other sectors of the economy or become self-employed. The unemployment rate could decrease. ✓✓
  (Accept any other correct relevant response) (4)

QUESTION 5

Paragraphs or discussion questions

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

5.1. Discuss the main focus of AsgiSA

- The programme aimed at the development of infrastructure in South Africa. ✓✓
- It endeavours to achieve an average sustainable growth rat e of 6% ✓✓
- It aimed at stimulating the country's export level✓✓
- It focuses on improving skills and human resources development in the country ✓✓
- Its objectives were to introduce policies, programmes and interventions that would allow the South African economy to grow enough to halve poverty and unemployment between 2004 and 2014 (8)

5.2. Discuss the causes of poverty in the country.

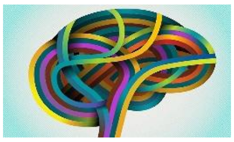
- The inability of poor households to invest in property ownership. ✓✓
- Limited/poor education leading to fewer opportunities. ✓✓
- Limited access to credit, in some cases—creating more poverty via inherited poverty. ✓✓
- The systematic exclusion of ethnic minorities, ethnic castes, tribes, women and people with disabilities from participating in fair economic enterprise and access to institutions/markets. ✓✓
- War, crime and violence are some primary causes of poverty in many African countries including South Africa (since 2000), where political violence and organized crime historically thrived, the poverty level was twice that in countries with less reported war, crime and violence. ✓✓
- Unemployment - slim opportunities were the main reasons in the promotion of poverty. ✓✓

(8)

5.3. Discuss major strategies to improve labour productivity in the country.

- Investing in new equipment or something more complex like a restructuring of the entire process from an operational standpoint ✓✓
- Updating technology and re-configuring the business model
- Thorough and clear training is an absolute necessity for improving labour and productivity ✓✓
- Providing performance incentives is a major motivator. ✓✓
- Provide job security and benefits will also gain employee loyalty and help drive production. ✓✓
- Employee health programs are also effective because a healthy workforce is simply more productive and naturally motivated. ✓✓
- Improving the working environment by removing all obstacles that demotivate labour to strive for higher productivity. ✓✓ (8)

HIGHER ORDER PARAGRAPHS



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.***

5.4. How has the government solved the issue of land distribution in South Africa?

Land Restitution Program✓

- The purpose of the programme is to assess the validity of claims, restore land or pay financial compensation to the claimants. ✓✓
- Compensate all the people who were dispossessed of their land as a result of racially discriminatory laws and practices ✓✓

Land Redistribution Program✓

- The program aimed at providing previously disadvantaged South Africans with access to agricultural land. ✓✓
- The aim of government with the program was to redistribute 30% of SA's agricultural land by 2005 to blacks farmers✓✓
- The emphasis has since shifted from faster redistribution of land to giving more support for land beneficiaries. ✓✓

Any 2X 4 / Maximum of 2 marks for mere listing and examples

5.5. Evaluate the success of the Employment Equity Act in the South African Economy.

The EEA has been successful because:

- The unemployment gap between blacks and white South Africans has been reduced✓✓
- There has been a steady increase in the number of women entering the labour market lately. ✓✓
- Today there are women truck and taxi drivers ✓✓
- The number of women managers has increased tremendously since the dawn of freedom ✓✓
- The income gap between blacks and white has been reduced. ✓✓

The EEA has not been successful because:

- The majority of CEOs in big business are still white males ✓✓
- The unskilled labour that is most prone to losing their job (under Covid-19) is the blacks✓✓
- Some appointments to top positions (in government) have been people without the required skill set to do the job ✓✓

responses can be positive or negative (or both)
Any other relevant responses.

5.6 What steps have the government taken in the democratization of the economy since 1994?

Labour legislation ✓ gives workers the opportunities to express themselves concerning policies in their workplaces✓✓. They can participate in workplace forums and contribute to discussions on issues such as employment equity. ✓✓

Public hearings ✓ Parliamentary processes provide for various kinds of committees in which members of the parliament serve / ✓✓ debate important issues like the fiscal and monetary policies✓✓ Private individuals are requested to testify in such hearings where committee members listen and deliberate the issues presented ✓✓ Eventually they will make recommendations for the parliament to consider. ✓✓

Nedlac ✓ The National Economic Development and Labour Council consists of representatives of the government, business, labour and development organizations, ✓✓established in 1994. ✓ They have to debate and reach consensus on important labour, economic and financial matters before these are tabled in parliament. ✓✓

Self-regulating bodies ✓ A large number of self-regulating bodies have been established by the government composed of representatives of members and government. ✓✓E.g. communications, energy, technology, agriculture, construction, real estates. ✓

Any 2X 4 / Maximum of 2 marks for mere listing and examples

SECTION C

TYPICAL EXAM QUESTIONS

QUESTION 6

ESSAY STRUCTURE

: 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 (summarising). The mark allocations for Section C is as follows:

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

- Discuss in detail the economic aims of the following redress efforts of the South African economy - Reconstruction and Development Programme (26)
- Evaluate how successful was the RDP in addressing the social ills of apartheid and meeting basic needs of the society. (10)

Introduction

Numerous redress policies were introduced after the 1994 election to address the ills of the apartheid and correct the imbalances brought on by apartheid. ✓✓

BODY (Main Part)

Reconstruction and Development Programme (RDP) ✓

- RDP was introduced in 1996 as a policy to alleviate poverty and address the inequalities and shortfalls in social services by focusing on job creation, welfare, housing, transport, land reform, healthcare, education, training, water and sanitation. ✓✓

The main economic aims of the RDP were to:

- Create a dynamic economy that created new and sustainable jobs✓✓
- Alleviate poverty, low wages and extreme inequalities in wages and wealth✓✓
- Address economic imbalances and structural problems in the economy✓✓
- Integrate South Africa's economy into the world economy by using a sustainable domestic manufacturing capacity and increasing the export potential of the country✓✓
- Address uneven development within the regions of South Africa and between the countries of SADC ✓✓
- Ensure that no one suffers discrimination based on race and or gender - Develop human resources capacity of all South Africans✓✓
- Democratise the economy and empower the historically oppressed ✓✓

Accelerated and Shared Growth Initiative for South Africa.

AsgiSA was launched in 2006

- It is not a government programme, but a national initiative that business, state-owned enterprises, government economic agencies, entrepreneurs and all spheres of government support. ✓✓
- The objective being to co-ordinate government initiatives to create economic development. ✓✓
- The programme envisages halving unemployment and poverty by 2014. ✓✓
- The other objective was to accelerate economic growth to an average of at least 4.5% between 2005 and 2009 and further to a sustainable 6% average annual rate between 2010 and 2014. ✓✓
- The programme intended to keep institutional interventions to a minimum and to improve their efficiency in problem areas✓✓

ADDITIONAL PART

- In meeting the basic needs, the government creates and increased demand for goods and services ✓✓
- The production of goods and services, public works programmes and infrastructure were mostly labour-intensive. ✓✓
- This helped to alleviate unemployment and poverty. ✓✓

- The social achievements of the RDP included building houses and providing clean water, electrification, land reform, healthcare and employment through public works. ✓✓
- The RDP did not meet its goals of housing, clean water, land reform and healthcare. ✓✓
- Despite some areas of success, there is a perception that South Africa's economic performance since 1994 has been disappointing. ✓✓
- Real GDP growth has been erratic, unemployment in the formal sector has continued to grow and the key objectives of poverty reduction and improved services delivery has remained largely unmet. ✓✓
- The government experienced various logistical problems with RDP and in 1996, the RDP office was closed. ✓✓

CONCLUSION

The latest government economic policy is the NDP announced in October 2010, it aimed at enhancing growth, create employment and create greater equity. Policies have been updated and attempts were made to improve them, but the harsh reality is that the majority of SA citizens still live in abject poverty ✓✓