



Province of the
EASTERN CAPE
EDUCATION

**NATIONAL
SENIOR CERTIFICATE**

GRADE 11

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**ECONOMICS P1
MARKING GUIDELINE**

MARKS: 150

This marking guideline consists of 16 pages.

SECTION A (COMPULSORY)**QUESTION 1****1.1 MULTIPLE-CHOICE QUESTIONS**

1.1.1 C – HIV and Aids ✓✓

1.1.2 A – Production ✓✓

1.1.3 B – Full employment ✓✓

1.1.4 A – Agriculture ✓✓

1.1.5 D – 0 and 1 ✓✓

1.1.6 D – Literacy ✓✓

1.1.7 C – Medium of exchange ✓✓

1.1.8 B – Eradicate poverty ✓✓ (8 x 2) (16)

1.2 MATCHING ITEMS

1.2.1 D – Aged between 14 and 65 ✓

1.2.2 H – Not used as inputs for producing other goods ✓

1.2.3 F – Education, health and welfare ✓

1.2.4 B – Plays a dominant role in developed countries ✓

1.2.5 G – Progressive system ✓

1.2.6 I – Selected areas that offer certain advantages to mining,
manufacturing and other businesses ✓

1.2.7 C – Used by central bank to influence aggregate money supply ✓

1.2.8 E – created to monitor and liberalise international trade ✓ (8 x 1) (8)

1.3 GIVE ONE TERM

1.3.1 Rent ✓

1.3.2 Real flow ✓

1.3.3 Merit goods ✓

1.3.4 Wealth ✓

1.3.5 Indigenous Knowledge System ✓

1.3.6 Micro-lenders ✓ (6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

Answer TWO of the three questions in this section in the ANSWER BOOK.

QUESTION 2: MACROECONOMICS

2.1 2.1.1 **Name any TWO participants in a closed economy.**

- Households/consumers ✓
- Business enterprises/firms ✓
- Government/state ✓ (Any 2 x 1) (2)

2.1.2 **Why is the primary sector important to the South African economy?**

It is important because of its contribution to exports, creating employment and increasing economic growth ✓✓
(Accept any other correct relevant response) (1 x 2) (2)

2.2 DATA RESPONSE

2.2.1 **Name the other classification of consumption expenditure by government.**

- Functional classification ✓ (1)

2.2.2 **What does compensation of employees consist of?**

- Salaries and wages ✓ (1)

2.2.3 **Briefly describe the term *final consumption expenditure by government*.**

- Indicates how government uses its income to finance goods and services needed by the public sector. ✓✓
(Accept any other correct relevant response) (2)

2.2.4 **Explain the importance of final consumption expenditure by households.**

- Assess households stock on durable goods which reveals the level of economic development of the country ✓✓
(Accept any other correct relevant response) (2)

2.2.5 **How can the South African government achieve the reductions estimated in the table above?**

The government can achieve the reductions by:

- scaling down non-priority programmes and projects. ✓✓
- changing service delivery models ✓✓
- using measures such as reducing costs, improving efficiency ✓✓
- using technology more effectively. ✓✓
- dealing with and correcting corruption ✓✓
- reducing government departments ✓✓
(Accept any other relevant correct response) (Any 2 x 2) (4)

2.3 DATA RESPONSE

2.3.1 Name any ONE component of communication infrastructure.

- Postal services ✓
- The media ✓
- Fixed-line telephones ✓
- Cellular phones ✓
- Undersea cables ✓
- Broadband ✓
- Internet ✓
- Local connectivity

(Accept any other relevant correct response)

(1)

2.3.2 When does the South African fiscal year start?

- 1 April ✓

(1)

2.3.3 Briefly describe the term *infrastructure*.

- Infrastructure is the basic facilities, services and installations needed for the functioning of an economy such as buildings, roads and power supply that enable productivity. ✓✓

(Accept any other relevant correct response)

(2)

2.3.4 Explain the importance of communication infrastructure to businesses.

Communication infrastructure helps businesses to:

- monitor prices. ✓✓
- check availability of raw materials and services ✓✓
- follow financial changes such as interest rates ✓✓
- keep them informed ✓✓
- compare and assess domestic and foreign economic conditions. ✓✓

(Accept any other relevant correct response)

(Any 1 x 2)

(2)

2.3.5 How will the R100 billion long term investment affect the economy?

It will positively affect the economy by:

- creating more job opportunities. ✓✓
- improving economic growth and economic development ✓✓
- attracting investors ✓✓
- maintaining political stability ✓✓

It will negatively affect the economy by:

- increasing government spending ✓✓
- increasing budget deficit ✓✓
- increasing interest rates ✓✓
- increasing environmental damage ✓✓

(Accept any other relevant correct response)

(Any 2 x 2)

(4)

2.4 Discuss the disadvantages of a mixed economy.

- Income distribution is still not equitable as workers are still exploited in the private sector ✓✓
- There are problems of unemployment, inflation and business cycles ✓✓
- When a government dominates in a mixed economy, there is risk of bureaucracy, corruption. ✓✓
- Mixed economies do not achieve the high levels of efficiency that market economies achieve. ✓✓
- The environment and human rights are abused and poverty grows. ✓✓
(Accept any other relevant correct response) (Any 4 x 2) (8)

2.5 Evaluate government's involvement in increasing access to economic opportunities.

The government has succeeded in increasing access to economic opportunities by:

- removing of legal restrictions that blocked the entry of blacks into the mainstream economy. ✓✓
- introducing policies to promote new opportunities for and increase the levels of participation of black people in the ownership, management and control of economic activities – BEE ✓✓
- improving the provision of infrastructure (communication, transport and electricity) to poor areas. ✓✓
- decentralising economic activities to previously disadvantaged areas through regional development programmes ✓✓
- Providing free education to increase qualification of previously disadvantaged individuals. ✓✓

(Accept any other correct relevant response)

(Accept arguments showing failure of government to increase access to economic opportunities)

(8)
[40]

QUESTION 3: ECONOMIC PURSUITS**3.1 3.1.1 Name any TWO money associated instruments**

- Cheques ✓
- Debit cards ✓
- Credit cards ✓
- Traveller's cheques ✓
- Postal orders ✓
- Electronic fund transfer (EFT) ✓ (Any 2 x 1) (2)

3.1.2 How does the South African government promote indigenous knowledge systems?

- The South African government has an IKS (Indigenous Knowledge Systems) policy which was adopted by the Cabinet in 2004. ✓✓
 - It recognises that indigenous knowledge continues to be very important in the survival and welfare of the majority of South Africans. ✓✓
 - It aims to promote and protect all aspects of this knowledge. ✓✓
 - Scientists are working with indigenous communities to promote sustainable agriculture and good ecological practices. ✓✓
- (Accept any other correct relevant response) (Any 1 x 2) (2)

3.2 DATA RESPONSE**3.2.1 Name the central bank in South Africa.**

South African Reserve Bank / SARB ✓

3.2.2 Except for interest rates, mention any other instrument of the monetary policy.

- Open market transaction ✓
- Moral suasion ✓
- Cash reserve requirements ✓
- Exchange rate control / exchange rate policy ✓ (Any 1 x 1) (1)

3.2.3 Briefly describe the term *repurchase rate*.

It is the rate at which commercial banks borrow funds from the Reserve Bank to meet the gap between the demand for loans and how much they have on hand to lend. ✓✓

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

3.2.4 Briefly explain government's banker as a function of the central bank.

The central bank is the main banker of the state;

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

3.2.5 How will a cut in interest rates influence consumer spending?

A cut in interest rates will result in:

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

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

3.3 DATA RESPONSE

3.3.1 Name the social indicator in the graph above

- Education ✓ (1)

3.3.2 What is the trend in the number of children out of school in the last decade?

It is decreasing/declining ✓ (1)

3.3.3 Briefly describe the term *social indicator*.

- Social indicators are numerical measures that describe the well-being of individuals or communities. ✓✓

(Accept any other correct relevant response) (2)

3.3.4 Explain why many children drop out of school in developing countries.

- Lack of funds ✓✓
- High poverty levels ✓✓
- High unemployment levels ✓✓
- Lack of educational facilities ✓✓
- Drugs ✓✓
- Teenage pregnancy ✓✓

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

3.3.5 Calculate the percentage of female population who dropped out of school in 2016. Show all calculations

- $34,3 + 30,0 + 67,4 = 131,7$ ✓
- $131,7/263 \times 100$ ✓
- $= 50,07\% / 50,1\%$ ✓✓

(Max. 2 marks if answer only is provided) (4)

3.4 Discuss low life expectancy and lack of education as characteristics of developing countries.

Low life expectancy

- Developing countries have a shorter life expectancy, averaging 51 years, compared to 75 years for developed countries. ✓✓
- This means a smaller portion of a developing country's population is available as an efficient labour force. ✓✓
- Majority of the labour force is fighting an endless battle against diseases and malnutrition. ✓✓ (Any 2 x 2)

Low levels of productivity

- Most developing countries have low labour productivity caused by a lack of capital investments and experienced management ✓✓
- These countries cannot produce enough because they do not have the necessary skills (education and training), tools and machines ✓✓
- They cannot create enough job opportunities ✓✓
- Low levels of health among workers in developing countries seriously affect certain sectors of the workforce. ✓✓

(Any 2 x 2) (8)

3.5 Analyse the consequences of bank failures

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

(8)
[40]

QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS**4.1 4.1.1 Name any TWO components of the secondary sector.**

- manufacturing ✓
- electricity, gas and water ✓
- construction ✓
- food processing ✓
- oil refining ✓
- energy production ✓

(Any 2 x 1) (2)

4.1.2 What is the purpose of economic indicators?

- Economic indicators allow analysis of economic performance and predictions of future performance. ✓✓
(Accept any other correct relevant response)

(1 x 2) (2)

4.2 DATA RESPONSE**4.2.1 Which economic system is based on the principle of ‘invisible hand’?**

Free market economy/capitalism ✓

(1)

4.2.2 Who allocates the resources in the system above?

Businesses / producers ✓

(1)

4.2.3 Briefly describe the term *economic system*.

It is a means by which countries and governments distribute resources and trade goods and services. ✓✓
(Accept any other correct relevant response)

(2)

4.2.4 Explain how service delivery can be improved in South Africa

- It needs to improve its infrastructure for water, sanitation, telecommunications and transportation ✓✓
- Improve its management of environmental resources. ✓✓
- SA needs to rapidly improve its economic growth. ✓✓
(Accept any other correct relevant response)

(Any 1 x 2) (2)

4.2.5 How is self-interest beneficial for an economy?

Self-interest is one of the main driving forces in a market economy as:

- businesses are driven to produce goods and services at a minimum cost to achieve ✓✓
- they are also driven to use scarce resources to produce only the goods and services that society wants most, to achieve allocative efficiency. ✓✓
- businesses try to maximise profits or minimise losses. ✓✓
- owners of factors of production try to maximise income. ✓✓
- this will lead to economic growth ✓✓

(Accept any other correct relevant response)

(Any 2 x 2) (4)

4.3 DATA RESPONSE

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

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

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

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

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

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

4.3.3 Briefly describe the term *economic development*

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

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

4.3.4 Explain the main aim of the National Development Plan.

- To eliminate poverty and reduce inequality by 2030. ✓✓

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

4.3.5 How will South Africa's skills base be improved through the NDP implementation?

South Africa's skills base will be improved by:

- investing in education and training. ✓✓
- increasing enrolment in higher education institutions by implementing free higher education. ✓✓
- forming partnerships with the private sector to create more learning-on-the-job opportunities / learnership. ✓✓
- creating more job opportunities ✓✓

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

4.4 Differentiate between *durable* and *non-durable* goods.

Durable goods	Non-durable goods
<ul style="list-style-type: none"> • Have an expected life span of more than one year ✓✓ • Produce a steady stream of satisfaction ✓✓ • Examples include land, cars, and appliances ✓ (Accept any other correct relevant response) 	<ul style="list-style-type: none"> • Are consumed and destroyed in the process of being used. ✓✓ • Can only be used once ✓✓ • For example light bulbs, paper products, and food products ✓ (Accept any other correct response)
(Any 2 x 2)	(Any 2 x 2)

(8)

4.5 Examine the role of South Africa in the Southern African Development Community (SADC)

- South Africa is the current chair of SADC. ✓✓
- The country is also the gateway to foreign direct investment to the developing world. ✓✓
- SA attracts from SADC workforce from all spheres including unskilled, semi-skilled and highly skilled labour ✓✓
- South Africa’s biggest export market is the SADC ✓✓
- South Africa has taken a leading role in the region to address such issues as closer collaboration and economic integration. ✓✓
- These include the establishment of a free trade area in the region, the development of basic infrastructure and the development of human resources. ✓✓
- Both South Africa’s agricultural and industrial sectors are dependent on regional water resources, particularly for their future development ✓✓
- Future water imports are expected to come from countries further north. ✓✓
- Another major interest of South Africa in the region is that of limiting immigration. ✓✓
- South Africa is one of the biggest contributor to regional and continental peace keeping missions, e.g. in Rwanda and Darfur Sudan ✓✓
(Accept any other correct relevant response)

(8)

[40]

TOTAL SECTION B: 80

SECTION C

Answer any ONE of the two questions in this section in the ANSWER BOOK:

QUESTION 5: MACROECONOMICS

- Discuss in detail the characteristics of capital. (26)
- Examine the positive effects of capital deepening (10)

INTRODUCTION

- Capital includes all the goods that are needed to satisfy future wants including machinery and factory buildings. ✓✓
(Accept any other correct relevant introduction) (2)

MAIN PART**CHARACTERISTICS OF CAPITAL****Capital is owned/possessed ✓**

- It belongs to or is owned by somebody, such as a business enterprise or the government. ✓✓
- Producers often decide not to buy capital goods but to lease them and pay rental instead. ✓✓
- The lessor then owns the capital. ✓✓

Capital is consumed in the production process. ✓

- Working capital items such as raw materials are used up during the production process. ✓✓
- During the production process of goods and services, capital goods are consumed
- Fixed capital items such as machines are 'consumed' over a long period – wear and tear. ✓✓
- Businesses need to set aside some of their profits to replace worn out capital. ✓✓

Capital has a limited lifespan. ✓

- Some capital goods such as machines and equipment are subject to wear and tear. ✓✓
- Their value depreciates over time. ✓✓
- They may also become outdated or obsolete because of technological progress. ✓✓

The formation of capital requires a sacrifice. ✓

- The process of producing or purchasing capital goods is known as capital formation or investment. ✓✓
- Funds required for capital formation are obtained from savings. ✓✓
- Savings represent current incomes that are sacrificed by economic participants./
- Most savings come from private business enterprises, with minor savings by households and government ✓✓

Capital increases production efficiency. ✓

- Capital goods make specialisation possible. ✓✓
- When more capital goods are produced in a particular period, fewer consumer goods can be produced in the same period ✓✓
- The benefit of the sacrifice is that producing capital goods will lead to a greater production capacity ✓✓
- Modern production processes consisting of elements of human labour and machine labour are more efficient than human labour alone. ✓✓
- Efficiency results in resources being stretched much further. ✓✓

(Max. 26)

ADDITIONAL PART

Capital deepening has the following positive effects:

- Productivity per worker increases as the amount of capital per worker increases. ✓✓
 - Efficiency per worker increases. ✓✓
 - As productivity per worker increase, real wages also increase. ✓✓
 - The economy will expand leading to a sustained real economic growth even without technological process. ✓✓
 - Capital deepening is also thought to be a major factor – if not a prerequisite – of economic development in emerging markets. ✓✓
 - It is one of the most important sources of growth in modern economies. ✓✓
- (Accept any correct relevant response) (Max. 10)

CONCLUSION

The significance of capital lies in its relationship with economic growth and must grow at a rate which is equal or higher than the increase in the workforce. ✓✓

(Accept any other higher order conclusion.)

[40]

QUESTION 6: ECONOMIC PURSUITS

- Discuss in detail the following methods used to redistribute income and wealth:
 - Taxes (10)
 - Cash grants (8)
 - Natura benefits (8)
- Examine the government's effort to redress economic inequality in South Africa (10)

INTRODUCTION

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

MAIN PART**Taxes**

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

Cash grants

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

Natura benefits

- These are payments in kind ✓✓
- These consist of primary health care, basic education, protection and infrastructure ✓✓
- Poor households also receive welfare grants, free municipal services such as limited quantities of free water and electricity, sanitation and housing subsidies per household per month. ✓✓
- These payments do not contribute to the accumulation of assets for generating long-term wealth. ✓✓
- They satisfy basic needs and help redistribute income and wealth ✓✓ (Max. 8)

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

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

Broad Based Black Economic Empowerment ✓

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

Land restitution and land redistribution ✓

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

Property subsidies ✓

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

Affirmative Action ✓

- The practice or policy of favouring previously disadvantaged groups. ✓✓

(Accept any correct relevant response)

CONCLUSION

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

(2)

[40]**TOTAL SECTION C: 40****GRAND TOTAL: 150**