



**GAUTENG DEPARTMENT OF EDUCATION
PROVINCIAL EXAMINATION
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GRADE 11**

**ECONOMICS
PAPER 1**

MARKING GUIDELINE

19 pages

SECTION A: COMPULSORY**QUESTION 1**

1.1

- 1.1.1 A – inputs ✓✓
- 1.1.2 C – national income will increase ✓✓
- 1.1.3 B – market economy ✓✓ (OR A – mixed economic system.)
- 1.1.4 C – coal. ✓✓
- 1.1.5 D – Governor of South African Reserve Bank. ✓✓
- 1.1.6 B – Deregulation ✓✓
- 1.1.7 A – monetary policy. ✓✓
- 1.1.8 D – prime rate. ✓✓ (8 x 2) (16)

1.2

- 1.2.1 I – Measure of growth after the effect of inflation has been removed. ✓
- 1.2.2 D – Comprises fishing, forestry, agriculture and mining. ✓
- 1.2.3 A – Government makes all decisions relating to production and distribution of resources. ✓
- 1.2.4 B – Takes place when there is an increase in the country's fixed assets ✓
- 1.2.5 F – The smallest amount of remuneration that an employer is required to pay for the work performed during a given period. ✓
- 1.2.6 H – An average age that a person will reach. ✓
- 1.2.7 C – A general increase in prices and fall in the purchasing power of money. ✓
- 1.2.8 E – The ability of a person to provide for their needs and wants with their given income. ✓ (8 x 1) (8)

1.3

- 1.3.1 Gross Domestic Product. ✓ (NOT GDP)
- 1.3.2 Marginalised ✓
- 1.3.3 Tertiary ✓
- 1.3.4 Money ✓
- 1.3.5 Land restitution ✓
- 1.3.6 Free market economy/Capitalism ✓ (6 x 1) (6)

[30]

SECTION B

QUESTION 2: MACRO ECONOMICS

2.1 2.1.1 Name any TWO methods used to calculate main aggregates.

- Production. ✓
- Expenditure. ✓
- Income. ✓

(Any TWO)

(2 x 1) (2)

2.1.2 What impact did the social relief grant have on households during the Covid-19 lockdown?

- Households' income increased by a small amount therefore they were able to satisfy their basic needs and wants. ✓✓

(Accept any correct relevant response)

(1 x 2) (2)

2.2 2.2.1 Which social service will be given the highest priority from this “extraordinary” coronavirus budget?

- Health. ✓

(1)

2.2.2 Name ONE source used to fund this “extraordinary” budget.

- Unemployment Insurance Fund. ✓
- World Bank. ✓
- International Monetary Fund. ✓
- Current budget. ✓
- International loans. ✓
- Donations made to the Solidarity Fund. ✓

(Any ONE)

(1)

2.2.3 Briefly describe the term *budget*.

- A budget is a document showing anticipated revenue and estimated expenditure. ✓✓

(Accept any correct relevant response)

(2)

2.2.4 How would wages be supported through this fund?

- Funds will be given to businesses who cannot pay their employees due to loss of income and a decrease in sales. ✓✓

(Accept any correct relevant response)

(2)

2.2.5 Briefly describe the extent to which government can address economic inequity, especially during the pandemic.

- Government can provide running water and electricity in rural areas that lack access to basic services. ✓✓
 - Improving quality of education and health care through public health and education improvements ✓✓
 - Improving education by making electronic resources available as well as radio or TV lessons. ✓✓
 - Provide housing for the marginalised or poor through RDP projects or housing subsidies. ✓✓
 - Provide social security such as transfer payments or grants in the form of state pensions, child grants etc. ✓✓
 - Providing income through Covid-19 grants. ✓✓
 - Provide and maintain general and crucial infrastructure such as roads and communication. ✓✓
 - Provide food parcels for the needy and destitute or poor. ✓✓
- (Accept any correct relevant response)

(2 x 2) (4)

2.3

2.3.1 Name **ANY ONE** form of communication technology.

- Television ✓
- Internet services ✓
- Cell phones ✓
- Wireless technology ✓

(Accept any correct relevant response)

(1)

2.3.2 List **ONE** advantage of online teaching and learning.

- Learners receive all the support they need while in the comfort of their homes. ✓
 - Instant access to unlimited resources to enhance learning. ✓
 - All information can be stored electronically, preventing the loss of notes etc. ✓
- (Accept any correct relevant response)

(1)

2.3.3 Briefly describe the term *infrastructure*.

- Infrastructure is economic goods and services provided by the state to assist the economy e.g. roads and harbours. ✓✓
- Basic physical and organisational structures needed for a society to operate. ✓✓

(Accept any correct relevant response)

(2)

2.3.4 How effective is the use of online teaching as a solution to the loss of school days?

- Not effective as a large number of learners are in remote areas with no connectivity for internet or television. ✓✓
- Some learners do not have smartphones or data to gain access to the online classes. ✓✓
- Effective as learners can learn at their own pace while at home. ✓✓

(Accept any correct relevant response)

(Accept both negative and positive responses)

(2)

2.3.5 Analyse the importance of communication in the economy

- The use of superfast internet, satellite communication technology and cheap, reliable mobile phones has made it possible for people to do business from anywhere in the world – without having to be physically at the point of sale or negotiation. ✓✓
- Recent economic analysis has revealed that emerging economies that increase their broadband infrastructure by 10 % can expect increases in GDP per capita of 1,2 %. ✓✓
- Communication ensures that the right information reaches the right person at the right time. ✓✓
- Communication is essential for success in the business world. ✓✓
- Printed media, as well as electronic media for example newspapers, television and internet services, are used by the business world to find and distribute correct information. ✓✓
- Cell phone and wireless technology has enabled entrepreneurs in remote and rural parts of the country to set up small businesses. ✓✓
- Knowledge is gained through communication, which helps entrepreneurs to make the correct business decisions. ✓✓
- Knowledge also helps the consumer to buy the right product to satisfy his/her needs and wants. ✓✓
- This sector makes an important contribution to the gross domestic product of the country. ✓✓
- It is a source of employment for all levels of labour. ✓✓
- Apart from the highly skilled labour needed to put the infrastructure into place, semi and unskilled workers are employed to put up masts, aerials, lay cables and maintain the infrastructure. ✓✓
- South Africa is fast becoming a business-process outsourcing destination for large companies overseas. ✓✓

(Accept any correct relevant response)

(2 x 2) (4)

2.4 **Compare the advantages of a market economy to that of a centrally planned economy.**

- A market economy has private ownership and initiative is allowed, while in a centrally planned economy private individuals must be concerned only with performing their daily tasks as resources are utilised and managed by the state. ✓✓
- Consumer needs are best satisfied as they themselves determine what will be produced in a market economy while the needs of the community are satisfied collectively in a centrally planned economy. ✓✓
- A market economy will have high levels of economic growth that occur through the system while in a centrally planned economy economic growth levels will be higher because production is more efficient. ✓✓
- Consumers are protected from exploitation as there is competition between suppliers in a market economy while workers are not exploited by the state and unemployment is rare in a centrally planned economy. ✓✓
- In a market economy, producers specialise in the goods and services they can produce best while in a centrally planned economy the distribution of income among the community is fairer to all. ✓✓

(Accept any correct relevant response)

(2 x 4) (8)

2.5 **Evaluate the economic importance of energy as part of South Africa's infrastructure.**

- Most people's energy needs are met by the provision of electricity, which is generated from coal-fired power stations. ✓✓
- Koeberg, a nuclear power station near Cape Town, also contributes significant amounts to the total electricity needed in the economy, which creates job opportunities in a new industry. ✓✓
- Due to the increase in reliance on internet connectivity and mobile devices, electricity has become a necessity. ✓✓
- Energy is crucial to the functioning of modern society as very large amounts of energy are consumed in modern living. ✓✓
- This includes energy for industry, domestic consumption (such as lights, electrical appliances in houses, heating and cooking) ✓✓ and in the business world (such as computers and telecommunications). ✓✓
- The energy supply problem in South Africa since 2005 has highlighted how reliant businesses, households and the state are on electricity. ✓✓
- The high demand of SA's growing middle class, as well as the energy hungry manufacturing sector, led to massive loadshedding by the state utility Eskom and they are the only electricity supplier. ✓✓
- The loss of power for a few hours a day while demand and supply attempted to reach equilibrium, led to billions of rands in lost revenue for businesses in all sectors. ✓✓
- Energy takes various forms, including the burning of wood and coal, the burning of oil and gas, the provision of energy from nuclear power plants and hydroelectric plants leading to more diverse employment opportunities for all skill sets. ✓✓
- Using technology to generate electricity from renewable sources, such as wind, solar and wave energy is one of the growth sectors identified by the state and also increases employment opportunities. ✓✓

(Accept any correct relevant response)

(4 x 2) (8)

[40]

QUESTION 3: ECONOMIC PURSUITS

3.1

3.1.1 **Name any TWO of South Africa's endeavours on development.**

- Reconstruction and Development Programme (RDP). ✓
 - Growth, Employment and Redistribution (GEAR). ✓
 - Joint Initiative on Priority Skills Acquisition (JIPSA). ✓
 - Accelerated and Shared Growth Initiative for South Africa (ASGISA). ✓
 - National Skills Development Strategy (NSDS). ✓
 - Government Funding Institutions such as KULA Enterprises. ✓
- (Accept any correct relevant response)

(2 x 1) (2)

3.1.2 **What is the impact of the Covid-19 lockdown on money supply?**

- Money supply declined as companies were not making money during lockdown resulting in lower salaries/wages. ✓✓ (Decreases in M1)
 - Employees paid less due to working short-time, removal of incentives/bonuses, reducing the actual notes and coins in circulation. ✓✓ (Decreases M1)
 - UIF claims paid out, however these payments are smaller than normal salaries/wages resulting in a decrease in money supply. ✓✓ (Decreases M1)
 - Consumers may have withdrawn savings to survive, resulting in lower deposited funds. ✓✓ (Decreases M3)
- (Accept any correct relevant response)

(1 x 2) (2)

3.2

3.2.1 **Name ONE reason for the expected rise in unemployment.**

- Due to the lockdown there will be fewer economic activities. ✓

(1)

3.2.2 **Which sector will be hardest hit according to the extract?**

- Tourism. ✓

(1)

3.2.3 **Briefly describe the term *unemployment*.**

- Unemployment refers to those people within the economically active population who are willing and able to work but cannot find a job ✓✓
- (Accept any correct relevant response)

(2)

3.2.4 **Explain the negative impact of unemployment on the youth?**

- It limits their future growth and development ✓✓
 - It will discourage them to further their studies or look for decent employment ✓✓
 - It will affect their humanity and well-being negatively ✓✓
- (Accept any correct relevant response)

(2)

3.2.5 Discuss measures government can use to reduce unemployment in the economy.

The government can reduce the level of unemployment by:

- Applying the skills development programmes to ensure better remuneration that will stimulate demand and production. ✓✓
- Incentivising business communities to absorb the youth and provide them with relevant training and skills/internships required to utilise the latest technology required in production processes. ✓✓
- Incentivising youth participation in the economy through tax rebates and tax cuts. ✓✓
- Providing temporary employment through the Expanded Public Works Programme EPWP. ✓✓

(Accept any correct relevant response)

(2 x 2) (4)

3.3**3.3.1 Which economic concept is depicted in the graph above?**

- Lorenz curve. ✓ (1)

3.3.2 Provide the label for line A.

- Line of equality ✓ (1)

3.3.3 Briefly describe the term *wealth*.

- Wealth is assets that are owned by individuals, enterprises and the government. ✓✓ (2)

3.3.4 Why does South Africa have one of the highest rates of inequality in the world?

- The legacy of apartheid caused racial inequalities in income and wealth. ✓✓ (2)
- (Accept any correct relevant response)

3.3.5 Explain the relationship between the Gini coefficient and the Lorenz curve?

- Mathematically, the Gini coefficient is derived from the Lorenz curve by dividing the area of inequality by the total area of the Lorenz curve. ✓✓
- If the area of inequality increases, the Gini coefficient will increase proportionately as the Gini coefficient measures income inequality and the Lorenz curve is a graphical illustration of income distribution. ✓✓

(Accept any relevant correct response)

(2 x 2) (4)

3.4 Differentiate between economic growth and economic development.

- Economic growth is an increase in the productive capacity of the economy while development is an increase in the standard of living of people in a country. ✓✓
- Growth is measured as the percentage change in real GDP while development deals with issues such as education, literacy, health care, unemployment and environmental sustainability. ✓✓
- Growth is concerned with goods and services while development is concerned with people and human development. ✓✓
- Growth can take place independently while development needs growth in order to take place. ✓✓

(Accept any correct relevant response)

(2 x 4) (8)

3.5 How does the South African government promote and develop indigenous knowledge system?

- The South African government has introduced approaches and practices, since 1994 that accommodate and utilise IKS gradually. ✓✓
- Local communities are consulted for their views and ideas before development and commercial projects are implemented. ✓✓
- Local communities increasingly become part of conservation areas (Richtersveld in the Northern Cape) and national parks (Kruger National). ✓✓
- Indigenous healers and medicines are recognised and the testing and patenting of traditional medicines are encouraged. ✓✓
- Local communities gain from their communal wealth, ✓✓ for example by means of royalties from mines and rent for land. ✓
- IKS is increasingly protected as intellectual property, for example, the National Environmental Management Biodiversity Act in April 2008 legislated the “protection and use of indigenous biological resources and associated traditional knowledge”. ✓✓

(Accept any correct relevant response)

(4 x 2) (8)

[40]

QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS

4.1

4.1.1 Name ANY TWO examples of injections.

- Exports. ✓
- Government expenditure. ✓
- Investment. ✓

(Any TWO)

(2 x 1) (2)

4.1.2 How can technology accelerate economic development in South Africa?

- Technological development results in cost advantages and makes countries more competitive leading to lower prices, more exports and an increase in employment opportunities. ✓✓
- Technological industries such as telephones and computers can significantly improve productivity in developing countries. ✓✓
- Management training is essential to cultivate managers who are able to use technology and apply best practice techniques. ✓✓

(Accept any correct relevant response)

(1 x 2) (2)

4.2

4.2.1 What led to the drastic cut of the repo rate?

- To ease financial conditions of indebted consumers during the lockdown period. ✓
- Improve the resilience of households and firms to the economic implications of the coronavirus outbreak. ✓

(1)

4.2.2 Name ONE risk of too much borrowing in the banking sector.

- A credit risk, where the person or business to which a loan is granted cannot pay it back, leading to a loss for the bank. ✓
- A liquidity risk, where banks grant too many long-term loans and, as a result, cannot meet unexpected cash demands. ✓
- An interest rate risk, when changes in the interest rates may lead to lower profits. ✓

(Accept any other relevant response)

(1)

4.2.3 Briefly describe the term *repo rate*.

- The rate at which the Reserve bank lends money to the country's commercial banks. ✓✓

(Accept any correct relevant response)

(2)

4.2.4 How will a cut in repo rate influence producers?

- Lower repayments on loans causing producers to have more income to use towards operational expenditure such as salaries/wages. ✓✓
- Increase in investments spending as money previously paid on debt can now be employed to expand the business. ✓✓
- It increases the debts of firms as the demand for loans will be higher due to lower interest rates. ✓✓
- Producers will lose debt income as consumers who owe producers money will pay smaller instalments. ✓✓

(Accept any correct relevant response)

(2)

4.2.5 Which monetary policy measures can be used to influence the quantity of money in the economy?**The SARB can influence the quantity of money of the country by:**

- Increasing the supply of money by adding money to the economy. ✓✓
- Or decreasing the supply of money by withdrawing money from the economy. ✓✓
- Contraction of economic activities will happen in times of recession and depression. ✓✓
- Stimulating the economy by increasing the supply of money. ✓✓
- Cooling down the economy by reducing the supply of money during times of high inflation. ✓✓
- SARB can decrease the repo rate and this will lead to the decrease of interest rates. ✓✓
- It will lead to an increase in loans and money supply will increase.
- Influencing the supply of money by changing the percentage of deposits that banks must keep as cash reserve. ✓✓
- Limiting the supply of money by selling securities to the banks or the opposite when it wants to increase the supply of money. ✓✓
- Convincing moral persuasion to ask banks to be more careful with the granting of loans or to encourage loans. ✓✓

(Accept any correct relevant response)

(2 x 2) (4)

4.3**4.3.1 Give ONE example of a non-durable product.**

- Food ✓
- Gas ✓
- Petrol ✓

(Accept any correct relevant response)

(1)

4.3.2 Name ANY ONE other economic participant responsible for spending.

- Government ✓
- Firms ✓
- Foreign Sector ✓

(Accept any correct relevant response)

(1)

4.3.3 Briefly describe the term *durable goods*.

- Goods that have an expected lifespan of more than a year. ✓✓ (2)
(Accept any correct relevant response)

4.3.4 Why are the figures above NOT a true reflection of GDE growth?

- Because the current prices are not adjusted for any inflation or deflation. ✓✓ (2)
(Accept any correct relevant response)

4.3.5 Calculate the percentage contribution of services in the final consumption expenditure by households in 2017. SHOW ALL CALCULATIONS.

$$\begin{aligned} \text{Contribution of services to consumption (in percentage)} &= \frac{\text{Services}}{\text{Total}} \times \frac{100}{1} \\ &= \frac{1199221}{2764397} \checkmark \times \frac{100}{1} \checkmark \\ &= 43,38\% \checkmark \checkmark \end{aligned}$$

(CORRECT ANSWER ONLY – 2 MARKS) (4)

4.4 Discuss the characteristics of a mixed economic system.

- Goods and services are produced by the public and private sector. ✓
 - In a mixed economy, the state owns and runs several businesses that produce mainly infrastructure services. ✓✓
 - Examples: Eskom, SAA, Transnet etc. ✓
- Means of production are mostly privately owned. ✓
 - Businesses that are owned by individuals (or groups of individual shareholders) own most of the natural resources. ✓✓
- Profit motive is controlled by state actions. ✓
 - Profit dominates in a mixed economy, even state owned enterprises are supposed to make a profit. ✓✓
 - The state protects the workers by setting minimum wages, legalising trade unions and laying down conditions for employment. ✓✓
- Government influences the running of the economy. ✓
 - The state passes laws to regulate the way businesses function in the market economy ✓✓ Examples: Labour Relations Act 66 of 1995, Companies Act 11 of 2008, etc. ✓
 - The state also designs fiscal and monetary policies that promote a more even distribution of income, ✓✓ for example, the progressive tax system, provision of merit goods, social grants etc. ✓
- Competition in business is promoted. ✓
 - Businesses compete to produce and sell a wide variety of goods and services and this ensures better products and cheaper prices. ✓✓

- (f) Consumer freedom ✓
- Consumers are free to decide what to consume and they can choose the type of ownership they prefer. ✓✓
- (g) Privatisation and nationalisation ✓
- Both privatisation and nationalisation could be practiced in a mixed economy. ✓✓
 - Privatisation is the sale of government assets to the private sector. ✓✓
 - Nationalisation is government buying privately owned assets. ✓✓
- (Accept any correct relevant response) (4 x 2) (8)

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

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

(Accept any correct relevant response)

(2 x 4) (8)

[40]

[80]

SECTION C

Answer any **ONE** of the two questions from this section in the ANSWER BOOK.
Your answer will be assessed as follows:

STRUCTURE OF ESSAY	MARK ALLOCATION
<p>Introduction The introduction is a lower-order response.</p> <ul style="list-style-type: none"> • 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
<p>Body: Main part: Discuss in detail/In-depth discussion/Examine/ Critically discuss/Analyse/Compare/Evaluate/Distinguish/ Differentiate/Explain/Assess/Debate Additional part: Give own opinion/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</p>	Max. 26 Max. 10
<p>Conclusion Any higher-order conclusion should include:</p> <ul style="list-style-type: none"> • 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. • Recommendation/Suggestions. 	Max. 2
TOTAL	40

QUESTION 5: MACROECONOMICS**40 PUNTE – 40 MINUTE**

- **Discuss the economic importance of the following factors of production for the producers of goods and services**
 - **Natural resources** (8)
 - **Labour** (8)
 - **Capital** (10)
- (26 Marks)**
- **Outline the economic effects of Covid-19 lockdown on the South African entrepreneurs.** (10 Marks)

INTRODUCTION

Factors of production are referred to as inputs. No production will take place without the factors of production. ✓✓

(Any relevant introduction)

(Max. 2)**BODY****MAIN PART****The economic importance of natural resources**

- **To serve as a source of food.** ✓
 - **To serve as inputs for the production of goods and services:** ✓ No production is possible without the resources that come from nature, such as land, water, animals and plants. For example, oil is used to produce petrol and gas. ✓✓
 - **To provide opportunities for international trade:** ✓ International trade will develop when one country exports excess products and imports other items that are needed. ✓✓ South Africa will, for example, export excess minerals to Japan and may import the final products manufactured by Japan using these very minerals. ✓✓ Countries earn an income from exports and have to pay for imports. ✓✓
- (Max 8)**

The economic importance of labour

- Production cannot take place without physical and mental effort. ✓✓
 - An economy needs to increase its production in order to grow. ✓✓
 - Therefore, an economy needs a suitable labour force with the right number of skilled and semi-skilled workers. ✓✓
 - The shortage of skilled labour, especially technically skilled labour, is thought to be one of the most serious problems in the South African labour market today. ✓✓
 - Education plays an important role in the development of labour in a country. ✓✓
 - If the labour force is educated, they are likely to be more productive. ✓✓
 - The Skills Development Levy Act of 1998 makes provision for 1% of an employer's wage bill to be paid to the National Revenue fund. ✓✓
 - This money is then utilised by Sector Education Training Authorities (SETA's) to upskill our labour force. ✓✓
- (Max 8)**

The economic importance of capital

- Economic growth is a direct result of an increase in the **capital assets** of a country. ✓✓
- Savings create capital and a higher investment in capital goods. ✓✓
- The resulting savings can then be channelled to fixed investment. ✓
- Financial institutions will have more money available to lend out to businesses to finance their expansion. ✓✓
- This will result in more job opportunities and less unemployment. ✓
- The increased income of individuals will again increase savings, and so the cycle of economic growth will continue. ✓✓
- The capital translates into machinery and equipment which is used to produce high quality goods. ✓✓
- Goods can also be exported earning foreign currency and our reliance on imports from other countries is reduced. ✓✓

(Max 10)
26 Marks

ADDITIONAL PART

- During level five and level four lockdown only essential businesses were opened so non-essential businesses were not accumulating any revenues. ✓✓
 - Employers started to retrench workers due to lowered income received ✓✓
 - Entrepreneurs depended on government's grants for survival. ✓✓
 - Small, medium and big businesses saw an opportunity for production of Personal Protective Equipment (PPE's) e.g. masks, sanitizers etc. which created hope in the economy. ✓✓
 - Most businesses did not survive during the lockdown leaving the unemployment and poverty rate very high. ✓✓
 - A lot of freelancers were negatively affected. ✓✓
 - Young and upcoming (newly opened) businesses couldn't survive ✓✓
 - Many future entrepreneurs became despondent if they were planning on entering markets for non-essential services, causing a loss in possible employment. ✓✓
 - Success of entrepreneurs was limited or reduced due to strains on consumer income. ✓✓
 - Opportunities in the black market, with the trade of banned goods such as alcohol/cigarettes emerged. ✓✓
- (Accept any other relevant higher order response)
(Accept positive and negative responses)

(Max. 10)

CONCLUSION

- The government should use measures to ensure that the factors of production are not diminishing or exhausted as the country's economy depends on them. ✓✓
- (Any relevant higher order conclusion)

(Max. 2)
[40]

QUESTION 6: ECONOMIC PURSUITS

40 MARKS – 40 MINUTES

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

INTRODUCTION

Economic growth means an increase in the production of goods and services in a country (over a year) in physical terms (in numbers). ✓✓

Economic growth is therefore measured and expressed in terms of *real* GDP. ✓✓

(Any relevant introduction)

(Max. 2)

BODY

MAIN PART

Methods of growing the economy

- a. Increases in productivity ✓
 - Productivity can be described as the relationship between real output (the quantity of goods and services produced) and one unit of factor input. ✓✓
 - Productivity increases can occur in five ways:
 1. Output increases while input remains the same. ✓✓
 2. Output increases faster than input. ✓✓
 3. Output increases while input declines. ✓✓
 4. Output remains constant while input declines. ✓✓
 5. Output declines at a slower rate than input. ✓✓
- b. Availability and utilisation of factors of production ✓
 - In terms of the labour force, growth will occur if the ratio of the working population to the total population increases. ✓✓
 - In terms of land and natural resources an increase is rarely possible. ✓ However, land, for example, can be used for new purposes that will render better returns (for example to grow canola rather than wheat). ✓✓
 - In terms of capital, capital widening and deepening should be pursued to achieve growth. ✓✓
- c. Technological change ✓
 - Technology is any instrument or technique, product or process, physical equipment or method whereby something is made or done, which extends human ability. ✓✓
 - If new ways are discovered so that more goods and services can be produced with similar inputs, technology has improved. ✓✓ Most of the time, new technology is acquired through capital investments. ✓

- d. Effective government policies and administration. ✓
- Effective policies mean policies that will ensure that pre-set objectives are met. ✓
Government should have policies in place that will realise, for example, more exports, growth in tourism and the expansion of manufacturing industries. ✓✓
 - Use of effective fiscal and monetary policies. ✓✓
 - Efficient administration means that the policies are executed in a manner that minimises time wastage, inconvenience and costs. ✓✓ Nepotism (favouritism), corruption (the use of public office for private gain) and indifference or laziness increase transaction costs for enterprises. ✓
- e. Investment. ✓
- An increase in capital per worker will generally increase output ✓ In other words, the more equipment used by people at work, the more likely they are to produce. ✓✓ To increase capital requires investment and that investment requires savings. ✓✓

(Headings and examples max 8 marks)

Main part: 26

ADDITIONAL PART

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

(Accept any correct and relevant higher order response)

(Max 10)

CONCLUSION

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

(Any relevant higher order conclusion)

(Max 2)

[40]

[40]

TOTAL: 150