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GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

PREPARATORY EXAMINATION

2019

MARKING GUIDELINES

ECONOMICS (PAPER 1) (10731)

21 pages

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GAUTENG DEPARTMENT OF EDUCATION

PREPARATORY EXAMINATION

ECONOMICS
(Paper 1)

MARKING GUIDELINES

SECTION A (COMPULSORY)

QUESTION 1

1.1 MULTIPLE-CHOICE QUESTIONS

1.1.1 A✓✓ income.

1.1.2 B✓✓ moving averages.

1.1.3 C✓✓ three

1.1.4 B✓✓ the Rand (R) depreciates against the dollar ($).

1.1.5 A✓✓ the Human Development Index.

1.1.6 D✓✓ Coega

1.1.7 C✓✓ demographics.

1.1.8 D✓✓ government. (16)

1.2 MATCHING ITEMS

1.2.1 B✓ The total remuneration received by the factors of production for producing final goods and services within the borders of a country

1.2.2 E✓ The abolishment of government intervention in international trade

1.2.3 G✓ Government decreases taxes and increases government spending.

1.2.4 I ✓ The value of currency is controlled by market forces.

1.2.5 D✓ The purpose is to expand production in value-added sectors with the focus on metals fabrication and green and energy-saving industries.

1.2.6 F✓ A nation-wide government intervention to create employment using labour-intensive methods

1.2.7 A✓ Commercial banks pay to borrow money from the Reserve Bank.

1.2.8 H✓ The probable number of years a person will live after birth

(8 x 1) (8)

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1.3 **GIVE ONE ITEM**

1.3.1 Investment✓

1.3.2 Budget deficit✓

1.3.3 African Union ✓

1.3.4 Corridors ✓

1.3.5 Department of Trade and Industry ✓(No marks for DTI)

1.3.6 Gross Domestic Product deflator ✓ (6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

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

QUESTION 2

MACROECONOMICS

2.1 Answer the following questions.

2.1.1 **Name any TWO reasons for a demand for foreign currency, such as US dollars. ($)**

- Importing of goods from the USA✓
- The payment for services provided by a USA firm, such as insurance✓
- The repayment of a foreign loan from the USA✓
- Tourists who are visiting the USA✓
- The buying of shares or assets in the USA stock market✓
- The payment interest to individuals or firms from the USA ✓

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

2.1.2 **Why are households regarded as an important participant in the circular flow?**

- They are the owners of all production factors. ✓ (1 x 2) (2)

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2.2 **Study the extract below and answer the questions that follow.**

2.2.1 **Identify ONE indirect tax from the table above.**

Customs and Excise duties✓
VAT✓
Fuel Levies✓ (1)

2.2.2 **Name the organisation responsible for monitoring the effective use of public funds.**

The National Treasury✓ (1)

2.2.3 **Briefly describe the tax *excise duties.***

A percentage levied on manufacture, sale or use of locally produced goods, such as alcoholic drinks or tabacco products.✓✓
(Accept any other relevant correct response) (2)

2.2.4 **Why is it necessary for government to provide schools and hospitals for its citizens?**

- Private schools and hospitals are too expensive, and the majority of the citizens will not be able to afford it.✓✓
- Education and health are under supplied by the market, and government must fill the gap to meet the demand ✓✓
- The government collects taxes from its citizens and must provide for such basic services✓✓
- The government is responsible for ensuring economic growth and development in the country✓✓
  (Accept any correct relevant response.) (2)

2.2.5 **Calculate the total percentage contribution of personal income tax to the government's total tax revenue. Show all calculations.**

Personal Income Tax: $\frac{505.8}{1344.8}$ ✓ x $\frac{100}{1}$

TOTAL = 37.61%✓✓ / 38%✓✓ (4)

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2.3 DATA RESPONSE

2.3.1 Name ONE other trade agreement that South Africa is part of with other African countries.

- SACU✓
- NEPAD✓
- COMESA✓
- AU✓
- SADC✓

(1)

2.3.2 Give ONE benefit South Africa would have from trading with Nigeria?

South Africa can export its domestic goods to Nigeria at competitive tarrifs.✓✓
(Accept any other correct relevant response.) (1)

2.3.3 Briefly describe the term *free trade* area.

Countries within an FTA remove restrictions between themselves but are free to apply whatever trade restrictions they wish on non-members.✓✓
(Accept any other correct relevant response.) (2)

2.3.4 Explain the impact of free trade on the prices of goods.

- The cost on imported goods will be less as less tariffs will be levied✓✓
- As more goods are exported the cost of production will decrease because of economies of scale.✓✓
- Free trade reduces the prices of goods as imported goods can be cheaper✓✓
- The consumers can now afford the goods needed in a country.
  (Accept any other correct relevant response.) (2)

2.3.5 How would imposing tariffs on imported goods benefit South Africa?

Imposing tariffs would benefit South Africa because:

- tariffs on trade are often used as a means to restrict imports by increasing the price of goods and services purchased from overseas.✓✓
- it protects newly established infant industries agaist well-established foreign competition✓✓
- it protects the workers and avoids unemployment. ✓✓
- it creates revenue for the government. ✓✓
- it prevents countries from dumping their products in the South African market. ✓✓
  (Accept any other correct relevant response.) (4)

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2.4 **Explain the role of the business sector (firms) in the circular-flow model.**
Business Sector / Firms:

- Firms purchase the factors of production from the household in the factor market.✓✓
- Firms use the factors of production to produce goods and services.✓✓
- Businesses sell goods and services to households, government and the foreign sector.✓✓
- Businesses receive an income from the other three participants (households, government and the foreign sector.)✓✓
- Business pays tax to the Government on profits made. ✓✓
- Business pays for the use of public goods and services supplied by government. ✓✓
- Businesses export goods to other countries and import goods from other countries. ✓✓

(Accept any other correct relevant response.)
(A maximum of 4 marks should be allocated for mere listing of facts / examples)

(Any 4 x 2) (8)

2.5 **Evaluate the provisioning of public goods and services in South Africa.**

Provision of public goods and services is adequate because:

- More people have access to schools and medical services than before.
- More infrastructure has been built, example Gautrain, toll roads, improved airports.✓✓
- The South African defence force is protecting the people of South Africa as no major security incident has happened.✓✓

Provision of public goods and services is not adequate because:

- The standard of education and health care is still not able to compare with other developed countries. ✓✓
- Many South Africans still do not have access to basic goods and services like electricity, water and sewerage✓✓
- The crime rate in South Africa is amongst the highest in the world which indicates the lack of an efficient police force✓✓

(Accept any other correct relevant response.)
(Allocate a max of 2 marks for headings / subheadings / examples.)

(Any 4 x 2) (8)
[40]

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QUESTION 3

ECONOMIC PURSUITS

3.1 Answer the following questions.

3.1.1 **Name any TWO components included in the M3 of money supply indicators.**

- Coins and notes ✓
- Cheque and transmission accounts held in banks ✓
- Demand deposits of the domestic private sector with monetary institutions ✓
- Short-term and medium-term deposits of the domestic private sector with monetary institutions ✓
- Long-term deposits of the domestic private sector with monetary institutions ✓ (Any 2 x 1) (2)

3.1.2 **How can technology contribute towards supporting small business development?**

- Involves financial support to acquire innovative, production-enhancing technology for growth in the second economy. ✓✓
- Funding is made available to support the informal sector with unskilled to semi-skilled human resources, limited sales turnover, limited assets, etc. ✓✓
- Technology is more cost effective in the long run and will help reduce the small businesses' cost and make it more competitive in the economy. ✓✓

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

3.2 **DATA RESPONSE**

3.2.1 **Name ONE benefit of the SEZ investment to the Limpopo communities.**

- It would create new businesses for the area. ✓
- It would create jobs in the area. ✓
- It would increase the gross domestic product. ✓

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

3.2.2 **State an important mineral from the area that is used for steel manufacturing.**

Iron ore ✓ (1)

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3.2.3 **Briefly explain what a *special economic zone* is.**

Specially-demarcated geographic areas set aside to target specific economic activities by special arrangements, which are often different from those that apply in the rest of the country. ✓✓
(Accept any other relevant answer.) (1 x 2) (2)

3.2.4 **Explain why regional development should be a multi-dimensional proces**

- The development process must include all dimensions of human living and all factors that affect it, in order to be effective.✓✓
- Both economic and non-economic factors are important when promoting the development of a region.✓✓
- The interaction of all aspects of a community such as infrastructure, health, education and nutrition must be considered.✓✓
- Social and public services must also be provided to encourage development and productivity.✓✓
(Accept any other correct relevant answer.) (1 x 2) (2)

3.2.5 **How would regional development in South Africa benefit the rest of Africa?**

- South Africa has played a leading role in supporting regional economic development, ✓✓ for example, in the activities of the African Union (AU), and the New Partnership for Africa's Development (NEPAD). ✓
- South Africa is regarded as a gateway into Africa. ✓✓
- Regional development on the continent is hampered by a lack of cross-border infrastucture. ✓✓
- With regional development programmes the infrastructure will improve and neighbouring countries could use our ports and airports for export opportunities. ✓✓
- South Africa's regional approach will provide strategic direction in terms of South Africa's trade position in the Southern Customs Union and the Southern African Development Community. ✓✓
(Accept any other relevant answer.) (2 x 2) (4)

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3.3 DATA RESPONSE

3.3.1 Why is the lady's baby in the Global South hungry?

Food donations that they traditionally received from the North-divide countries are now being used for bio-fuels. ✓
(Accept any other relevant answer.) (1 x 2) (1)

3.3.2 Name ONE benefit of using bio-fuels.

- Bio-fuels have less pollution. ✓
- Bio-fuels are renewable. ✓
- Bio-fuels are cheaper than oil. ✓
  (Accept any other relevant answer.) (1 x 1) (1)

3.3.3 Briefly explain the *North-South divide.*

The north refers to the more developed countries with a high standard of living mostly located in the northern hemisphere and the south refers to the developing countries with a lower standard of living mostly in the southern hemisphere. ✓✓
(Accept any other relevant answer.) (1 x 2) (2)

3.3.4 Why is South Africa ranked as a medium human development country according to the Human Development Index (HDI)?

South Africa is still not developed by world standards in health, education and standard of living. ✓✓
(Accept any other relevant answer.) (1 x 2) (2)

3.3.5 How is South Africa benefiting from globalisation?

- Although competition has increased, globalisation has resulted in more access for South Africa to world markets and international forums. ✓✓
- Some companies have benefited greatly from increased trade. ✓✓
- The well-developed financial institutions put South Africa in a favourable position when global crises affect other developing countries. ✓✓
- Being a member of the World Trade Organisation (WTO), the G20 countries and BRICS, opened up huge trade opportunities for South Africa. ✓✓
- The trade agreements promoted exports of manufactured goods to China as well as other BRICS countries. ✓✓
- The focus on knowledge has increased and thereby the demand for skilled and professional labour has increased. ✓✓
- This has led to an increase in salaries for these workers which increased the standard of living. ✓✓
  (Accept any other correct relevant answer.) (2 x 2) (4)

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3.4 **Explain *good governance* and *investment of social capital* as benchmarks for regional development in South Africa.**

Good governance

- Regional development strategies should be managed effectively and be free of corruption. ✓✓
- Democratic decision making, transparency, financial management and control. ✓✓
- Industrial policy should be aimed at ensuring that support is provided for all potentially viable sectors. ✓✓
- Development strategies should be well managed and free of corruption. ✓✓
- They should be transparent and in line with democratic principles. ✓✓
- Accountability and efficiency should be ensured through proper financial management and control. ✓✓
  (Accept any other relevant answer.) (2 x 2) (4)

Investment of social capital

- Treat development from a global perspective covering all human life, ✓✓ including the interaction of special forces in a community, e.g. education, health, nutrition.✓
- Concentrate on issues at grass roots level where most urgent human needs exist. It starts by dealing with poverty. ✓✓
- People must receive skills development, then there will be no need to get skilled people from outside the community. ✓✓
- Basic services and infrastructure should be developed to ensure regional development. ✓✓
  (Accept any other relevant answer.)
  (Accept any other correct relevant response.)
  (Allocate a max of 4 marks for headings / subheadings / examples.)

(Max 2 x 2) (4)
(8)

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3.5 **Evaluate the impact of a downgrading of South Africa's credit ratings on the economy?**

NEGATIVE IMPACT

- Government has to pay a higher interest rate on its debt. Less money to use for building the economy, important infrastructure and welfare programmes.✓✓
- Many international investment portfolios are not allowed to invest in sub-investment graded economies (junk status) as debt / bond repayments are very costly (debt-service costs) ✓✓
- The downgrading of a country creates a lack of foreign investments with a weaker rand / inflation then increases as the cost of all imported goods also increase. ✓✓
- The South African government will find it more difficult to get international loans to fund budget and balance of payment deficits. ✓✓
- Fewer Multi National Companies will be allowed to do business in South Africa as some of them have strict mandates not to open businesses in junk status countries.✓✓

POSITIVE IMPACT

- Consumers / Firms are forced to save more ✓✓
- Government is promptede to encourage / fast-track economic growth and job creation✓✓

(Accept any other correct relevant response.)
(Allocate a max of 2 marks for headings / subheadings / examples.) (4 x 2) (8)
[40]

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QUESTION 4

MACROECONOMICS AND ECONOMIC PURSUITS

4.1 Answer the following questions.

4.1.1 **List any TWO types of exchange rate systems.**

- Fixed Exchange rate✓
- Free-floating (flexible) exchange rate✓
- Managed floating exchange rate✓ (Any 2 x 1) (2)

4.1.2 **What effect will a high illiteracy rate have on economic development?**

People that cannot read and write will find it difficult to get work that pays more than minimum wages and their standard of living will be low and the productivity will be low. ✓✓
(Accept any other correct relevant response.) (1 x 2) (2)

4.2 **Data response**

4.2.1 **Name ONE endogenous cause of business cycles.**

- Changes in levels of investment ✓
- Changes in total demand levels ✓
- Changes in total supply levels ✓
- Technological changes / innovation ✓
- Monetary policies / measures ✓
  (Accept any other correct relevant response) (1)

4.2.2 **Describe the state of an economy during a recession.**

- Business confidence decreases.✓✓
- Businesses begin to invest and produce less.✓✓
- Fewer people will be employed.✓✓
- Households will receive less income and will spend less.✓✓
- The real GDP decreases.✓✓
  (Accept any other correct relevant response.) (1)

4.2.3 **When is an economy officially in a recession?**

It occurs when there is a continuous decrease in economic activity for a period of six consecutive months (two quarters)✓✓ (2)

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4.2.4 **What can the SARB do to stimulate the economy?**

- Expansionary Montary and fiscal policies should be implemented.✓✓
- To stimulate demand and economic activities during a recession, the Reserve Bank may reduce interest rates.✓✓
- During a recession, a reduction in tax rates may increase disposable income and stimulate the demand for goods and services.✓✓
- During a recession, the government could increase its spending in order to stimulate a slow economy.✓✓
- Demand for credit starts to increase.✓✓

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

4.2.5 **How can aggregate supply be increased to combat inflation, caused by excess demand?**

Aggregate supply can be increased:

- when the cost of production is reduced, producers can supply more goods and services at a lower price.✓✓
- when supply is influenced by government by improving the efficiency of inputs in markets, no shortage will exist and price will be stable.✓✓
- with supply infrastructure services such as transport, communication and energy improving will reduce costs and keep prices lower✓✓
- by reducing administrative costs such as inspections and unnecessary regulations, will reduce costs ✓✓
- When the efficiency of markets is improved it will bring supply and demand in equilibrium keeping prices stable✓✓

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

4.3 DATA RESPONSE

4.3.1 **Give ONE example of a basic service.**

- Electricity✓
- Water supply✓
- Refuse removal✓
- Sanitation✓

(Accept any other correct relevant response.) (1 x1) (1)

4.3.2 **Which province had the most improvement in service delivery?**

Gauteng ✓ (1)

4.3.3 **Briefly explain the term *social indicator.***

Social indicators measure economic development in a country. ✓✓
(Accept any other correct relevant response.) (1 x 2) (2)

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4.3.4 **How can South Africa secure sufficient water supplies to the country?**

- Educating the population about the scarcity of water ✓✓
- Encouraging methods to preserve water stock, such as water tanks ✓✓
- To construct more dams in strategic areas ✓✓
- To conduct consistent maintenance of dams / water systems ✓✓
- To engage in modern technology, such as water purification / desalination plants, etc. ✓✓
  (Accept any other correct relevant response. Any (1 x 2) (2)

4.3.5 **Why is the interpretation and comparison of social indicators a challenge?**

- The collection of data by some countries is less accurate than in others and the methods of calculations may differ. ✓✓
- Currencies have to be converted to a common international unit. ✓✓
- It may be misleading to compare countries in terms of a single indicator as conditions in coutries differ. ✓✓
  (Accept any other correct relevant response.)

(2 x 2) (4)

4.4 **Briefly discuss the current account and the capital transfer account in the Balance of Payments.**

The current account

- Is the account in the BOP that records international transactions relating to production, income and expenditure✓✓
- In calculating the balance of the current account, 5 groups of items are taken into account. ✓✓
- They are merchandise (goods), gold, services, income and transfers. ✓✓
- The current account is divided into four sub-divisions, namely: trade balance, the services account, the primary income account and the current transfer account. ✓✓
- The trade balance is a record of imports and exports of merchandise (physical goods). ✓✓
- The services account records imports and exports of services (such as tourism, consultancy and transport). ✓✓
- The primary income account shows salaries, interest (from investments) and profits that flow between countries; income inflows and income outflows.✓✓

(Any Max 2 x 2 = 4)

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The capital transfer account

- The balance shown reflects the net amount of the capital transferred, either negative or positive. ✓✓
- The balance is a net amount and includes firstly, transactions and grants relating to the ownership of fixed assets. ✓✓
- E.g. a grant by a foreign NGO for housing projects in South Africa, secondly debt forgiveness, thirdly the value of household and personal effects, and financial claims and liabilities of migrants ✓✓
- As it is not always a significant amount with current and service account payments, it will not always be included in the statement by the SARB. ✓✓
  (Allocate a max of 4 marks for headings / subheadings / examples.)

(Max 2 x 2 = 4)

4.5 **Evaluate the use of indicators to monitor the health of a population.**

- Infant mortality – this measures the numer of infants who die before reaching one year of age per thousand live births in a given year. ✓(a high death rate such as in South Africa indicate a lack of healt care) ✓
- Under-five mortality – this measures the probability that a newborn baby will die before reaching the age of five years. ✓ (a high mortality rate indicate a lack of nutrition) ✓
- Health expenditure – this is measured in terms of the amount of public and private health expenditure on healthcare as a percentage of GDP.✓(In South Africa the expenditure on health is very high) ✓
- Access to safe drinking water – this indicator has a direct relation to the health of a population. ✓✓
- Access to sanitation – a healthy population can save on medical and other costs and contribute to economic growth. ✓ (In South Africa a large group do not have faccess to sanitation) ✓
  (Accept any other relevant answer.)
  (Allocate a max of 2 marks for headings / subheadings / examples.)

(4 x 2) (8)
[40]

TOTAL SECTION B: 80

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SECTION C

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

QUESTION 5

MACROECONOMICS

- **Discuss the role of markets in a circular flow model. (26 marks)**
- **Evaluate of the multiplier formula of a 2 sector market below on the economy.**

$$\frac{1}{1-mpc} \text{ or } \frac{1}{mps}$$

(10 marks)

INTRODUCTION

The economy of a country is regarded as an open economy because of the presence of households, producers, government, the foreign sector and the financial sector as active participants in the economy. Markets link the participants in the economy ✓✓

BODY: MAIN PART

PRODUCT / GOODS / OUTPUT MARKETS ✓

- These are the markets for consumer goods and services✓✓
- Goods are defined as tangible items, like food, clothes, cars, etc. that satisfies some human wants or needs✓✓
- Buying and selling of goods that are produced in markets e.g. ✓✓
- Capital Goods market for trading of buildings and machinery✓✓
- Consumer goods market for trading of durable consumer goods, semi-durable consumer goods and non-durable consumer goods. ✓✓
- Services are defined as non-tangible actions and include wholesale and retail, transport and financial markets. ✓✓

FACTOR / RESOURCE / INPUT MARKETS✓

- Households sell factors of production on the markets: rent for natural resources, wages for labour interest for capital and profit for entrepreneurship✓✓
- The factor market includes the labour, property and financial markets. ✓✓
- The market where services of factors of production are traded e.g. labour is hired and capital is borrowed – these services earn wages, interest, rent and profits✓✓

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FINANCIAL MARKETS✓

- They are not directly involved in the production of goods and services, but act as a link between households , the business sector and other participants with surplus finds✓✓
- E.g. banks, insurance companies and pension funds✓

MONEY MARKETS✓

- In the money markets short term loans, and very short term funds are saved and borrowed by consumers and business enterprises ✓✓
- Products sold in the market are bank debentures, treasury bills and government bonds ✓✓
- The simplest form exists when parties make demand and short-term deposits and borrow on short term ✓✓
- The SARB is the key institution in the money market✓✓

CAPITAL MARKETS✓

- In the capital markets long term funds are borrowed and saved by consumers and the business sector✓✓
- The Johannesburg Security Exchange (JSE) is a key institution in the capital market ✓✓
- Products sold in this market are mortgage bonds and shares✓✓

FOREIGN EXCHANGE MARKETS✓

- On the foreign exchange markets, businesses buy / sell foreign currency to pay for imported goods and services✓✓
- These transactions occur in banks and consists of electronic money transfers from one account to another✓✓
- The leading centres / most important foreign exchange markets are in London, New York and Tokyo ✓✓
- e.g. Traveller's cheques to travel abroad✓

FLOWS THROUGH THE MARKETS ✓

- Flows of private and public goods and services are real flows and they are accompanied by counter flows of expenditure and taxes on the product market✓✓
- Factor services are real flows and they are accompanied by counter flows of income on the factor market✓✓
- Imports and exports are real flows and are accompanied by counter flows of expenditure and revenue on the foreign exchange market✓✓ (26)

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ADDITIONAL PART

Evaluate the multiplier formula of a 2 sector market below on the economy.

$$\frac{1}{1-mpc} \text{ or } \frac{1}{mps}$$

- The idea that one person's spending becomes another parson's income is the essence of the concept. ✓✓
- The value of the multiplier depends on the fraction of the extra income that is spent on consumption (mpc) ✓✓
- Evidence indicates that the mpc declines as income increases , although consumption rises as income increases, the rate of increase of consumption tends to decline. ✓✓
- As an economy becomes more affluent, people spend more on consumer goods and services, but they spend a smaller proportion of their income on such items. ✓✓
- In a two sector model, only savings and investments are taken into account and the multiplier effect is bigger, but in the real world we have a four sector economy with tax and import expenses and the multiplier effect reduces considerably. ✓✓
- This means that 1-mpc is no longer equal to the mps, because a four-sector circular flow includes a government and a foreign sector. ✓✓
- As a proportion of additional income, this leakage is equal to mps + mrt + mpm, where mpm is the marginal propensity to import and mrt the marginal rate of taxation. ✓✓
- Theoretically an injection into the economy must have a larger than proportionally impact on the national income that will lead to more spending and and more production, but in practice the leakages reduces this impact on national income considerably✓✓
- Time lag between income and spending affects the multiplier effect ✓✓
- The mpc does not have the same effect on all people as income levels differ ✓✓

CONCLUSION

The circular flow ensures continued interdependence and coordination of the economic activities in the economy / markets are critically important institutions in our economic system, because they regulate the supply and demand and safeguard price stability and general business confidence. ✓✓
(Any other relevant conclusion) (max. 2) (10)
[40]

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QUESTION 6

ECONOMIC PURSUITS

- Discuss in detail how demand can be stimulated to promote growth and development in South Africa, using the following headings:

  - Monetary policy (10 marks)
  - Fiscal policy (16 marks) (26 marks)

- Evaluate the successes (or potential success) of the National Development Plan (NDP) in promoting growth and development.
  (10 marks) **[40]**

INTRODUCTION

The demand-side approach is a policy that focuses on the aggregate demand created by households, businesses and the government, and how to use this demand as an important force in growing the economy. ✓✓
(Accept any other relevant definition.) (Max 2)

MAIN PART

MONETARY POLICIES

- A monetary policy that reduces interest rates and increases money in circulation in a country will stimulate demand. ✓✓
- Central banks manage the availability of money by means of open market transactions and cash reserve requirements. ✓✓
- They manage the cost of money, by means of interest rate changes. ✓✓
- **Interest rate changes:** ✓to make credit more expensive or cheaper. ✓✓
- **Open market transaction**: ✓ to restrict bank credit the SARB sells securities. ✓✓ When banks buy these securities money flows from the banks to the SARB. ✓✓The banks have less money to lend and credit reduces. ✓✓
- **Moral Persuasion:** ✓✓ The SARB consults with banks and persuades them to act in a manner that is desirable, in terms of the economic conditions that prevail at that time. ✓✓
  (Accept any other relevant correct answer.) (Max 10)

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FISCAL POLICY

- A fiscal policy that reduces taxes and keeps them at low levels will stimulate demand. ✓✓
- Cuts in personal income tax will increase disposable income by the same amount. ✓✓
- Fiscal policy focuses on budget deficit and surpluses to either raise or reduce aggregate demand. ✓✓
- **Progressive personal income tax:** ✓ Higher-income earners are taxed at higher rates than lower-income earners. ✓✓ The taxes are used to finance social development. ✓✓
- **Wealth tax:** ✓Properties such as houses, offices and factory buildings in urban areas are taxed annually. ✓✓
  - **Transfer duties:** ✓ paid when properties are bought – shares and bonds are taxed when traded. ✓✓
  - **Capital gains tax:** ✓levied on gains earned on the sale of capital goods, such as properties and shares. ✓✓
  - **Estate duties:** ✓ levied on the estate of deceased persons with a value of R3,5 million (2016). ✓✓
- **Cash benefits:** ✓Old-age pensions, disability grants, child support grants and unemployment insurance – also known as social security payments. ✓✓
- **Natural benefits:** ✓provision of health care, education and school meals, protection, municipal services and infrastructure. ✓ Where user-fees are charged, poor people and low-income earners benefit more than others because they pay nothing or less than higher-income earners (limited quantities of free electricity or water). ✓✓
- **Other redistributions:** ✓ Public works programme, Spatial Development Initiative (SDI) and SMMEs to have advantages that favour poor and low-income earners by providing employment subsidies and other cash and financial benefits. ✓✓
- **Land restitution and land redistribution:** ✓ The purpose of land restitution is to return land (or pay cash compensation) to those who lost their land because of discrimination laws and practices. ✓✓ Land redistribution focuses on land for residential and productive use. ✓✓
- **Property subsidies:** ✓ helps beneficiaries acquire ownership of fixed residential property. ✓✓

(Accept any other relevant correct answer.) (Max 16)

(Max 26)

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ADDITIONAL PART

Evaluate the successes of the National Development Plan (NDP) in promoting growth and development

The National Development Plan has been succesful because:

- It managed to reduce job equality through it policies such as BBBEE, employment equity, etc. ✓✓
- The NDP has improved public transport, raising rural incomes and broadened the access to employment. ✓✓
- The NDP has been successful in professionalising the public service in terms of improved accountability, efficient coordination and to eradicate corruption at all levels of society. ✓✓
- The NDP has been successful in promoting private investment in labour-intensive areas, competitiveness and increasing exports. ✓✓
- The NDP, in collaboration with the education department, has improved on the quality of education, especially in terms of early-childhood development. (ECD) ✓✓.
- The NDP is in the process of phasing in the national health insurance (NHI), upgrading public health facilities and to reduce the costs of private health care in the country. ✓✓

The NDP has not been successful, because:

- The coutry has not been able to obtain foreign direct investments. (FDI's) ✓✓
- The national unemployment rate is still extremely high, due to a very low economic growth rate. ✓✓
- The national public health system is not functional / effective in all parts of the country. ✓✓
- The levels of crime / violence / corruption is out of control in large parts of the country. ✓✓

(Accept any other relevant correct response) (Max 10) **[40]**

CONCLUSION

Though much has been done since 1994 to extend public services and dismantle barriers from the past, there is widespread frustration that poverty persists, inequality remains unacceptably high and transformation is extremely slow. ✓✓
(Accept any other relevant correct conclusion.) (Max 2)

TOTAL SECTION C: 40

TOTAL : 150

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