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**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

**ECONOMICS P1
MARKING GUIDELINES
SEPTEMBER 2022**

MARKS: 150

This marking guidelines consist of 22 pages.

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

- 1.1.1 C (Gross Domestic Product) ✓✓
- 1.1.2 A (Leading) ✓✓
- 1.1.3 D (undersupply) ✓✓
- 1.1.4 C (exports to the US will increase) ✓✓
- 1.1.5 B (protectionism) ✓✓
- 1.1.6 B (Critical Infrastructure Programme (CIP)) ✓✓
- 1.1.7 D (Consumer price index) ✓✓
- 1.1.8 A (dumping) ✓✓ (8 x 2) (16)

1.2 MATCHING ITEMS

- 1.2.1 F (The provision of goods and services) ✓
- 1.2.2 G (Total income earned by the factors of production) ✓
- 1.2.3 B (A technique used to predict the future events based on current knowledge) ✓
- 1.2.4 A (Compare a country's export prices against its import prices by means of indexes) ✓
- 1.2.5 E (The removal of restrictions such as tariffs on the exchange of goods and services) ✓
- 1.2.6 I (Provide a competitive, socially, responsible environment for investment, trade and business development) ✓
- 1.2.7 D (An organisation making financial resources available to member countries to meet their balance of payments needs) ✓
- 1.2.8 C (Taxes that tend to shift demand from imports to domestic products) ✓

(8 x 1) (8)

1.3 GIVE ONE TERM

- 1.3.1 Open economy ✓
 - 1.3.2 Amplitude ✓
 - 1.3.3 Exchange rate stability / Balance of payments equilibrium ✓
 - 1.3.4 Nationalisation ✓
 - 1.3.5 Economically Active Population ✓
 - 1.3.6 Land redistribution ✓
- (No abbreviations or examples are accepted) (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**40 MARKS – 30 MINUTES****2.1 Answer the following questions.****2.1.1 Name any TWO examples of subsidies in the economy.**

- Producer subsidy ✓
 - Export subsidy ✓
 - Consumer subsidy ✓
 - Income subsidy ✓
 - Employment subsidy ✓
- (2 x 1) (2)

2.1.2 Why is it important for the government to establish price stability?

It is important for the government to establish price stability in order:

- To promote economic growth and development in the country ✓✓
 - For firms and households to predict income and expenditure ✓✓
 - To boost investor confidence that will enable businesses to maintain steady growth
 - To attract more foreign direct investments ✓✓
- (Accept any other correct relevant response) (1 x 2) (2)

2.2 DATA RESPONSE**2.2.1 Identify the point where inflation is the highest.**

Peak/Upper turning point ✓ (1)

2.2.2 Name the economic indicator that shows the general direction in which the economy is moving.

Trend line. ✓ (1)

2.2.3 Briefly describe the term *business cycle*.

Refers to the successive periods of growth and decline in economic activities / is a time series showing repeated increasing and decreasing economic activity ✓✓ (2)
(Accept any other correct relevant response)

2.2.4 Why is a recession an undesirable situation in the economy?

- It lead to a decline in economic activities as well as widespread drop in spending. ✓✓
 - It decreases availability of job opportunities and economic growth / lead to retrenchment; poverty and repossession of people's assets ✓✓
 - It decreases economic activities in various sectors of the economy such as manufacturing and services ✓✓
- (Accept any other correct relevant response) (2)

2.2.5 How can the government lower the demand in the business cycle?

- A decrease in government spending (G), will decrease the job opportunities / availability of income ✓✓
 - the aggregate expenditure will decrease as well as inflation ✓✓
 - An increase in taxes will reduce the household's disposable income, consumers will have less income to spend ✓✓
 - The government can simultaneously reduce government spending and increase tax to decrease the demand for goods and service ✓✓
- (Accept any other correct relevant response) (2 x 2) (4)

2.3 DATA RESPONSE**2.3.1 Name ONE other account of the BOP not mentioned in the table.**

- Capital Transfer Account ✓
 - Financial account ✓
- (1)

2.3.2 Why is gold exports shown separately in the BOP?

South Africa relies heavily on gold exports. ✓
Gold is the commodity that is a major foreign exchange earner in SA ✓
(1)

2.3.3 Briefly describe the term *balance of payments*.

- Balance of payments refers to the systematic record of all transactions of one country with the rest of the world over a certain period. ✓✓
 - It is the difference between all money flowing into the country in a particular period of time and the outflow of money to the rest of the world. ✓✓
- (Accept any other correct relevant response) (2)

2.3.4 Give a possible reason for the decrease in services receipts during Q2 and Q3 of 2020?

- The global economic downturn caused by Covid-19 pandemic / strict Covid 19 regulations have caused a decline in service receipts ✓✓
- Unemployment and Covid-19 related restrictions have led to a decline in service delivery to foreigners. ✓✓
- Sanctions or temporal termination of trade relations ✓✓
(Accept any other correct relevant response) (2)

2.3.5 What can bring an improvement in the country's terms of trade?

- An increase in export prices as a result of:
 - increasing economic welfare ; i.e. more revenue is earned with the same expenditure ✓✓
 - in the long term; higher export prices may result in a decrease in sales volumes; depending on price elasticity and competition in the foreign country ✓✓
- A decrease in import prices as a result of increasing welfare if the expenditure on imports is less ✓✓
(Accept any other correct relevant response) (4)

2.4 Distinguish between the *endogenous explanations* and *exogenous explanations* of business cycles.

Endogenous explanation / reasons / causes:

- Endogenous variables are dependent variables. This follows the belief that economic growth is primarily the result of endogenous and not external forces. ✓✓
- The Keynesian approach holds the view that markets are inherently unstable and therefore government intervention may be required. ✓✓
- The price mechanism fails to co-ordinate demand and supply in markets and this gives rise to upswings and downswings. ✓✓
- Prices are not flexible enough (e.g. wages). ✓✓
- A business cycle is an inherent feature of a market economy. ✓✓
- Indirect links or mismatches between demand and supply are normal features of the economy. ✓✓ (Max 4)

Exogenous explanations / reasons / causes:

Exogenous variables are those independent factors that can influence business cycles and originate outside the economy. ✓✓

- The monetarists believe markets are inherently stable and disequilibrium is caused by incorrect use of policies, e.g. monetary policy. ✓✓
- Weather conditions and market shocks cause upswings and downswings. ✓✓
- Governments should not intervene in the market. ✓✓
- Sunspot theory based on the belief that increased solar radiation causes changes in weather conditions. ✓✓
- Technological changes. ✓✓ (Max 4)
(Accept any other correct relevant response) (2 x 4) (8)

2.5 How do *lack of motivation* and *corruption* contribute to public sector failure?**Lack of motivation**

- By not providing front line workers with incentives for successful service delivery. ✓✓
 - Also, when there is no standard of service quality, no measurement of effectiveness or productivity and few rewards or penalties. ✓✓
 - Increasing high rate of absenteeism or late coming and lack of focus on daily tasks. ✓✓
 - Offering poor quality service to the public such as taking long breaks or spending more time chatting. ✓✓
- (Accept any other correct relevant response) (Max 4)

Corruption

- Dishonest or illegal behavior by government officials who neglect their duties. ✓✓
 - Government officials who do dishonest or do illegal actions in return for money or power. ✓✓
 - Example: Unfairly awarding RDP houses and social grants while there is a great need for services by the poor. ✓✓
- (Accept any other correct relevant response) (Max 4)

(8)

[40]

QUESTION 3: ECONOMIC PURSUITS**3.1 Answer the following questions:****3.1.1 Name any TWO methods of export promotion.**

- Incentives
- Subsidies
- Trade neutrality (2 x 1) (2)

3.1.2 Why is it important to assess the performance of an economy?

- To establish the state and changes of the economy. ✓✓
 - To show increases in consumer prices and reflect the cost of living. ✓✓
 - To help the government to decide on appropriate policies that will promote economic growth and development. ✓✓
- (Accept any other correct relevant answer) (1 x 2) (2)

3.2 DATA RESPONSE

3.2.1 Identify ONE other IDZ that focuses on growth in the steel industry in SA?

Coega / Saldanha Bay ✓ (1)

3.2.2 Name any possible incentive to encourage the industrial development in the Sedibeng region.

- Small Business Support Program ✓
- Seda Technology Program (STP) ✓
- Skills Development Programme (SSP) ✓
- Critical Infrastructure Programme (CIP) ✓
- Custom free incentives ✓
- Foreign investment incentive ✓
- Services to business processes ✓ (1)

3.2.3 Briefly describe the term *Special Economic Zone*.

Geographically demarcated area where specific economic activities have been identified to be developed. ✓✓ (2)
(Accept any other correct relevant response)

3.2.4 How do public-private partnerships influence the economy?

- They allow large-scale government projects; such as roads, bridges or hospitals to be completed with private funding. ✓✓
 - They enable private sector technology and innovation combined with public sector incentives to complete work on time and within budget. ✓✓
 - These partnerships brings private sector competencies, efficiencies and capital to improve public assets or services when government lacks upfront cash. ✓✓
 - They create long-term employment in under-developed areas with high poverty and unemployment. ✓✓
 - They ensure rapid planning and delivery of projects and services. ✓✓
- (Accept any other correct relevant response) (2)

3.2.5 Why does the government want to create a globally competitive industrial economy?

- To achieve sustained high rates of growth in gross domestic product per capita. ✓✓
 - To keep in pace with rapid technological and organizational advances. ✓✓
 - To attract foreign investments that facilitates growth and development in the South African industries ✓✓
 - To ensure that the local industries can produce standardised goods that can be exported. ✓✓
- (Accept any other correct relevant response) (2 x 2) (4)

3.3 DATA RESPONSE**3.3.1 Identify the type of social indicator according in the above cartoon.**

Education ✓ (1)

3.3.2 Name any key price change indicator used in the economy.

- Consumer Price Index (CPI) ✓
 - Producer Price Index (PPI) ✓
- (1)

3.3.3 Briefly describe the term *inflation*.

- The general increase in the prices of goods and services/A decrease in the purchasing value of money. ✓✓ (2)

3.3.4 Explain the impact of Covid 19 on people's standard of living.

- The pandemic has led to low standard of living due to a decrease job opportunities in certain sectors of the economy. ✓✓
 - Some industries of the economy became bankrupt due to either non-business activities or lockdown regulations; e.g. hospitality or tourism. ✓✓
 - The decrease in demand for certain goods and services led to loss of job opportunities. ✓✓
 - Slow service delivery because of lockdown regulations and restrictions has lowered the people's standard of living.
 - Some learners' enrolment and completion of school were interrupted by closing schools temporarily and other restrictions in the education sector, like schools that were nor functioning to full capacity.
- (Accept any other correct relevant response) (2)

3.3.5 How can the South African Reserve Bank reduce money supply in the economy?

- By implementing expansionary monetary policy during downswing phase. ✓✓
 - By implementing contractionary monetary policy during expansionary phase. ✓✓
 - By decreasing interest rate in order to increase the money supply in the economy. ✓✓
 - By increasing interest rate in order to decrease the money supply in the economy. ✓✓
 - During downswing, banks will lower the reserve requirements to increase overall money supply in the economy. ✓✓
 - During upswing, banks will increase the reserve requirements to decrease overall money supply in the economy. ✓✓
- (Accept any other correct relevant response). (2 x 2) (4)

3.4 Discuss demographics as an indicator for social development in South Africa.

- The size of the population is important for infrastructure and social programmes. ✓✓
 - Measuring population growth is important for delivering social services and for identifying the size of the tax base (the total number of people paying taxes). ✓✓
 - Population growth also has an influence on the amount of jobs available which leads to lower standard of living. ✓✓
 - South Africa's life expectancy rate is very low. ✓✓
 - Possible reasons for this low life expectancy are poverty, homelessness, social isolation, public health and HIV/Aids. ✓✓
- (Accept any other correct relevant response) (4 x 2) (8)

3.5 Analyse the benefits of free trade in the economy?

An economy will benefit from free trade by:

- Specialising in producing the products they are best at in terms of lower production costs; output levels without importing any input factors. ✓✓
 - Reducing costs if businesses take advantage of economies of scale such as low unit costs that a global market provides. ✓✓
 - Ensuring that consumers have the choice of what to buy from the whole world, and not just what is produced domestically./ Consumers' welfare will be increased because some consumers might prefer to buy foreign goods rather than domestic goods because of the durability. ✓✓
 - Increasing competition to encourage innovation in the production of goods and services worldwide. ✓✓
 - Improving global efficiency where resources will be allocated more efficiently as markets expand, because each country specialises in its most effective production. ✓✓
 - Increasing economic welfare through greater world production of traded goods. ✓✓
 - Reducing corruption as companies will be compelled to operate on agreed-upon norms and laws determined by the WTO. ✓✓
 - Improving international relations whereby free trade will lead to mutual gains from different countries. ✓✓
- (Accept any other correct relevant response)

(8)
[40]

QUESTION 4: MACRO-ECONOMICS AND ECONOMIC PURSUITS**4.1 Answer the following questions:****4.1.1 Name any TWO types of business cycles**

- Jugler ✓
- Kondratieff ✓
- Kitchin ✓
- Kuznets ✓

(2 x 1) (2)

4.1.2 How does South Africa benefit from being a member of BRICS?

- Exports and imports from and to member countries increases without any restrictions or at lower cost ✓✓
 - South Africa stand a better position to attract foreign direct investments from member countries, creating more job opportunities. ✓✓
 - There will be improved international relationships between South African government and other countries.. ✓✓
 - South Africa has access to funds for developmental purposes. ✓✓
- (Accept any other correct relevant response) (1 x 2) (2)

4.2 DATA RESPONSE**4.2.1 Which category of South Africa's infrastructure will benefit the most from this investment?**

Energy ✓ (1)

4.2.2 Name any other leakage, apart from taxes.

Savings✓/Import payments✓ (1)

4.2.3 Briefly describe the term *multiplier effect*.

- The multiplier effect is the process whereby a small initial change in spending results to the increase in the level of output ✓✓ /
- It shows how an increase in spending produces a more than proportional increase in national income ✓✓ (2)

4.2.4 Why are injections important in the economy?

Injections bring additional money into the economy/an injection brings more inflow of money into the economy. ✓✓ (2)

4.2.5 Determine the value of the multiplier if households are forced to save 20% of the extra income earned after the investment drive. Show all calculations:

- Marginal propensity to save (mps) = 0,2 (20%) ✓
- Marginal propensity to consume (mpc) = 0,8 (80%) ✓
- Therefore: $mpc = 1 - mps = 1 - 0,2$ ✓ = 0,8 ✓

OR

- Multiplier = $\frac{1}{1-mpc}$
 $= \frac{1}{1-0,8}$ ✓
 $= R5 \text{ billion}$ ✓ (4)

4.3 DATA RESPONSE

4.3.1 Name the industrial development policy of the Department of Trade, Industry and Competition

National Industrial Policy Framework / NIPF ✓ (1)

4.3.2 Which benchmark criteria can be linked to *democratic decision making, transparency and financial management*?

Good governance ✓ (1)

4.3.3 Briefly describe the term *regional development*.

- Refers to policies that are aimed at increasing the economic livelihood of specific areas or geographical regions
- Are policies aimed at promoting a more even spread of industries so that capital and labour can be directed towards under-developed areas. ✓✓
(Accept any other correct relevant response) (2)

4.3.4 What could be the reason for an uneven geographical economic development?

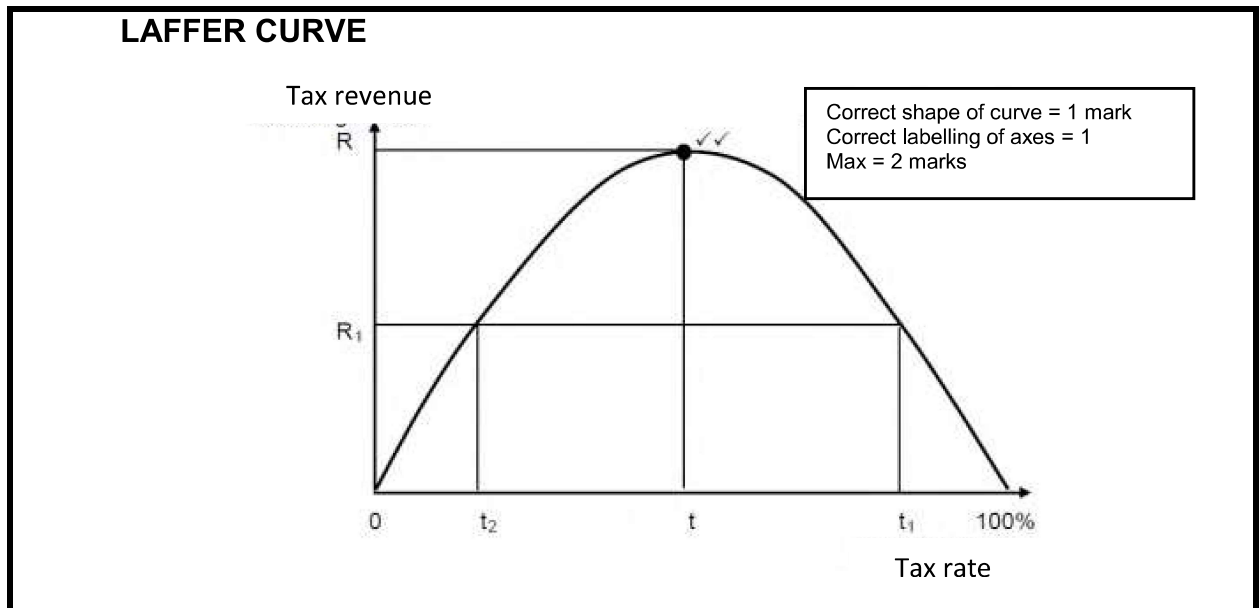
The reason could be an unequal spending and uneven distribution of economic resources, such as natural resources and skilled workforce. ✓✓ (2)

4.3.5 How can the South African government promote industrial development through *investment in social capital*?

Regional development focuses on the following: development: of the people, for the people and by the people. ✓✓

- By ensuring that development is addressed from below where most urgent human needs exist – dealing with poverty. ✓✓
- Training, education, improving productivity and providing essential goods and services to raise the standards of living in regions.
- Implementing policies and programmes to promote total development that covers all human life including education; health and nutrition. ✓✓
- By ensuring many South Africans have access to basic education and health care services; also the skills empowerment programmes are in place in various sectors of the economy. ✓✓ (2 x 2) (4)

4.4 Use a well-labelled graph to explain the effect an increase in tax rate will have on government revenue.



- Laffer curve is used to show the effect an increase in tax rate will have on government revenue ✓✓
- At point 0, the average tax rate is 0 and tax revenue is 0. ✓✓
- As the tax rate rises (from t_2 to t), tax revenue will rise to R . The curve will trend upwards until it reaches a peak at t . ✓✓
- Maximum tax revenue is at point R (the peak) and the best tax rate is at point t . ✓✓
- If the tax rate increases from t to t_1 , the tax revenue will decrease from R to R_1 . Fewer people will work due to higher taxes. ✓✓
- If taxes drop to t_2 , the state will receive less revenue, but people will have more money to save and spend. ✓✓

Reasons:

- Fewer people will be discouraged to work due to higher taxes. ✓✓
- There will be tax evasion and tax avoidance in the economy ✓✓
- At tax rate of 100%, no one will want to work Tax rate ALL income will go to the government in the form of tax revenue. ✓✓
- (Accept any other correct relevant response)

(Max 6)
(8)

4.5 Why should local industries be protected against unfair competition from abroad?

Local industries should be protected against unfair competition from abroad because:

- Some developing countries are well suited to establish certain kinds of industries. Free trade makes it difficult for these countries to compete with countries with well-established industries. ✓✓
- Newly established (infant) industries find it difficult to survive because of high average costs of production which are higher than those of well-established foreign competitors. ✓✓
- A country with high wages has a view that the standard of living will be undermined if cheaper goods are imported from countries with low wages. ✓✓
- If local industries cannot find profitable markets because of cheaper imports, production may decrease and this will lead to more unemployment. ✓✓
- In times of conflict, cut-off or friction between countries occurs. Protection should be granted, especially to key industries to ensure the availability of these key products. ✓✓
- Some countries sell their surplus goods in a foreign country at lower prices than it cost them to produce the goods. Local producers cannot compete, and their factories may close. ✓✓
- Traders buy in the cheapest markets and sell in the most expensive ones. Countries export primary products and import manufactured goods, causing disrupted balance of payments and exchange rates. ✓✓
- Free trade can easily exhaust natural resources; therefore protection is needed to protect local industries and indigenous knowledge systems so that they can survive. The South African government has taken steps to protect Rooibos tea as natural resource and safeguard indigenous knowledge that allows the hoodia plant to be used for medicinal purposes ✓✓

(Accept any other correct relevant response)

(8)
[40]

TOTAL SECTION B: 80

SECTION C

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

QUESTION 5: MACROECONOMICS

- **Discuss in detail the reasons for international trade.** (26)
- **How can the South African government correct balance of payments disequilibrium?** (10)

INTRODUCTION

Countries may have a surplus of some goods and a shortage of others. This result in trade taking place between them in order to correct these imbalances. ✓✓
(Accept any other relevant introduction) (Max. 2)

BODY: MAIN PART**Demand reasons:** ✓

- **The size of the population impacts demand.** ✓
 - If there is an increase in population growth, it causes an increase in demand, as more people's needs must be satisfied. ✓✓
 - Local suppliers may not be able to satisfy this demand. ✓✓
- **The population's income levels effect demand.** ✓
 - Changes in income cause a change in the demand for goods and services. ✓✓
 - An increase in the per capita income of people results in more disposable income that can be spent on local goods and services, some of which may then have to be imported. ✓✓
- **An increase in the wealth** ✓ of the population leads to greater demand for goods. ✓✓
 - People have access to loans and can spend more on luxury goods, many of which are produced in other countries. ✓✓
- **Preferences and tastes** ✓ can play a part in the determining of prices, ✓✓
 - e.g. customers in Australia have a preference for a specific product which they do not produce and need to import, and it will have a higher value than in other countries. ✓
- **The difference in consumption patterns** ✓ is determined by the level of economic development in the country, ✓✓
 - e.g. a poorly developed country will have a high demand for basic goods and services but a lower demand for luxury goods. ✓

Supply reasons: ✓

- **Natural resources** ✓ are not evenly distributed across all countries of the world. ✓✓
 - They vary from country to country and can only be exploited in places where these resources exist. ✓✓
- **Climatic conditions** ✓ make it possible for some countries to produce certain goods at a lower price than other countries, ✓✓
 - e.g. Brazil is the biggest producer of coffee. ✓
- **Labour resources** ✓ differ in quality, quantity and cost between countries. ✓✓
 - Some countries have highly skilled, well-paid workers with high productivity levels, ✓✓ e.g. Switzerland. ✓
- **Technological resources** ✓ are available in some countries that enable them to produce certain goods and services at a low unit cost, ✓✓ e.g. Japan. ✓
- **Specialisation** ✓ in the production of certain goods and services allows some countries to produce them at a lower cost than others, ✓✓
 - e.g. Japan produces electronic goods and sells these at a lower price. ✓
- **Capital** ✓ allows developed countries to enjoy an advantage over under developed countries. ✓✓
 - Due to a lack of capital, some countries cannot produce all the goods they require themselves. ✓✓

(Allocate a maximum of 8 marks for mere listing of facts/examples)

(Accept any other correct relevant response)

(Max. 26)

ADDITIONAL PART**How can the South African government correct balance of payments disequilibrium.**

The South African government can correct the balance of payments disequilibrium by:

- lending and borrowing where countries with surpluses often lend money to countries with deficits. ✓✓ That is why so many developing countries have so much debts. ✓✓ In the event of a fundamental disequilibrium, member countries may borrow from the International Monetary Fund (IMF). ✓✓
- manipulating the exchange rate - currency depreciation or devaluation makes imports more expensive for domestic consumers and exports cheaper for foreign buyers. ✓✓ For example, when the rand depreciates, South African goods (exports) become cheaper for foreign buyers and imports become more expensive for South Africans. ✓
- changing demand through long-term policies ✓ – Export promotion, such as government incentives, is applied to encourage the production of goods that can be exported. ✓✓ For example, European countries pay subsidies to farmers. ✓ Import substitution, ✓ for example, government incentives to produce goods domestically rather than to import them. ✓

- changing interest rates. If interest rates are increased, spending on imports, will decrease. ✓✓ Foreign traders will try to take advantage by increasing their investment in the country with the higher interest rate. ✓✓
- implementing import control – such as import tariffs, other duties and quotas will decrease the demand for foreign goods. ✓✓
- implementing exchange control whereby domestic regulations allow Central bank to ration foreign exchange. ✓✓ Earners of foreign exchange are compelled by law to hand it over to the Central bank. ✓✓ Those who require foreign exchange have to apply to the Central bank. ✓✓

(Accept any other correct higher order response)

(Max. 10)

CONCLUSION

International trade leads to specialisation, mass production, efficiency due to competition, lower prices and globalisation. ✓✓

(Accept any other correct higher order response)

(Max. 2)

[40]

QUESTION 6: ECONOMIC PURSUITS

- **Discuss in detail the demand-side approach in promoting economic growth and development in South Africa.** (26)
- **Evaluate the effectiveness of the Expanded Public Work Programme to reduce poverty and unemployment.** (10)

INTRODUCTION

The demand-side approach involves discretionary changes in monetary and fiscal policies with the aim of changing the levels of aggregate demand and supply. ✓✓
(Accept any other correct relevant response) (Max 2)

MAIN PART

International best practice argues that developing economies should run their economies in a way that creates economic growth. ✓✓
This would help social transformation, human capital formation and redistribution of income. ✓✓

- Monetary policy is driven by the South African Reserve Bank (SARB). ✓✓ It is used to influence interest rates and the supply of money in the economy to stabilise prices. ✓✓
- Fiscal policy is driven by the Department of Finance. ✓✓ It aims to facilitate government political and economic objectives. ✓✓ Governments can use fiscal policy to change taxes and government expenditure which can stimulate or inhibit economic growth and development. ✓✓

Monetary policy approach ✓

- The monetary policy approach consists of the decisions by the central bank as part of the monetary authorities to influence the interest rates and money supply in the economy, by implementing inflation targets set by government. ✓✓
- The central bank manages the availability of money by means of open market transactions and cash requirements. ✓✓
- Manage the cost of money by means of interest rates. ✓✓
- Variations in the levels of interest rates increase or decrease the cost of credit and determine the quantity of money through the workings of the money multiplier. ✓✓
- Variations of exchange rates for the purpose of the changing terms of trade are used as an auxiliary method to bring about the changes in the stock of money. ✓✓

Instruments of the Monetary policy:**Controlling the repo rate**

To affect the interest rates that commercial banks can offer for two purposes:

- Influence credit creation by making credit more expensive or cheaper. ✓✓
- Stabilise the exchange rates by encouraging capital inflows and outflows in order to take care of a deficit or a surplus on the current account of the balance of payments. ✓✓

Conducting open market transactions

- To restrict bank credit, the SARB sells securities and when the banks buy these securities, money flows from the banks to SARB. ✓✓
- To encourage credit creation, the SARB buys securities in the open market. Money then flows into the banking system. ✓✓

Moral suasion

- 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 the time. ✓✓
- The persuasion is often linked to the transactions by SARB in the money market ✓✓ e.g. the buying and selling of bills and bonds. ✓
- The SARB can call on them to be more generous so that more money can be available in the economy. ✓✓

South Africa national budget is the main tool to drive fiscal policy and implements the fiscal policy through:**Progressive personal income taxes: ✓**

- The higher income earners are taxed at higher rates than lower income earners. ✓✓
- These taxes are used to finance social developments/the poor benefit more than those with higher incomes. ✓✓

Wealth taxes ✓

- Properties such as houses, offices and factories in the urban areas are taxed annually. ✓✓
- Transfer duties are paid when properties are bought or sold. ✓✓
- Capital gains tax is levied on gains earned on the sale of capital goods such as property and shares. ✓✓

Cash benefits ✓

- Old-age pensions, disability grants, child support grants and unemployment insurance are important cash grants. ✓✓
- These are also known as social security's payments. ✓✓

Benefits in kinds ✓

- These include the provision for healthcare, education and social meals, protection, municipal services and infrastructure. ✓✓
- Where user-fee 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 electricity and water are provided ✓✓

Other redistributions ✓

- Some microeconomic policies have advantage that favour poor and low-income earners e.g. ✓✓ EPWP, SIP, SMMEs. ✓

Land redistribution and restitution ✓

- The purpose of land restitution is to return land or pay cash to those who lost their land because of discriminatory laws and practice after June 1913 while land redistribution focuses on land for residential purposes and productive use. ✓✓
- The aim is to redistribute agricultural land to the previously disadvantaged persons. ✓✓

Property subsidies ✓

- Subsidies help beneficiaries to acquire ownership of fixed residential property ✓✓
- Government's housing subsidy schemes provide funding options to all eligible persons earning less than R3 500 per month/ the money for this scheme comes from the main budget. ✓✓

A different approach could include:**Consumption spending by consumers** ✓

- **Increase in production** ✓
 - An increase in the production of goods and services leads to an increase in the disposable income of consumers. ✓✓
 - Increased production can be the result of increased government spending, higher investment spending by businesses or higher exports. ✓✓
- **Government fiscal policy** ✓
 - The government can reduce income tax or indirect tax, such as excise duties on liquor and cigarettes. ✓✓
- **Government monetary policy** ✓
 - By reducing the interest rate, the cost of credit is lowered/households can now afford to borrow more money, increasing their disposable income and consumption spending. ✓✓
- **Government programmes to satisfy basic needs** ✓
 - The government can assist poor households to satisfy their basic needs, such as clean water, healthcare, etc. (economic growth/development).

Investment spending by firms ✓

- Involves investments in factory buildings, machines and tools, called capital formation. ✓✓
- These investments increase the production capacity of businesses and the economy. ✓✓
- Investments lead to reduced unemployment, which contribute to economic development. ✓✓
- The government invests in the infrastructure, such as transport and communication, in support of firms. ✓✓

Government spending in the economy ✓

- The government plans its expenditure on public services and economic affairs to ensure economic growth. ✓✓
- The government further plans its social expenditure on socio-economic aspects, such as poverty. ✓✓
- The public works programme (EPWP) is used to address the problems of unemployment and low income earners. ✓✓
- **Examples** include road construction, road maintenance and low-cost Housing. ✓

Exports and imports

- **Imports** ✓ are important to the South African economy as it provides consumers with a wider choice of goods/services. ✓✓
- The wider choice of consumer goods leads to economic development/growth. ✓✓
- Imports also provide essential capital goods and intermediate goods, such as machinery, equipment, chemicals, petroleum products and vehicle spares. ✓✓
- An increase in economic growth leads to an increase in imports and a deficit on the BOP (current account) .✓✓
- **Exports** ✓ are part of the domestic demand, as they earn extra income for the exporting firms. ✓✓
- Our exports are used to pay for the country's imports, contributing to increasing economic growth and to control the BOP of the country. ✓✓
- Government actions to promote exports include trade agreements, maintaining a realistic exchange rate and providing export incentives. ✓✓

(Allocate a maximum of 8 marks for mere listing of facts/examples)

(Accept any other correct relevant response)

(Max 26)

ADDITIONAL PART**Evaluate the effectiveness of the Expanded Public Work Programme to reduce poverty and unemployment.**

The Expanded Public Works Programme reduced poverty and unemployment by:

- focussing more on previously disadvantaged groups by implementing measures to ensure redress and affirmative action in the workplace and business environment. ✓✓
- improving the social benefits to the community e.g. health issues can be solved. ✓✓
- improving the standard of living, by changing the workers' outlook in life to be able to satisfy more wants. ✓✓
- creating employment opportunities for the poor and vulnerable, by using labour intensive methods to be able to accommodate as many people as possible. ✓✓
- empowering people with skills that they can use to find jobs when their work in the EPWP is done.
- building future entrepreneurial abilities (SMME's) to contribute in solving major unemployment. ✓✓

(Accept any other correct relevant response)

(Max 10)

CONCLUSION

Sustainable economic growth and development in a country is not a given unless the government applies strict and effective policies to manage the economy ✓✓

(Accept any other correct relevant higher order response)

(Max 2)

[40]

TOTAL SECTION C: 40

GRAND TOTAL: 150