basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

ECONOMICS P1

FEBRUARY/MARCH 2018

MARKS: 150

TIME: 2 hours

This question paper consists of 13 pages.

INSTRUCTIONS AND INFORMATION

1.   Answer FOUR questions as follows in the ANSWER BOOK:

        SECTION A: COMPULSORY
        SECTION B: Answer TWO of the three questions.
        SECTION C: Answer ONE of the two questions.

2.   Answer only the required number of questions. Answers in excess of the required number will NOT be marked.

3.   Number the answers correctly according to the numbering system used in this question paper.

4.   Write the question number above each answer.

5.   Read the questions carefully.

6.   Start EACH question on a NEW page.

7.   Leave 2–3 lines between subsections of questions.

8.   Answer the questions in full sentences and ensure that the format, content and context of your responses comply with the cognitive requirements of the questions.

9.   Use only blue or black ink.

10.   You may use a non-programmable pocket calculator.

11.   Write neatly and legibly.

SECTION A (COMPULSORY)

QUESTION 1 **30 MARKS – 20 MINUTES**

1.1 Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A–D) next to the question number (1.1.1–1.1.8) in the ANSWER BOOK, for example 1.1.9 D.

1.1.1 The government is responsible for … sector provisioning.

A private
B foreign
C public
D financial

1.1.2 The total remuneration that the owners of production factors receive is called national …

A production.
B expenditure.
C exports.
D income.

1.1.3 The exchange rate system used by South Africa is called the ... exchange rate system.

A fixed
B managed floating
C free-floating
D gold standard

1.1.4 An indication of long-term growth in the economy is referred to as the …

A trend line.
B amplitude.
C length.
D trough.

1.1.5 The number of years that a new-born baby is likely to live is known as …

A life expectancy.
B population.
C nutrition.
D population growth.

1.1.6 Globalisation makes countries more economically …

A isolated.
B interdependent.
C structured.
D independent.

1.1.7   Households in South Africa spend most of their income on …

A   durable goods.
B   semi-durable goods.
C   non-durable goods.
D   services.

1.1.8   An indicator generally used to measure the cost of production is known as the … index.

A   consumer price
B   production price
C   headcount
D   price   (8 x 2)   (16)

1.2   Choose a description from COLUMN B that matches the item in COLUMN A. Write only the letter (A–I) next to the question number (1.2.1–1.2.8) in the ANSWER BOOK.

COLUMN A		COLUMN B	
1.2.1	Multiplier	A	removal of unnecessary laws, bylaws and power imbalances that inhibit free operations
1.2.2	Capital market		
1.2.3	Deregulation	B	rate at which the SARB lends money to banks
1.2.4	Amplitude		
1.2.5	Terms of trade	C	people and their skills required for production
1.2.6	Demographics	D	a small initial increase in spending produces a proportionately larger increase in aggregate national income
1.2.7	Information and communications technology (ICT)		
		E	information about the size and structure of a population
1.2.8	Human capital		
		F	expresses a country's export prices in terms of its import prices
		G	long-term financial instruments, for example bonds
		H	measures the distance of oscillation of a variable from the trend line to the peak and trough
		I	a key growth sector of the Integrated Manufacturing Strategy

(8 x 1)   (8)

1.3   Give ONE term for each of the following descriptions. Write only the term next to the question number (1.3.1–1.3.6) in the ANSWER BOOK. NO abbreviations or acronyms will be accepted.

   1.3.1   The owners of the production factors in the economy

   1.3.2   A summary of the value of different leading indicators into a single value

   1.3.3   A statement of a country's trade and financial transactions with the rest of the world

   1.3.4   Goods that are harmful to society, for example cigarettes

   1.3.5   The main source of revenue to the state

   1.3.6   Encourages investment in manufacturing, agriculture and mining

                                                                      (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   Give any TWO examples of leakages.   (2 x 1)   (2)

2.1.2   Why should the public sector participate in the management of the economy?   (1 x 2)   (2)

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

GROSS VALUE ADDED ACCORDING TO TYPE OF ECONOMIC ACTIVITY			
At current prices (R millions)	**2014**	**2015**	**2016**
Primary sector	369 683	368 300	398 770
Secondary sector	723 562	772 875	815 816
Tertiary sector	2 324 815	2 484 291	2 654 870
Gross value added at basic prices	**3 418 060**	**3 625 466**	**3 869 456**
At constant 2010 prices (R millions)	**2014**	**2015**	**2016**
Primary sector	303 563	307 875	291 143
Secondary sector	556 028	555 915	556 935
Tertiary sector	1 888 785	1 919 390	1 945 596
Gross value added at basic prices	**2 748 376**	**2 783 180**	**2 793 674**

[Source: *SARB Quarterly Bulletin*, March 2017]

2.2.1   Which method was used in the calculation of the gross domestic product (GDP) above?   (1)

2.2.2   Which year is currently used as the base year by the South African Reserve Bank (SARB)?   (1)

2.2.3   Briefly describe the term *gross national product*.   (2)

2.2.4   Which sector has increased its contribution to the GDP steadily since 2014?   (2)

2.2.5   What happened to the value added by the primary sector between 2015 and 2016? Motivate your answer.   (2 x 2)   (4)

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

REAL BUSINESS CYCLE
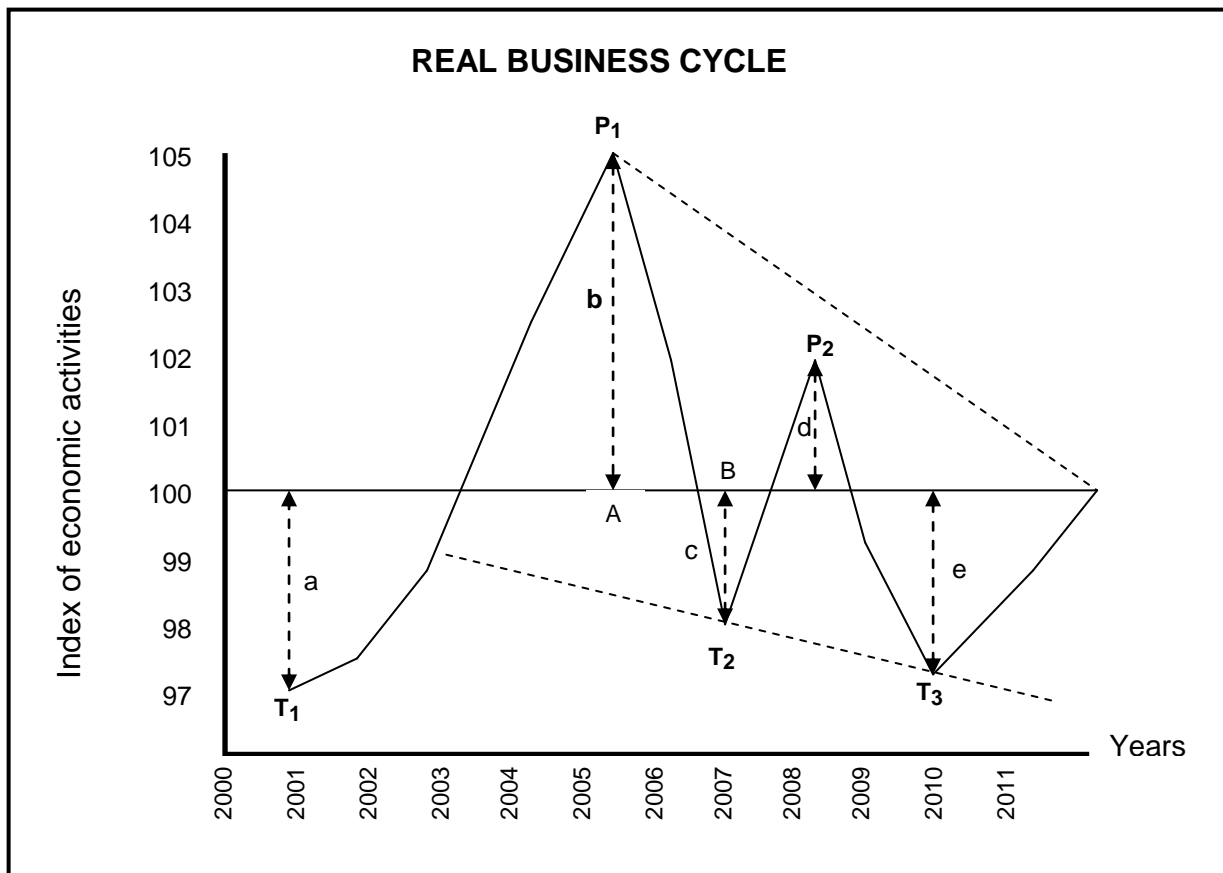
2.3.1   Identify a trough in the business cycle above.   (1)

2.3.2   During which year was the first business cycle fully completed in the graph above?   (1)

2.3.3   Briefly describe the term *real (actual) business cycle*.   (2)

2.3.4   How can the South African government use government spending as fiscal measure to stimulate the economy?   (2)

2.3.5   How could the South African Reserve Bank have prevented the business cycle from plunging to **T₃**?   (2 x 2)   (4)

2.4   Briefly discuss *economies of scale* and *choice* as arguments in favour of free trade.   (2 x 4)   (8)

2.5   With the aid of a well-labelled Laffer curve, explain the impact of a tax rate increase on state revenue.   (8)

[40]

QUESTION 3: ECONOMIC PURSUITS   **40 MARKS – 30 MINUTES**

3.1   Answer the following questions.

        3.1.1   Name any TWO basic services that influence a person's standard of living.   (2 x 1)   (2)

        3.1.2   How can SMMEs support economic growth?   (1 x 2)   (2)

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

HUMAN DEVELOPMENT INDICATORS

The United Nations index focusing on human development places South Africa in the lower half of the rankings. This is an annual report by the UN which ranks countries according to their living standards across three indicators: gross income per capita, life expectancy and education.

In South Africa, life expectancy at birth is 57,4 years, with an average expected schooling of 13,6 years. Gross income per capita in the country is very low and high levels of inequality still exist.

[Adapted from *UN Human Development Index Report*, 2016]

        3.2.1   Identify in the extract above the international institution that prepares statistics on human development.   (1)

        3.2.2   Name ONE indicator in the extract that is used in measuring standard of living.   (1)

        3.2.3   Briefly describe why urbanisation is regarded as an economic indicator.   (2)

        3.2.4   Briefly describe why urbanisation is regarded as a social indicator.   (2)

        3.2.5   How should high education inequalities be addressed to improve the standard of living of South Africans?   (2 x 2)   (4)

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

> ### NATIONAL DEVELOPMENT PLAN – VISION 2030, OUR FUTURE – MAKE IT WORK
>
> South Africa's principal challenge is to roll back poverty and inequality. Raising living standards to the minimum level proposed in the plan will involve improved education. The NDP focuses on the critical capabilities needed to transform the economy and society through increased economic growth.
>
> [Adapted from NDP]

3.3.1   What challenge must South Africa address by 2030 according to the extract above? (1)

3.3.2   In the extract above, identify ONE way in which South Africa could minimise the challenges it faces. (1)

3.3.3   Briefly describe the term *economic growth*. (2)

3.3.4   What economic benefit will the implementation of the National Development Plan have on the economy of South Africa? (2)

3.3.5   How can poverty and inequality be addressed in South Africa?
        (2 x 2) (4)

3.4   Briefly discuss the *repo rate* and *money supply* as economic indicators.
        (2 x 4) (8)

3.5   Why is it important for the government to assess the performance of the economy from time to time? (8)

[40]

QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS

40 MARKS – 30 MINUTES

4.1   Answer the following questions.

4.1.1   Give any TWO reasons for public sector failure.   (2 x 1)   (2)

4.1.2   What impact will the introduction of a green economy have on the industrial development plan of South Africa?   (1 x 2)   (2)

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

MINI-BUDGET 2016

'Tax hikes won't hurt the poor …,' was the promise of the Minister of Finance during his medium-term budget policy statement. In South Africa 10% of the population is responsible for 37% of all personal income tax to the state. Additional taxes are also charged in the form of value-added tax (VAT) and fuel levies, while sugar tax and carbon tax are possibilities in the future. Economists reported that a VAT increase would have the least negative effect on income equality in South Africa, while an increase in personal income tax or corporate tax would be more harmful.

[Adapted from *Finance Week*, October 2016]

4.2.1   Who presents the budget speech in Parliament?   (1)

4.2.2   Identify the type of budget in the extract above.   (1)

4.2.3   Briefly describe the term *budget.*   (2)

4.2.4   What is the main purpose of levying sugar tax?   (2)

4.2.5   Explain why an increase in VAT will have a negative impact on the economy.   (2 x 2)   (4)

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

**INDUSTRIAL DEVELOPMENT ZONES (IDZ)/
SPECIAL ECONOMIC ZONES (SEZ)/CORRIDORS IN SOUTH AFRICA**

South Africa's Spatial Development Initiatives comprise the following:

1.	Maputo Development Corridor	6.	West Coast Investment Initiative
2.	Lubombo Corridor	7.	Platinum SDI
3.	Richards Bay SDI	8.	Phalaborwa SDI
4.	Wild Coast SDI	9.	Coast 2 Coast Corridor
5.	Fish River SDI		

South Africa's regional development policies are embedded in the Industrial Development Programme (IDP), with the Department of Trade and Industry (DTI) as the driving force concerning industrial and spatial development. The IDP includes SDIs, corridors, IDZs and SEZs.

[Adapted from *Finance Week*, October 2016]

4.3.1   In the information above, identify a government department that drives the implementation of regional development policies.   (1)

4.3.2   Which corridor is represented by ① in the map above?   (1)

4.3.3   Briefly describe the term *corridor*.   (2)

4.3.4   What is the aim of the government with the adoption of regional development policies?   (2)

4.3.5   How can the introduction of special economic zones (SEZs) benefit the economy of South Africa?   (2 x 2)   (4)

4.4   Explain *changes in demand* and *interest rates* as measures to correct the balance of payments disequilibria.   (2 x 4)   (8)

4.5   How does South Africa's regional development policies compare to international benchmarks in terms of good governance and partnerships?   (8)
                                                                                                            [40]

                                                    TOTAL SECTION B: 80

SECTION C

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

Your answer will be assessed as follows:

STRUCTURE OF ESSAY	MARK ALLOCATION
Introduction The introduction is a lower-order response. • A good starting point would be to define the main concept related to the question topic. • Do not include any part of the question in your introduction. • Do not repeat any part of the introduction in the body. • Avoid saying in the introduction what you are going to discuss in the body.	Max. 2
Body **Main part:** Discuss in detail/In-depth discussion/Examine/Critically discuss/ Analyse/Compare/Evaluate/Distinguish/Differentiate/Explain	Max. 26
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	Max. 10
Conclusion Any higher-order conclusion should include: • A brief summary of what has been discussed without repeating facts already mentioned • Any opinion or value judgement on the facts discussed • Additional support information to strengthen the discussion/analysis • A contradictory viewpoint with motivation, if required • Recommendations	Max. 2
TOTAL	**40**

QUESTION 5: MACROECONOMICS   40 MARKS – 40 MINUTES

- Discuss import substitution as part of South Africa's international trade policy under the following:
    - Methods (13 marks)
    - Reasons/Advantages (13 marks)   (26 marks)
- With the aid of a graph, assess the effect of an increase in mass production on international trade.   (10 marks)   **[40]**

QUESTION 6: ECONOMIC PURSUITS   40 MARKS – 40 MINUTES

- Discuss the supply-side approach in promoting growth and development in South Africa by including:
    - Efficiency (13 marks)
    - Cost of doing business (13 marks)   (26 marks)
- How effective was the Reconstruction and Development Programme (RDP) in addressing the inequalities of the past in South Africa?   (10 marks)   **[40]**

TOTAL SECTION C: 40
GRAND TOTAL: 150