SENIOR CERTIFICATE EXAMINATION

ECONOMICS P1

2015

MARKS: 150

TIME: 1½ hours

This question paper consists of 12 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 black or blue ink.

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

11.   Write neatly and legibly.

SECTION A (COMPULSORY)

QUESTION 1   **30 MARKS – 15 MINUTES**

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

   1.1.1   In calculating the gross domestic product (GDP), only the value of … goods and services is taken into account.

              A   final
              B   raw
              C   intermediate

   1.1.2   An example of a fiscal policy instrument is ...

              A   money supply.
              B   government spending.
              C   interest rates.

   1.1.3   State-owned enterprises are also called …

              A   parastatals.
              B   the private sector.
              C   the corporate sector.

   1.1.4   An increase in the value of a currency due to supply and demand is known as …

              A   appreciation.
              B   revaluation.
              C   depreciation.

   1.1.5   Newly established industries are often called … industries.

              A   mature
              B   infant
              C   developed

   1.1.6   Labour as a factor of production is referred to as …

              A   human development.
              B   human rights.
              C   human capital.

1.1.7   IPAP was designed to increase industrialisation in the … sector.

A   service
B   agricultural
C   manufacturing

1.1.8   The ratio between goods and services produced and the resources used to produce them is called …

A   productivity.
B   production.
C   efficiency.   (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	Factor market	A	human resources used to maximum capacity
1.2.2	Kuznets cycle	B	no restrictions or limitations to global trade
1.2.3	Full employment		
1.2.4	Foreign reserves	C	where labour, entrepreneurship, land and capital are traded
1.2.5	Demand-side approach	D	caused by changes in the building and construction industry
1.2.6	Free trade	E	cash incentives for businesses in information technology
1.2.7	Strategic Investment Programme	F	headline inflation
1.2.8	Consumer price index	G	all currencies of other countries in the possession of the South African Reserve Bank
		H	inflation indicator at producer level
		I	the use of fiscal policy to stimulate spending in the economy

(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.

      1.3.1   The ratio between the imports and exports indices

      1.3.2   Expansion and contraction in the level of economic activities

      1.3.3   A place or mechanism through which buyers and sellers meet to do business

      1.3.4   The plan containing government estimates of revenue and expenditure for a specific year

      1.3.5   The government's intervention programme aimed at creating employment by using labour-intensive methods

      1.3.6   A trade policy whereby government uses incentives and subsidies to encourage South African businesses to sell to other countries

                                                          (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 – 20 MINUTES**

2.1   Answer the following questions.

    2.1.1   Name TWO methods to calculate national account aggregates.
                                                                        (2 x 1)   (2)

    2.1.2   Why are the GNP figures generally lower than the GDP figures in South Africa?   (1 x 2)   (2)

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

SOUTH AFRICA'S CURRENT ACCOUNT			
ITEM	**2011**	**2012**	**2013**
Merchandise exports (free on board)	714 466	743 811	853 715
Net gold exports	75 298	71 050	63 887
Services receipts	107 825	124 332	136 751
Income receipts	38 118	48 501	64 441
Less: Merchandise imports (free on board)	742 679	854 439	991 186
Less: Payment for services	142 230	145 006	158 356
Less: Income payments	104 689	121 428	135 652
Current transfers	-14 199	-31 369	-30 666
Balance on current account	**-68 090**	**-164 548**	**-197 179**

[Source: *SARB Quarterly Bulletin*, September 2014]
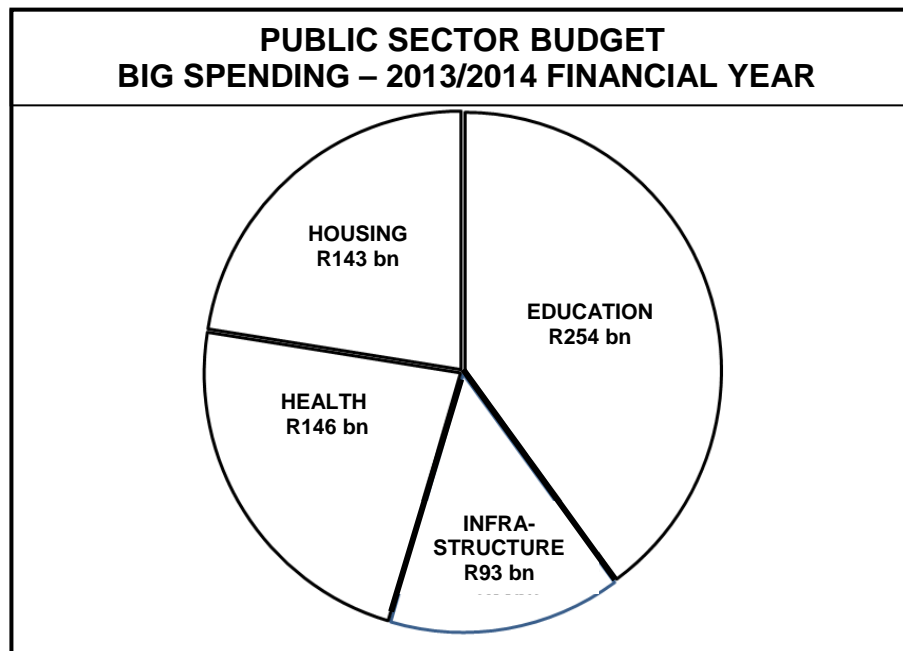
    2.2.1   What has happened to the contribution of gold since 2011?   (1)

    2.2.2   Define the term *current transfers*.   (2)

    2.2.3   Calculate the trade balance for 2013. Show ALL calculations.   (3)

    2.2.4   What impact will the deficit on the current account have on the economy?   (2 x 2)   (4)

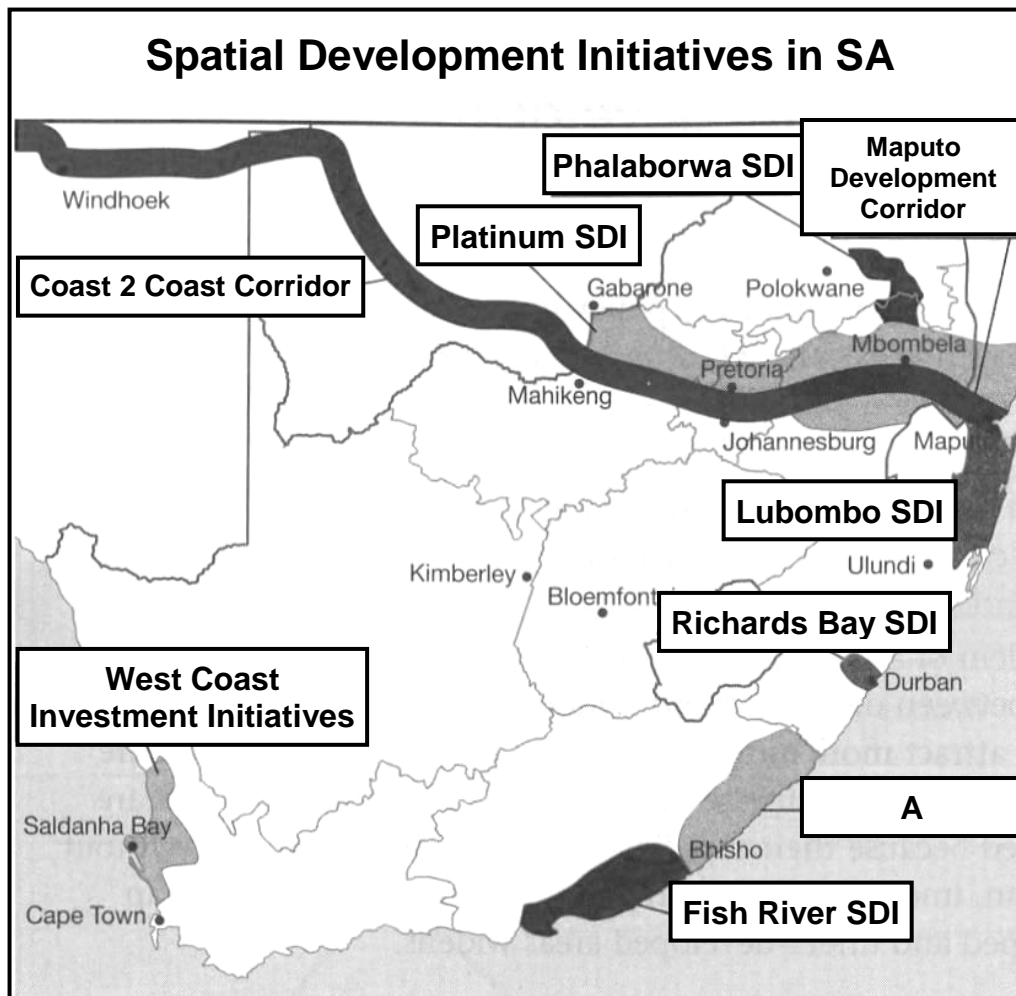2.3 Study the pie chart below and answer the questions that follow.

**PUBLIC SECTOR BUDGET
BIG SPENDING – 2013/2014 FINANCIAL YEAR**

HOUSING
R143 bn

EDUCATION
R254 bn

HEALTH
R146 bn

INFRA-
STRUCTURE
R93 bn

2.3.1   Which government department received the highest allocation of the budget? (1)

2.3.2   When does the financial year of the government begin? (1)

2.3.3   Name any TWO items in the pie chart above that are related to social spending. (2 x 1) (2)

2.3.4   Why do you think the government should spend more on infrastructure development? (2)

2.3.5   Why does the government allocate 60% of the entire budget to social spending? (2 x 2) (4)

2.4   Explain the endogenous reasons (Keynesian theory) for business cycles. (4 x 2) (8)

2.5   Argue in favour of import substitution. (4 x 2) (8)

[40]

QUESTION 3: ECONOMIC PURSUITS   40 MARKS – 20 MINUTES

3.1   Answer the following questions.

        3.1.1   Name any TWO economic indicators that are related to employment.   (2 x 1)   (2)

        3.1.2   What is the main aim of South Africa's National Development Plan (NDP)?   (1 x 2)   (2)

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

Spatial Development Initiatives in SA

Windhoek

Phalaborwa SDI

Maputo Development Corridor

Platinum SDI

Coast 2 Coast Corridor

Gabarone   Polokwane

Mbombela

Pretoria

Mahikeng

Johannesburg   Maputo

Lubombo SDI

Kimberley

Ulundi

Bloemfont

Richards Bay SDI

West Coast Investment Initiatives

Durban

A

Saldanha Bay

Bhisho

Cape Town

Fish River SDI

[Source: *SA Yearbook, 2013/2014*]

        3.2.1   Name the SDI indicated by **A**.   (2)

        3.2.2   Define *spatial development initiatives*.   (2)

        3.2.3   What is the main focus of SDIs?   (1 x 2)   (2)

        3.2.4   What is the difference between *industrial development zones* and *special economic zones*?   (2 x 2)   (4)

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

BLACK ECONOMIC EMPOWERMENT

Towards broad-based growth

Black economic empowerment – or broad-based black economic empowerment, as it is technically known – is not affirmative action, although employment equity forms part of it. Nor does it aim to take wealth from one group and give it to another. It is essentially a growth strategy, targeting the South African economy's weakest point: inequality.

'No economy can grow by excluding any part of its people, and an economy that is not growing cannot integrate all of its citizens in a meaningful way. As such, this strategy stresses a BEE process that is associated with growth, development and enterprise development, and not merely the redistribution of existing wealth,' the department of trade and industry says.

Black economic empowerment is an important policy instrument aimed at broadening the economic base of the country – and through this, at stimulating further economic growth and creating employment.

[Adapted from www.wikipedia.com]

3.3.1   According to the extract, what is the misconception regarding the BEE policy?   (1)

3.3.2   What is the focus of the BEE policy instrument?   (1)

3.3.3   How can broad-based growth be achieved?   (2 x 2)   (4)

3.3.4   Do you think that BEE is successful as a measure to redress inequalities of the past? Motivate your answer.   (2 x 2)   (4)

3.4   Differentiate between *economic growth* and *economic development*.   (2 x 4)   (8)

3.5   How can the South African government ensure that its industrial policies comply with international benchmarks?   (4 x 2)   (8)

[40]

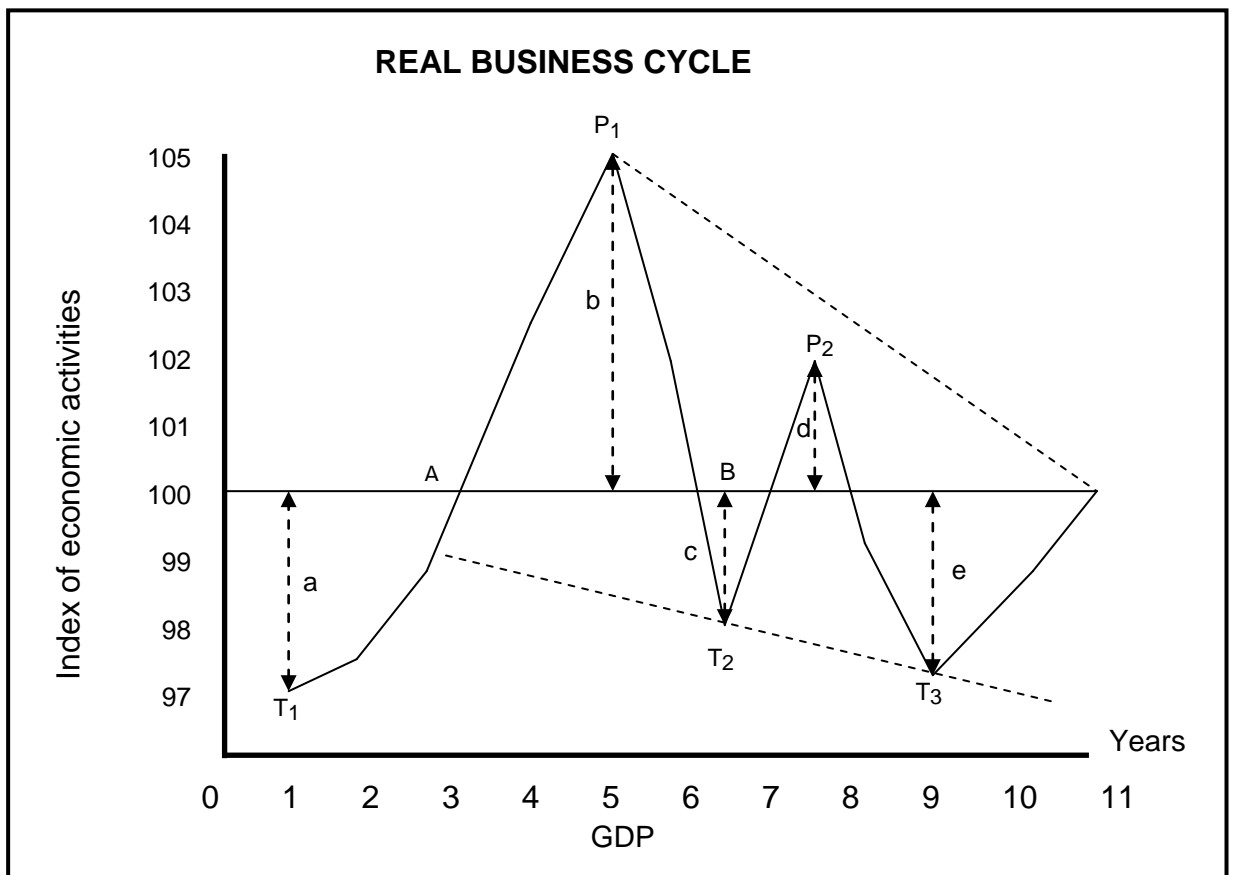**QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS**
                                                  40 MARKS – 20 MINUTES

4.1   Answer the following questions.

        4.1.1   Name TWO growth sectors of South Africa's Integrated
                  Manufacturing Systems (IMS).   (2 x 1)   (2)

        4.1.2   How can extrapolation be used in predicting business cycles?
                                                                       (1 x 2)   (2)

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

4.2.1   What do dotted lines **a** and **b** represent?   (2 x 1)   (2)

4.2.2   Define the term *real (actual) business cycles.*   (2)

4.2.3   What is the importance of the length $(T_2–T_3)$ of a business cycle?   (2)

4.2.4   What can the government do to ensure that high inflation does not
          occur during peaks of business cycles?   (4)

4.3 Study the cartoon below and answer the questions that follow.
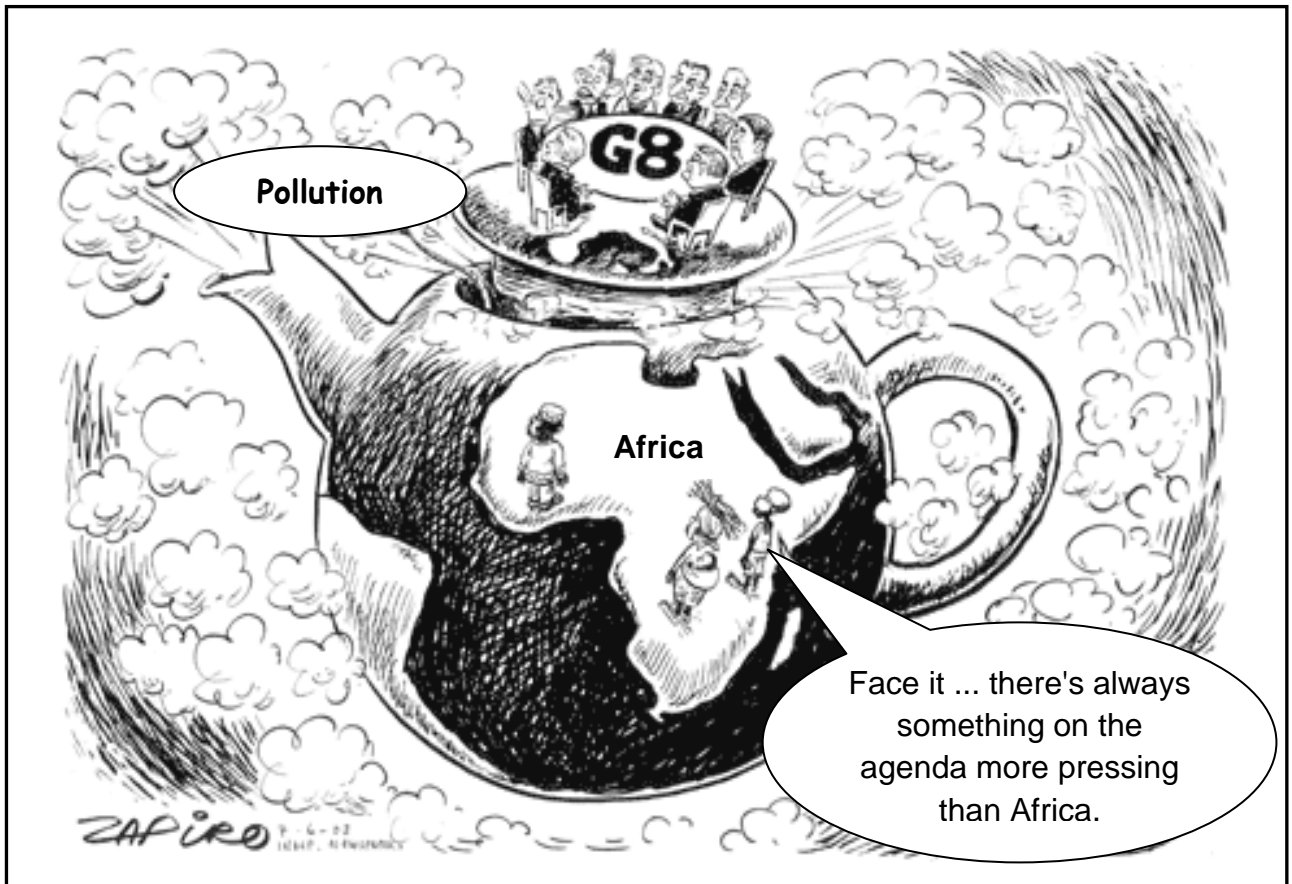
[Source: www.economicscartoons.com]

4.3.1 What message is depicted in the cartoon above? (2)

4.3.2 Name TWO countries that belong to the G8 group of countries.
(2 x 1) (2)

4.3.3 Give a reason why African countries feel that the G8 countries neglect Africa. (2)

4.3.4 Why will the Gini-coefficient of G8 countries in the North differ from that of countries in the South? (2 x 2) (4)

4.4 Explain the methods to promote exports. (4 x 2) (8)

4.5 Evaluate the success of economic growth and price stability as a part of government's macroeconomic objectives. (2 x 4) (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	Max. 2
Body: **Main part:** Discuss in detail/In-depth discussion/Examine/ Critically discuss/Analyse/Compare/Evaluate/Distinguish/ Differentiate/Explain/Assess/Debate	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	Max. 10
Conclusion: Any higher-order conclusion should include: • A brief summary of what has been discussed without repeating facts already mentioned in the body • Any opinion or valued 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 – 35 MINUTES

Economists present the economy as a simplified economic circular-flow model to show how the different participants interact with each other.

- Discuss, in detail, without the use of a diagram, the interaction of all the participants in the open economic circular-flow model. (26)
- Explain the *multiplier process* by using a fully labelled graph. (10)

[40]

QUESTION 6: ECONOMIC PURSUITS   40 MARKS – 35 MINUTES

The wellbeing and development of society is very important; therefore the government prioritises the provision of goods and services to enhance social development.

- Analyse, in detail, the following social indicators:
    - Demographics
    - Nutrition and health
    - Services (26)
- In your opinion, how can economic development be promoted through the use of these social indicators? (10)

[40]

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