

SENIOR SECONDARY IMPROVEMENT PROGRAMME 2013



education

Department: Education

GAUTENG PROVINCE

GRADE 12

ECONOMICS

LEARNER NOTES

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SESSION 8**TOPIC: CONSOLIDATION EXERCISES****SECTION A: TYPICAL EXAM QUESTIONS****QUESTION 1: Multiple-choice 22 minutes***From Exemplar 2008*

- 1.1 The model that illustrates the continuous flow of spending, production and income between the different sectors in an economy, is known as a(n) ... model.
- A economic cycle
B circular flow
C business flow (2)
- 1.2 The number of new motor cars sold is a ... business cycle indicator.
- A lagging
B coincident
C leading (2)
- 1.3 The systematic record of all the transactions of a country's inhabitants with the rest of the world is known as the ...
- A trade balance.
B balance of payments.
C national budget. (2)

From DoE Nov. 2008

- 1.4 The new economic paradigm is embedded in ... policy/policies.
- A demand-side
B supply-side
C demand and supply-side (2)
- 1.5 The government's medium-term expenditure framework (MTEF) provides an outline of income and expenditure for the next ... years.
- A four
B three
C two (2)
- 1.6 If the rand/US dollar exchange rate changes from R6,80 to R7,00 to the dollar, then ...
- A imports will increase.
B the number of American tourists to SA will decrease.
C exports to the USA will increase. (2)

From DoE Feb/March 2009

- 1.7 South Africa is currently following a ... exchange rate system.
- A managed floating
B free floating
C fixed (2)

- 1.8 Large public corporations or business entities in the public sector are known as ...
 A parastatals.
 B corporates.
 C public companies. (2)
- 1.9 The GDP of a country is an example of a ... economic indicator in forecasting.
 A leading
 B lagging
 C coincident (2)

From DoE Nov. 2009

- 1.10 A reason for the existence of a public sector is to ...
 A provide private goods.
 B provide merit goods.
 C determine prices of consumer goods. (2)
- 1.11 When $I + G + X > S + T + M$, the level of national income will ...
 A rise.
 B fall.
 C remain the same. (2)
- 1.12 The change in the value of income divided by the change in the value of injections is known as ...
 A the circular-flow model.
 B Gross National Income.
 C the macro-economic multiplier. (2)

From DoE Feb/March 2010

- 1.13 A characteristic of public goods is that they are ...
 A excludable.
 B rival.
 C non-rival. (2)
- 1.14 South Africa uses a system of national accounts recommended by the ...
 A UN.
 B IMF.
 C World Bank. (2)
- 1.15 A demand for US dollar will occur when ...
 A placing a deposit with an American bank.
 B buying shares in South African firms.
 C receiving interest from the World Bank. (2)

From DoE Nov. 2010

- 1.16 The distance of the fluctuation of a variable from the trend-line is measured by the ...
 A moving average.
 B amplitude.
 C frequency. (2)
- 1.17 The public sector in South Africa has ... levels.
 A two
 B five
 C three (2)

- 1.18 The value of the multiplier increases if the marginal propensity to ... increases.
A consume
B save
C to invest (2)

From DoE Feb/Mar. 2011

- 1.19 Changes in technology will lead to a ... business cycle.
A demand-driven
B supply-driven
C political (2)
- 1.20 Parastatals are business entities of a ... sector.
A commercial
B private
C public (2)
- 1.21 Taxes and subsidies on ... are taken into account when calculating GDP at basic prices.
A exports
B commodities
C production (2)

From DoE Nov. 2011

- 1.22 Consumption of fixed capital is used to calculate GDP at ...
A basic prices
B market prices
C factor cost (2)
- 1.23 Which period of the business cycle is associated with rising profits and consumption?
A Prosperity
B Downswing
C Trough (2)
- 1.24 Deliberate action by the South African Reserve Bank to lower the value of the rand is known as ...
A depreciation
B appreciation
C devaluation (2)

From DoE Nov. 2012

- 1.25 Indicators which change before the business cycle changes are called ... indicators.
A leading
B lagging
C coincident (2)
- 1.26 The purchase of shares on the JSE by a foreigner is an example of ... investments.
A indirect
B gilt-edged
C portfolio (2)

1.27 The new economic paradigm is embedded in ... side policies.

- A demand-
- B supply-
- C demand- and supply-

(2)
[54]

QUESTION 2**29 minutes***(DoE Exemplar 2008)*

Choose the correct word from those given in brackets.

From Exemplar 2008

1. Taxes form part of (leakages/injections) in the economic circular flow.
2. The lowest turning point in the business cycle is referred to as a (peak/trough).
3. The MTEF shows income and expenditure estimates for a (one/three)-year period.
4. A decrease in the value of a country's currency in terms of another currency by market forces, is known as (devaluation/depreciation). (4 x 2) (8)

From DoE Nov. 2008

5. Countries that experience fundamental balance of payments problems are usually assisted by the (World Bank/IMF).
6. The redistribution of income is essential in a (command/market) economy.
7. In economic forecasting, methods based on opinion and understanding is referred to as (quantitative/judgemental).
8. The output produced in South Africa by a French-owned company is part of South Africa's (GDI/GNI). (4 x 2) (8)

From DoE Feb/March 2009

9. A person who enjoys the benefit of goods without paying for them is regarded as a (dependent/free rider).
10. An increase in the level of taxation is indicative of a (restrictive/ expansionary) fiscal policy.
11. (Public/Private) goods are characterised by non-rivalry in consumption.
12. A deficit on the BOP will result in the value of foreign currency (appreciating/depreciating). (4 x 2) (8)

From DoE Nov. 2009

13. Balance of payments deficits can be corrected by (increasing/ decreasing) interest rates.
14. A deliberate measure by the state to reduce the value of a currency is known as (devaluation/depreciation).
15. (Consumer preferences/Technology) are/is a factor influencing the efficiency in the production of goods and services.
16. Labour is traded in the (factor/financial) market. (4 x 2) (8)

From DoE Feb/March 2010

17. Payment for goods and services represent a (real/money) flow in the circular-flow model.
18. Business cycles are measured from trough to (peak/trough).
19. The curve that helps one to understand the impact of tax on work effort is the (Lorenz/Laffer) curve.
20. The method of predicting the future of a business cycle, based on historical data, is known as (estimation/extrapolation). (4 x 2) (8)

From DoE Nov. 2010

21. The situation where a change in spending causes a larger than proportional change in aggregate demand, is the (multiplier/marginal propensity to consume).
22. (Restrictive/Expansionary) fiscal policy promotes economic activity.
23. (Nationalisation/Privatisation) is a process whereby state-owned enterprises are sold to individuals.
24. Countries with sustained balance of payments problems are usually assisted by the (World Bank/International Monetary Fund). (4 x 2) (8)

From DoE Feb/March 2011

25. A country will have a/an (absolute/comparative) advantage if it can produce a good cheaper than anyone else.
26. Inflation will generally occur at the (peak/trough) of a business cycle.
27. Employment normally increases during an (upswing/downswing) of the economy.
28. Failure by the public sector in providing public goods results in the market providing those at (high/low) prices. (4 x 2) (8)

From DoE Nov. 2011

29. Household savings are channelled through the (labour/financial) market.
30. Real and money flows move in the (same/opposite) direction in the economic circular flow model.
31. Terms of (trade/agreement) describes the relationship between export prices and import prices.
32. Financial aid schemes in rural areas form part of government's (economic/social) services. (4 x 2) (8)

From DoE Feb/March. 2012

33. In the circular flow, savings is an example of a/an (leakage/injection).
 34. Direct investments include investment in (antiques/fixed property).
 35. The budget is presented to parliament by the Minister of (Finance/Public Enterprises).
 36. Government intervention was condemned by the (Keynesians/Monetarists). (4 x 2) (8)
- [64]

SECTION B: HOMEWORK

QUESTION 1: 12 minutes*(Taken from the Answer Series)*

Use the information in the table below to answer the questions that follow:

Consumption spending	R120m
Government spending	R80m
Marginal propensity to consume	0.5
Investment spending	R140m
Imports	R30
Exports	R20m

- 1.1 Explain each element of the equation used to calculate Aggregate Income (Y). (12)
 - 1.2 Use the figures in the above table to calculate Aggregate Income (Y). (4)
 - 1.3 Calculate the value of the simple multiplier. (4)
- [20]

QUESTION 2: 10 minutes*(Taken from the Answer Series)*

Explain how the fiscal policy is used to stimulate a depressed economy. [16]

QUESTION 3:**12 minutes***(Taken from the Answer Series)*

TRUE or FALSE

- 3.1 The provincial government is responsible for street lighting.
- 3.2 It is not possible to exclude individuals from using community goods.
- 3.3 The national budget is an instrument of the monetary policy.
- 3.4 South Africa uses a progressive tax system.
- 3.5 A Laffer curve is used to show the relationship between government revenue and tax rates.
- 3.6 Health gyms are charged an excise duty.
- 3.7 The main budget is presented in October each year.
- 3.8 Rent-seeking is when landlords go around looking for their rent.
- 3.9 Taxation is an instrument of the fiscal policy.
- 3.10 Corruption only takes place in the public sector. (2 x 10) [20]

QUESTION 4:**8 minutes***(Taken from the Answer Series)*

- 4.1 List THREE types of exchange rate systems. (6)
 - 4.2 List the THREE items included in the financial account. (6)
- [12]

SECTION C: SOLUTIONS AND HINTS TO SECTION A**QUESTION 1: Multiple-choice**

- | | | | |
|------|------------------------------------|------|--|
| 1.1 | B (circular flow) ✓✓ | 1.15 | A (placing a deposit with an American bank) ✓✓ |
| 1.2 | C (leading) ✓✓ | 1.16 | B (amplitude) ✓✓ |
| 1.3 | B (balance of payments) ✓✓ | 1.17 | C (three) ✓✓ |
| 1.4 | C (demand and supply-side) ✓✓ | 1.18 | A (consume) ✓✓ |
| 1.5 | B (three) ✓✓ | 1.19 | B (supply-driven) ✓✓ |
| 1.6 | C (exports to the USA increase) ✓✓ | 1.20 | C (public) ✓✓ |
| 1.7 | B (free floating) ✓✓ | 1.21 | C (production) ✓✓ |
| 1.8 | A (parastatals) ✓✓ | 1.22 | C (factor cost) ✓✓ |
| 1.9 | C (coincident) ✓✓ | 1.23 | A (propensity) ✓✓ |
| 1.10 | B (provide merit goods) ✓✓ | 1.24 | C (devaluation) ✓✓ |
| 1.11 | A (rise) ✓✓ | 1.25 | A (leading) ✓✓ |
| 1.12 | C (macroeconomic multiplier) ✓✓ | 1.26 | C (portfolio) ✓✓ |
| 1.13 | C (non-rival) ✓✓ | 1.27 | C (demand- and supply-) ✓✓ |
| 1.14 | B (IMF) ✓✓ | | |

[54]**QUESTION 2***Exemplar 2008*

1. leakages ✓✓
2. trough ✓✓
3. three ✓✓
4. depreciation ✓✓

DoE Nov. 2008

5. IMF ✓✓
6. market ✓✓
7. judgemental ✓✓
8. GDI ✓✓

DoE Feb/March 2009

9. Free rider ✓✓
10. Restrictive ✓✓
11. Public ✓✓
12. Appreciating ✓✓

DoE Nov. 2009

13. Increasing ✓✓
14. Devaluation ✓✓
15. Technology ✓✓
16. Factor ✓✓

DoE Feb/March 2010

17. Money ✓✓
18. Trough ✓✓
19. Laffer ✓✓
20. Extrapolation ✓✓

DoE Nov. 2010

21. Multiplier ✓✓
22. Expansionary ✓✓
23. Privatisation ✓✓
24. International Monetary Fund (IMF) ✓✓

From DoE Feb/March 2011

25. Absolute ✓✓
26. peak ✓✓
27. upswing ✓✓
28. high ✓✓

From DoE Nov. 2011

29. financial ✓✓
30. opposite ✓✓
31. trade ✓✓
32. economic/social ✓✓

From DoE Feb/March 2012

33. leakage ✓✓
34. fixed property ✓✓
35. finance ✓✓
36. Monetarists ✓✓

(8 x 8) [64]

SESSION 12**TOPIC: CONSOLIDATION****SECTION A: TYPICAL EXAM QUESTIONS****QUESTION 1: Multiple-choice questions****22 minutes***Taken from DOE Exemplar 2008*

- 1.1 The interest that an entrepreneur forfeits on his/her own capital that he/she is using in the business, is regarded as ... costs.
- A explicit
 - B indirect
 - C implicit
- 1.2 A monopolist, in comparison with a perfect competitor, will produce ...
- A less and charge more.
 - B more and charge the same.
 - C more and charge less.
- 1.3 Cost-benefit analysis is a technique for enumerating and evaluating the total social cost and total social ... associated with an economic project.
- A benefit
 - B need
 - C income

Taken from DOE Nov 2008

- 1.4 Telkom is a typical example of ...
- A an oligopoly
 - B a perfect market
 - C a monopoly
- 1.5 A condition where a market does not allocate resources to achieve the greatest possible consumer satisfaction, is called ...
- A market power
 - B market failure
 - C market equilibrium
- 1.6 The market strategy used by oligopolies to attract customers and increase their market share is called ...
- A price differentiation
 - B free competition
 - C limited competition

Taken from DOE Feb/March 2009

- 1.7 As a rule, the firm should shut down its business at the point where its ...
- A $MR = AVC$
 - B $MR = ATC$
 - C $MC = MR$

- 1.8 The ... tries to give all South Africans equal opportunities to participate fairly in economic activities.
- A Competition Commission
 - B South African Reserve Bank
 - C Prosecution Commission
- 1.9 Product differentiation and ... play an important role in non-price competition.
- A price
 - B government policy
 - C advertising

Taken from DOE Nov. 2009

- 1.10 An example of perfect competition is the ...
- A crude-oil market.
 - B JSE Securities Exchange.
 - C International Diamond Exchange.
- 1.11 The rationale for a cost-benefit analysis is ...
- A efficient resource allocation.
 - B high prices.
 - C the redistribution of wealth.
- 1.12 "I don't meet competition, I crush it." This statement was probably made by a ...
- A perfect competitor
 - B monetarist
 - C monopolist

Taken from DOE Feb/March 2010

- 1.13 Because of its lack in market power, the perfectly competitive business is a ...
- A price maker
 - B price taker
 - C price competitor
- 1.14 If two producers control a market structure, it is known as a ...
- A monopoly
 - B cartel
 - C duopoly
- 1.15 The largest or dominant business in the steel or food industry is referred to as a/an ...
- A price taker
 - B price leader
 - C oligopoly

Taken from DOE Nov. 2010

- 1.16 An oligopoly can be described as a market structure with ... business(es)/firm(s).
- A one
 - B few
 - C many

- 1.17 Maximum profit is earned at the point where marginal revenue is equal to ...
- A average cost
 - B total cost
 - C marginal cost
- 1.18 An example of a cartel is ...
- A the Organisation of Petroleum Exporting Countries (OPEC)
 - B Coca-Cola
 - C Pick n Pay

Taken from DOE Feb/March 2011

- 1.19 A/An ... is made up of all individual businesses that supply produce to a particular market.
- A cartel
 - B macro business
 - C industry
- 1.20 The concept that describes a state in which all opposing market forces are balanced, is known as ...
- A collusion
 - B equilibrium
 - C competition
- 1.21 The assumption used by economists to describe a state where all other factors remain unchanged, is known as the ... rule.
- A ceteris paribus
 - B free-rider
 - C constant

Taken from DOE Nov. 2011

- 1.22 Products of a perfect competitor are ...
- A unique
 - B differentiated
 - C homogeneous
- 1.23 Industries where economies of scale are so large that a single business can supply the entire market is typical of a ... monopoly.
- A natural
 - B legal
 - C local
- 1.24 A situation where identical products are sold at different prices to different consumers is referred to as price ...
- A differentiation
 - B stability
 - C discrimination

Taken from DOE Feb/March 2012

- 1.25 To reduce cost without producing fewer goods, refers to ...
- A production efficiency
 - B productive efficiency
 - C opportunity cost
- 1.26 In the case of merit goods, the market tends to ... these goods.
- A oversupply
 - B undersupply
 - C tax
- 1.27 A firm will increase production when ...
- A $MC = MR$
 - B $MC > MR$
 - C $P = MC$

(2 x 27) [54]

QUESTION 2:

30 minutes

Choose the correct word from those given in brackets.

Taken from DOE Exemplar 2008

- 2.1 All products sold in the perfect market, are (homogeneous/heterogeneous).
- 2.2 A typical cost-benefit analysis involves (six/seven) stages.
- 2.3 Cigarettes, alcohol and non-prescription drugs are typical examples of (demerit/merit) goods.
- 2.4 Brands like OMO and KFC play a significant role in (perfect/imperfect) markets.
- (4 x 2) (8)

Taken from DOE Nov. 2008

- 2.5 The main objective of the Competition (Commission/Tribunal) of South Africa is to investigate and evaluate restrictive business practices.
- 2.6 To enumerate and evaluate the total social cost and benefits associated with an economic project, a (feasibility study/cost benefit analysis) should be done.
- 2.7 High development costs can be a possible reason for the existence of a/an (perfect/imperfect) market.
- 2.8 A monopolistic competitor is able to make (normal/economic) profit over the short and the long term.
- (4 x 2) (8)

Taken from DOE Feb/March 2009

- 2.9 A mechanism that brings buyers and sellers together is known as a (tribunal/market).
- 2.10 All things being equal, one can expect a monopoly market to have higher prices and (higher/lower) output than in a perfect market.
- 2.11 The value of inputs that are owned by the entrepreneur and being used in the production process is known as (implicit / explicit) cost.
- (3 x 2) (6)

Taken from DOE Nov. 2009

- 2.12 Private cost is known as (internal/external) cost.
 2.13 People who use a service without paying are called (parasites/ free riders).
 2.14 Public parks and beaches are examples of (demerit/collective) goods. (3 x 2) (6)

Taken from DOE Feb/March 2010

- 2.15 Profit is maximised when marginal revenue equals (marginal/ average) cost.
 2.16 The inefficient allocation of resources is referred to as (scarcity/ market failure).
 2.17 Traffic lights are referred to as (public/private) goods.
 2.18 A combination of a monopoly and perfect competition is best described as (monopolistic competition/a mixed market system). (4 x 2) (8)

Taken from DOE Nov. 2010

- 2.19 Collusion is typical of the (oligopolistic/monopolistic) market.
 2.20 The market for water and electricity is an example of a/an (natural/ artificial) monopoly.
 2.21 The demand curve of a perfect competitor is the same as his marginal (revenue/cost) curve.
 2.22 The market supply (can/cannot) be controlled by the monopolist. (4 x 2) (8)

Taken from DOE Feb/March 2011

- 2.23 A market structure where approximately ten sellers selling soccer kit, is known as a/an (duopoly/oligopoly).
 2.24 Entry into a monopolistic competitive market is (free/restricted).
 2.25 The state provides community goods like (amusement parks/ street lights).
 2.26 The mechanism that brings buyers and sellers together is known as (the public sector/a market). (4 x 2) (8)

Taken from DOE Nov. 2011

- 2.27 In a (positive/negative) externality the private cost of production is less than the social cost of production.
 2.28 Governments intervene and ensure that sufficient quantities of staple foods are produced by setting (minimum/maximum) prices for these goods.
 2.29 The shape of the demand curve for a monopolistic competitor is (the same/not the same) as that of a monopolist.
 2.30 When the product mix does not reflect the consumer's taste, it indicates a/an (productive/allocative) inefficiency. (4 x 2) (8)

Taken from DOE Feb/March 2012

- 2.31 Decisions without interference from the government, describe a/an (regulated/ unregulated) market.
 2.32 Costs which remain the same regardless of the level of production are called (fixed/variable) costs.
 2.33 Pollution is a form of a (private/social) cost.
 2.34 Eskom is an example of a/an (natural/artificial) monopoly. (4 x 2) (8)

[68]

SECTION B: HOMEWORK**QUESTION 1: 24 minutes***(Taken from The Answer Series)*

True or False

- 1.1 The perfect competitor also takes into account the actions of its competitors.
- 1.2 The demand curve for a perfectly competitive business is a horizontal line.
- 1.3 Collusion is allowed in all countries.
- 1.4 Monopolistic competitors have no control over prices.
- 1.5 Cartels are examples of explicit collusion.
- 1.6 Licensing is one of the barriers found in a perfect market.
- 1.7 In an oligopoly we find products that are similar and products that are different.
- 1.8 Monopolies are price makers.
- 1.9 Advertising is the basis for non-price competition.
- 1.10 The competition act of 1998 regulates competition in South Africa.
- 1.11 A normal profit includes a salary for the entrepreneur.
- 1.12 A monopoly is guaranteed a profit.
- 1.13 Externalities are always negative.
- 1.14 Public goods cannot be withheld from people who do not pay for it.
- 1.15 A regressive tax system can be used to redistribute income.
- 1.16 The government will conduct a CBA before building a school.
- 1.17 Social costs and benefits include private costs and benefits.
- 1.18 In an imperfect market, average revenue is always equal to marginal revenue.
- 1.19 When your marginal costs are less than your average costs, you will have an economic profit.
- 1.20 The profit where marginal costs intersect marginal revenue is the point of profit maximisation. (20 x 2) [40]

QUESTION 2: 20 minutes*(Taken from The Answer Series)*

- 2.1 Compare perfect market with a monopoly.
- 2.2 Explain how the price-quantity combination is calculated in an imperfect market. (16 x 2)[32]

QUESTION 3: 10 minutes*(Taken from The Answer Series)*

Before building a school the government will do a CBA. Answer the questions that follow.

- 3.1 Describe the process that economists use to conduct a cost-benefit analysis. (4)
 - 3.2 List three items under costs that will need to be measured. (6)
 - 3.3 List three items under benefits that will need to be measured. (6)
- [16]

SECTION C: SOLUTIONS AND HINTS TO SECTION A

QUESTION 1:**22 minutes***Taken from DOE Exemplar 2008*

- 1.1 C (implicit) ✓✓
 1.2 A (less and ask more) ✓✓
 1.3 A (benefit) ✓✓

Taken from DOE Nov. 2008

- 1.4 C (monopoly) ✓✓
 1.5 B (market failure) ✓✓
 1.6 A, B, C ✓✓

Taken from DOE Feb/March 2009

- 1.7 A (MR = AVC) ✓✓
 1.8 A (Competition Commission) ✓✓
 1.9 C (advertising) ✓✓

Taken from DOE Nov 2009

- 1.10 B (JSE Securities Exchange) ✓✓
 1.11 A (efficient resource allocation) ✓✓
 1.12 C (monopolist) ✓✓

Taken from DOE Feb/March 2010

- 1.13 B (price taker) ✓✓
 1.14 C (duopoly) ✓✓
 1.15 B (price leader) ✓✓

Taken from DOE Nov. 2010

- 1.16 B (few) ✓✓
 1.17 C (marginal cost) ✓✓
 1.18 A (Organisation of Petroleum Exporting Countries (OPEC)) ✓✓

Taken from DOE Feb/March 2011

- 1.19 C (industry) ✓✓
 1.20 B (equilibrium) ✓✓
 1.21 A (ceteris paribus) ✓✓

Taken from DOE No.v 2011

- 1.22 C (homogeneous) ✓✓
 1.23 A (natural) ✓✓
 1.24 C (discrimination) ✓✓

Taken from DOE Feb/March 2012

- 1.25 B (productive inefficiency)
 1.26 B (undersupply)
 1.27 B $MR > MC$

(2 x 27) [54]

QUESTION 2:**30 minutes***Taken from DOE Exemplar 2008*

- 2.1 homogeneous ✓✓
 2.2 seven ✓✓
 2.3 demerit ✓✓
 2.4 imperfect ✓✓ (4 x 2) (8)

Taken from DOE Nov. 2008

- 2.5 Commission ✓✓
 2.6 cost-benefit analysis ✓✓
 2.7 imperfect ✓✓
 2.8 economic ✓✓ (4 x 2) (8)

Taken from DOE Feb/March 2009

- 2.9 Market ✓✓
 2.10 Lower ✓✓
 2.11 Implicit ✓✓ (3 x 2) (6)

Taken from DOE Nov. 2009

- 2.12 Internal ✓✓
 2.13 Free riders / parasites ✓✓
 2.14 Collective ✓✓ (3 x 2) (6)

Taken from DOE Feb/March 2010

- 2.15 Marginal ✓✓
 2.16 Market failure ✓✓
 2.17 Public goods ✓✓
 2.18 Monopolistic competition ✓✓
 (4 x 2) (8)

Taken from DOE Nov. 2010

- 2.19 Oligopolistic ✓✓
 2.20 Natural / artificial ✓✓
 2.21 Revenue ✓✓
 2.22 Can ✓✓ (4 x 2) (8)

Taken from DOE Feb/March 2011

- 2.23 oligopoly ✓✓
 2.24 free ✓✓
 2.25 street lights ✓✓
 2.26 a market ✓✓ (4 x 2) (8)

Taken from DOE Nov. 2011

- 2.27 negative ✓✓
 2.28 maximum / minimum ✓✓
 2.29 the same ✓✓
 2.30 allocative ✓✓ (4 x 2) (8)

Taken from DOE Feb/March 2012

- 2.31 unregulated ✓✓
 2.32 fixed ✓✓
 2.33 social ✓✓
 2.34 artificial ✓✓ (4 x 2) (8)

[68]

SESSION 10**TOPIC: CONSOLIDATION****SECTION A: TYPICAL EXAM QUESTIONS****QUESTION 1: 22 minutes**

Multiple-choice questions

Taken from DOE Exemplar 2008

- 1.1 South Africa has a ... economy.
- A developed
 - B closed
 - C developing
- 1.2 The inflation target range of the South African Reserve Bank is ...
- A 2% – 5%.
 - B 3% – 5%.
 - C 3% – 6%.
- 1.3 Exports can be promoted through ...
- A incentives and subsidies.
 - B exchange control.
 - C restrictions on free trade.

Taken from DOE Nov .2008

- 1.4 The process whereby indigenous people are empowered in development is called ...
- A Skills Support Programme (SSP).
 - B Black Economic Empowerment (BEE).
 - C Industrial Development Zones (IDZ).
- 1.5 South Africa's agreement with the WTO is to ... trade.
- A liberalise
 - B rationalise
 - C nationalise
- 1.6 An indicator related to price changes is the ...
- A Consumer Price Index (CPI).
 - B Economically Active Population (EAP).
 - C Gross Domestic Product (GDP).

Taken from DOE Feb/March 2009

- 1.7 When a firm sells its goods in a foreign country at a lower price than in the domestic market, it is regarded as ...
- A import substitution.
 - B dumping.
 - C national trade.

- 1.8 The application of a trade policy whereby the state discourages the importing of certain goods, is known as ...
- A protectionism.
 - B exchange control.
 - C export promotion.
- 1.9 Cash grant incentives for projects that require new or improved construction of roads forms part of the ...
- A Foreign Investment Grant.
 - B Critical Infrastructure Programme.
 - C Strategic Investment Projects.

Taken from DOE Nov. 2009

- 1.10 The government's macroeconomic strategy, GEAR, ...
- A promotes economic growth.
 - B focuses on increased unemployment.
 - C will always lead to a decrease in exports.
- 1.11 SMMEs create employment for ...
- A foreign unemployed people.
 - B highly skilled unemployed people only.
 - C structurally unemployed people.
- 1.12 An advantage of import substitution is that the domestic economy becomes ...
- A less competitive.
 - B more diversified.
 - C less protected.

Taken from DOE Feb/March 2010

- 1.13 Economic development ...
- A is the same as economic growth.
 - B leads to an increase in poverty.
 - C is an increase in the level of economic welfare.
- 1.14 The national government's initiative aimed at economic development of specific locations in South Africa, is called ...
- A SDI.
 - B DTI.
 - C DOT.
- 1.15 Dumping ...
- A increases government's revenue.
 - B stabilises the balance of payments.
 - C increases unemployment.

Taken from DOE Nov. 2010

- 1.16 The aim of the ... is to develop Africa as an economic and monetary union.
- A Southern African Development Community (SADC)
 - B European Union (EU)
 - C African Union (AU)

- 1.17 Small, medium and micro enterprises (SMMEs) create employment for ... unemployed people.
- A seasonally
 - B structurally
 - C frictionally
- 1.18 Economic development impacts mainly on ...
- A the standard of living.
 - B the real gross domestic product.
 - C aggregate supply.

Taken from DOE Feb/March 2011

- 1.19 Lowering the interest rate can be classified as a ... approach to economic growth.
- A supply-side
 - B fiscal
 - C demand-side
- 1.20 The indicator used to measure gross domestic product, interest rates and unemployment rates is called the ...
- A economic cycle
 - B economic indicator
 - C leading indicator
- 1.21 A major task of the Department of Trade and Industry is to encourage ... exports.
- A value-added
 - B agricultural
 - C mineral

Taken from DOE Nov. 2011

- 1.22 A purpose-built industrial estate which is physically enclosed and linked to an international port is a/an ...
- A industrial development zone
 - B corridor
 - C industrial development community
- 1.23 An important economic development institution in Southern Africa is ...
- A the SARB
 - B ABSA
 - C the DBSA
- 1.24 Government policies relating to manufacturing are often called ... policies.
- A developmental
 - B industrial
 - C tax

Taken from DOE Feb/March 2012

- 1.25 Globalisation is increased by trade ...
- A liberalisation
 - B restrictions
 - C barriers

- 1.26 To reap the benefits of efficient markets, countries rely on the principle of ... advantage.
- A comparative
 - B competitive
 - C relative
- 1.27 The policy which reflects the demographic and gender profile of the country is known as the ... policy.
- A Black Economic Empowerment
 - B land restitution
 - C affirmative action
- (2 x 27).[54]

QUESTION 2: 30 minutes

Choose the correct word from those given in brackets.

Taken from DOE Exemplar 2008

- 2.1 The percentage change in real GDP has an impact on economic (growth/development).
- 2.2 The South African government identified (tourism/small businesses) as one of the key growth sectors of the economy.
- 2.3 Economic boycotts lead to (forced/voluntary) import substitution.
- 2.4 A measure used to determine the relative degree of income inequality in a country is known as the (Gini coefficient/per capita income). (4 x 2) (8)

Taken from DOE No. 2008

- 2.5 Decisions by central banks to influence interest rates are included in the (monetary/fiscal) policy.
- 2.6 Purpose-built industrial estates which are physically enclosed or linked to an airport, are called (IDZ/SDI).
- 2.7 South Africa is classified as a (developed/developing) country.
- 2.8 Economic boycotts lead to (forced/voluntary) import substitution. (4 x 2) (8)

Taken from DOE Feb/March 2009

- 2.9 Tariffs that are calculated as a percentage of the value of the imported goods are said to be (direct/ad valorem) tariffs.
- 2.10 Increasing the standard of living is a goal of economic (growth/ development).
- 2.11 A spatial area that forms a passageway and advantages mining, manufacturing and business is called a (corridor/industrial development zone).
- 2.12 Employment is classified as a/an (economic/social) indicator. (4 x 2) (8)

Taken from DOE Nov. 2009

- 2.13 South Africa is a developing country with a (dualistic/centrally planned) economy.
- 2.14 One of the key growth areas in the primary sector is (energy/food) production.
- 2.15 Restricting imports refers to (quotas/free trade).
- 2.16 An economic indicator relating to production is (real GDP/CPI). (4 x 2) (8)

Taken from DOE Feb/March 2010

- 2.17 Rail transport forms part of the (physical/social) infrastructure.
- 2.18 One of the technological institutions for the development of industry in South Africa is the (CSIR/HSRC).
- 2.19 A disadvantage of export promotion is a (lack of competition/ decrease in domestic production).
- 2.20 The Critical Infrastructure Programme [Framework] provides a tax-free (cash grant incentive/loan). (4 x 2) (8)

Taken from DOE Nov. 2010

- 2.21 The (World Trade Organisation/World Bank) helps to promote free trade by persuading countries to abolish import tariffs.
- 2.22 The (European Union/New Partnership for Africa's Development) plays a central role in promoting economic recovery in Africa.
- 2.23 The growth, employment and redistribution programme formulates general economic (guidelines/strategies).
- 2.24 The (human/poverty) development index focuses on living a long and healthy life, being educated and having a decent standard of living. (4 x 2) (8)

Taken from DOE Feb/March 2011

- 2.25 An increase in the real value of production in a country is known as economic (growth/development).
- 2.26 An example of a measure taken by the government to redress the inequalities of the past is (Special Development Initiatives/Black Economic Empowerment).
- 2.27 An import (subsidy/quota) limits the quantity of goods or a service that can be imported into a country.
- 2.28 An organisation which acts as a trade dispute mediator is known as the (WTO/IMF). (4 x 2) (8)

Taken from DOE Nov. 2011

- 2.29 Actions that restrict free operation of markets is called (regulation/deregulation).
- 2.30 Monetary policy decisions are made by (commercial/central) banks.
- 2.31 Economic (centralisation/decentralisation) refers to regional development across the country.
- 2.32 The (Competition Equity/Broad-Based Black Economic Empowerment) Act forms the legal basis for the transformation of the South African economy. (4 x 2) (8)

Taken from DOE Feb/March 2012

- 2.33 A budget deficit of less than (3%/10%) of the GDP is an acceptable benchmark in line with international best practice.
- 2.34 Economic growth consists of growth of real (per capita GDP/GDP).
- 2.35 Export processing zones are (free-trade/protectionist) areas linked to a harbour or airport.
- 2.36 Loans to the public and private sector for infrastructure development are granted by the (SARB/DBSA). (4 x 2) (8)

[72]

SECTION B: HOMEWORK**QUESTION 1:****12 minutes***(Taken from The Answer Series)*

Multiple-choice questions

- 1.1 The use of fiscal and monetary policy instruments can be classified as a _____ approach to economic growth.
 - A. Demand-side
 - B. Supply-side
 - C. Monetarist
- 1.2 Which policy was introduced to ensure that the South African economy grows at a rate of 6% and above?
 - A. GEAR
 - B. AsgiSA
 - C. RDP
- 1.3 The G8 countries represent the _____ side of the development gap.
 - A. Dependent
 - B. Southern
 - C. Northern
- 1.4 The BEE scorecard is published by the _____.
 - A. DTI
 - B. SARB
 - C. ANC
- 1.5 The second economy refers to the _____.
 - A. Black market
 - B. Informal sector
 - C. Secondary sector
- 1.6 Subsidies paid to local businesses are part of the _____ policy.
 - A. Import substitution
 - B. Export promotion
 - C. Free trade
- 1.7 International trade is regulated by the _____.
 - A. WTO
 - B. UN
 - C. SADC
- 1.8 A _____ has a single monetary system.
 - A. Common market
 - B. Customs union
 - C. Economic union
- 1.9 Dumping in economic terms refers to _____.
 - A. Sale of cheap imported goods.
 - B. Removal of waste
 - C. Littering

1.10 Mercusor is a group of ____ countries.

- A. European
- B. Asian
- C. South American

(2 x 10) [20]

QUESTION 2: 12 minutes

(Taken from The Answer Series)

- 2.1 List THREE aims of the RDP. (2 x 3) (6)
 - 2.2 List THREE SDIs. (2 x 3) (6)
 - 2.3 List THREE functions of the WTO. (2 x 3) (6)
- [18]

SECTION C: SOLUTIONS AND HINTS TO SECTION A

QUESTION 1: 22 minutes

Multiple-choice questions

Taken from DOE Exemplar 2008

- 1.1 C (developing) ✓✓
- 1.2 C (3 % - 6 %) ✓✓
- 1.3 A (incentives and subsidies) ✓✓

Taken from DOE No. 2008

- 1.4 A (Skills Support Programme)/B (Black Economic Empowerment) ✓✓
- 1.5 A (liberalise) ✓✓
- 1.6 A Consumer Price Index (CPI) ✓✓

Taken from DOE Feb/March 2009

- 1.7 B (dumping) ✓✓
- 1.8 A (protectionism) ✓✓
- 1.9 B (Critical Infrastructure Programme) ✓✓

Taken from DOE Nov. 2009

- 1.10 A (promotes economic growth) ✓✓
- 1.11 A (foreign unemployed people) / C (structurally unemployed people) ✓✓
- 1.12 B (more diversified) ✓✓

Taken from DOE Feb/March 2010

- 1.13 C (is an increase in the level of economic welfare) ✓✓
- 1.14 A (SDI) ✓✓
- 1.15 C (increases unemployment) ✓✓

Taken from DOE Nov 2010

- 1.16 C (African Union (AU)) ✓✓
- 1.17 B (structurally) ✓✓
- 1.18 A (standard of living) ✓✓

Taken from DOE Feb/March 2011

- 1.19 C (demand-side) ✓✓
- 1.20 B (economic indicator) ✓✓
- 1.21 A (value-added) ✓✓

Taken from DOE Nov. 2011

- 1.22 C – demand-side ✓✓
- 1.23 B – economic indicator ✓✓
- 1.24 A – value-added ✓✓

Taken from DOE Feb/March 2012

- 1.25 A (liberalisation) ✓✓
- 1.26 A (comparative) ✓✓
- 1.27 C (affirmative action) ✓✓

(2 x 27) [54]

- **Services:** The General Household Survey was developed to measure the level of development and performance of various government programmes and projects. ✓✓
- One of the purposes of the GHS is to measure development indicators in the country, e.g. access to basic services such as piped water, electricity, refuse removal. ✓✓
- A number of services are vital to enhance people's lifestyles namely:
 - Electricity – increased from 50% in 1995. ✓✓
 - Refuse disposal – households in SA have access to refuse removal by local authorities once a week. ✓✓
 - Water supply – some 86% of households had access to clean water in 2004. ✓✓
 - Sanitation – some 57.1% of households in SA had access to flush or chemical facilities in 2004. ✓✓

Urbanisation:

- Can be described as a worldwide process of transformation whereby communities change from a rural to an urban place of residence. ✓✓
- Urban areas are usually faster growing and are normal feature of economic development. ✓✓
- More employment opportunities exists, higher wages and other perceptions of a better life in the city. ✓✓
- Urbanisation points out to governments and developers that land has to be provided for a variety of purposes and services. ✓✓

(Max 40)

Conclusion

From the above discussion it is clear that social indicators play a significant role in South Africa. It is, therefore, of the utmost importance that we should study their uses in depth. ✓✓

(2)

[50]

QUESTION 3:

6 minutes*(Taken from DOE Nov 2010)*

- 3.1 Life expectancy is the expected number of years a person would live ✓✓✓ (3)
- 3.2 Western Cape ✓✓✓ (3)
- 3.3
- Lack of education and training ✓✓
 - Ignorance ✓✓
 - Apartheid regime ✓✓
 - Poverty trap ✓✓
- Any other relevant reason. (4)

[10]

SELF-STUDY:**TOPIC 1: ECONOMIC INDICATORS**

Learner Note: Economic indicators indicate the way in which the economy is moving, and is broadcast daily on television and the radio.

SECTION A: TYPICAL EXAM QUESTIONS

QUESTION 1: **10 minutes** *(Taken from DoE Nov.2009)*

Discuss GDP and employment as economic indicators. [16]

QUESTION 2: **30 minutes** *(Taken from DoE Nov.2010)*

Discuss and assess the economic indicators as depicted below, in terms of the state of the South African economy. [50]

ECONOMIC INDICATORS MEASURE THE PERFORMANCE OF THE ECONOMY

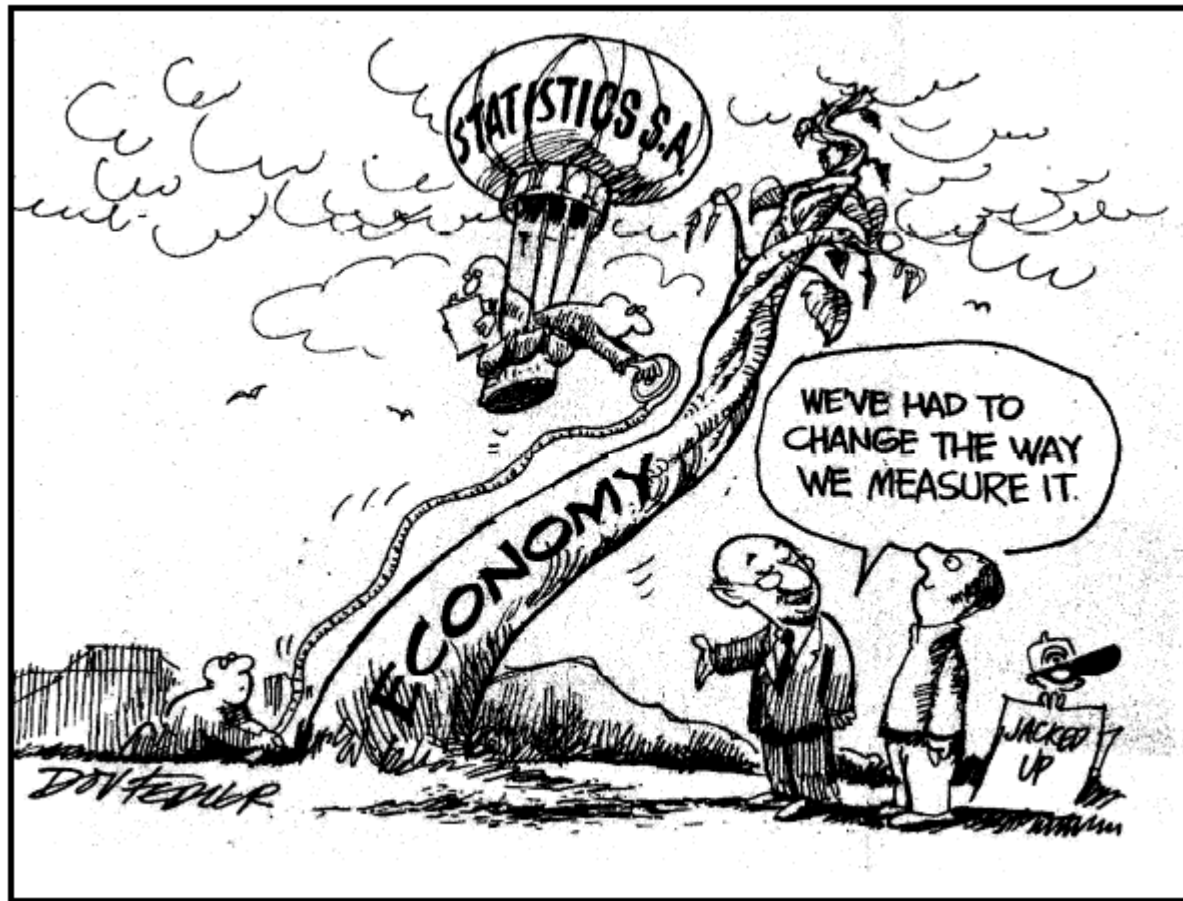
	2008	2009
R(GDP) - % change	-2%	-6%
PER CAPITA R(GDP)	R22 622	R23 403
CPI	9,0%	6,2%
REPO RATE	10,5%	7,5%
GINI COEFFICIENT	57,8	57,8

[Economic Indicators for South-Africa, *Quarterly Bulletin SARB*, June 2009]

QUESTION 3:

12 minutes

(Taken from DOE Exemplar 2008)



[Source: Business Report, 26 May 2006]

- 3.1 What role does the person talking in the cartoon play in the South African economy? (3)
 - 3.2 Name any TWO institutions responsible for publishing statistics in South Africa. (4)
 - 3.3 Why, in your opinion, was there a change in the way the economy is measured? (3)
 - 3.4 Who is involved in the international standardisation of economic indicators? Name any TWO organisations. (4)
 - 3.5 State any TWO uses of real per capita GDP figures. (6)
- [20]

QUESTION 4:

30 minutes

(Taken from DOE Exemplar 2008)

Analyse the information in the table below and evaluate South Africa's growth and development policies in terms of international best practice in a formal letter to the Minister of Finance.

[50]

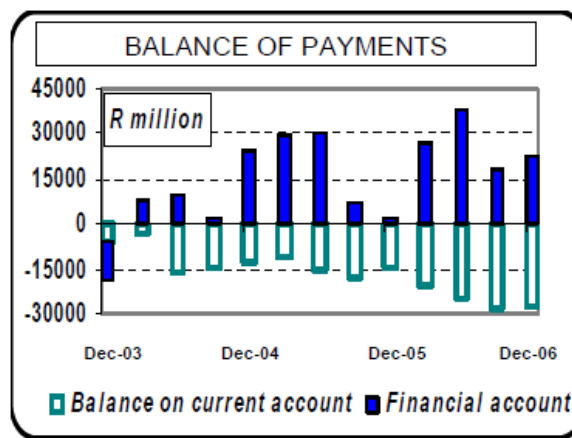
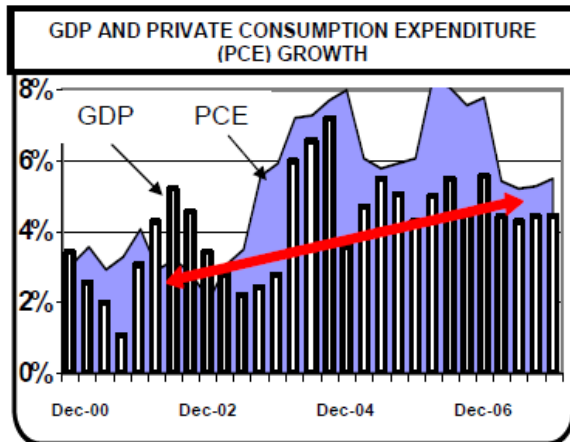
INDICATORS	1994	2000	2005
Real GDP (% increase)	3,2	4,2	4,9
Real per capita GDP (% increase)	1,1	2,1	3,5
Inflation: CPI (%)	9,0	5,3	3,4
CPIX (%)			
Employment (% increase)	0,4	-2,0	5,1
Exchange rate: rand per US\$	3,55	6,94	6,36
Reserves (% GDP)	3,1	9,1	18,7
Repo rate (% end of year)	13,0	12,0	7,0
Budget deficit as % of GDP	5,1	2,4	1,2

QUESTION 5:

12 minutes

(Taken from DOE Nov 2008)

South Africa in the process of change



[Source: US Business School, 2007]

- 5.1 Define the term *economic indicator*. (3)
 - 5.2 Which economic indicator can be used by the South African Reserve Bank to curb private consumption expenditure? (2)
 - 5.3 Name ONE institution in South Africa that publishes regular detailed data on some of the most important economic indicators. (2)
 - 5.4 From December 2002 to December 2006 a big difference between consumption and production occurred. What impact did this phenomenon have on imports? (3)
 - 5.5 The current account of the balance of payments shows a very strong resemblance (mirror image) to private consumption expenditure (PCE). Give a reason for this. (3)
 - 5.6 Which production-related economic indicator can be used to establish the performance of the economy in terms of growth? State any TWO uses of this indicator. (7)
- [20]

SECTION B: ADDITIONAL CONTENT NOTES
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ECONOMIC INDICATORS

- **Economic indicator:** A statistic (data) that shows the behaviour of an economic variable, usually over time.

Where do statistics come from?

- Statistics South Africa
- SARB
- Newspapers and financial magazines

GDP (Gross Domestic Product)

- **GDP:** Total value of all final goods and services produced within the borders of a country in one year.
- An increase in GDP will cause economic growth.
- GDP gives us an indication of:
 - Economic growth
 - High economic growth is one of the main economic objectives of a country.
 - An increase in GDP is not *always* an indication of economic growth. IT could be because of a rise in prices (inflation).
 - Therefore, instead of working with GDP at current prices, we need to adjust GDP to constant prices (Real GDP).
 - Calculate GDP per capita to calculate whether an increase in economic welfare has occurred, i.e. if an increase in real GDP has kept up with population growth.
- The relative importance of different sectors of the economy.
- Compare the contribution of different sectors over time.
- Comparison of South Africa's growth to that of other countries.

Full Employment

- The aim of providing everyone who is willing to work at the current wage rate with a job.
- Unemployment rate = $\frac{\text{Number of unemployed}}{\text{EAP}} \times 100$

Factors that have impacted negatively on the South African labour market:

- Slow economic growth
- A drop in the rate of capital formation
- Oversupply of unskilled labour
- Net emigration of skilled labour
- Restructuring of the economy
- Relatively high wages (as compared to inflation)
- Labour legislation
- Influence of the unions
- Labour unrest and strikes

Inflation Rate

- Price stability means that the rate at which prices increase should be as low as possible.
- Usually expressed as the average rate of change in the prices of all goods and services, i.e. the annual rate of change of the economy's general price level.
- Usually done by using changes in the consumer price index (CPI).

$$\text{Inflation rate} = \frac{\text{CPI}_{\text{year2}} - \text{CPI}_{\text{year1}}}{\text{CPI}_{\text{year1}}} \times \frac{100}{1}$$

	CPI	Inflation rate (%)
Year 1	100	
Year 2	112	12
Year 3	120	7.1

Group	Weight	Index for (2000 = 100)		Percentage change between 2005 and 2006
		2005	2006	
Cigarettes, cigars and tobacco	1.21	158.0	171.4	+8.5
Clothing and footwear	3.64	93.8	89.1	-5.0
Housing	20.70	113.8	115.0	+1.1
Fuel and power	3.84	131.9	135.7	+2.9
Furniture and equipment	2.82	115.9	114.9	-0.9
Household operation	4.68	135.1	143.1	+5.9
Medical care and health expenses	6.90	159.8	170.1	+6.4
Transport	13.72	120.0	129.9	+8.3
Communication	2.86	128.4	125.3	-2.4
Recreation and entertainment	3.04	96.7	96.8	+0.1
Reading matter	0.36	130.5	134.9	+3.4
Education	3.38	144.4	156.2	+8.2

Personal care	3.92	131.1	135.6	+3.4
Other	3.26	102.4	102.4	0.0
CPI: All items	100.00	126.1	130.9	+3.8

The South African consumer price index 2005 and 2006, source: Stats SA, January 2007

- CPIX = CPI excluding the effects of mortgage bond interest rates.
- The monetary policy committee of the SARB meets every few months to consider inflationary conditions and to decide on suitable monetary policy options.
- PPI predicts CPI inflation.
- PPI measures prices of:
 - Goods that are produced locally when they leave the factory yard.

- Goods that is imported when they enter the country.

Foreign Trade

- Exports serve to stimulate employment and imports serve to widen the choice of consumers.

Year	Exports as % of GDP	Imports as % of GDP
2000	27.8	24.9
2001	30.0	26.1
2002	32.7	29.1
2003	27.9	26.0
2004	26.6	27.3
2005	27.1	28.6

Source: SARB QB, March 2006

- Terms of trade
 - Ratio of export to import prices.
- Exchange rate
 - Changes in an exchange rate affect the prices that are paid for imports and earned by exports.
- Current account balance
 - Deficit could mean that a country is living beyond its means
OR that the country is developing rapidly
OR that it has been granted credit by other countries to finance imports
 - Surplus can indicate a strong competitive economy
OR a deteriorating economy
OR one with import substitution

Productivity

- Labour productivity: $\frac{\text{Real GDP}}{\text{Number of workers unemployed}}$.
- Remuneration per worker
 - Relationship between wages and productivity is crucial to
 - Employers → relates to profits
 - Employees → relates to standard of living

Monetary Conditions

- Money supply
 - M1A = coins and notes in circulation + bank accounts that can be used to make payments
 - M1 = M1A + other demand deposits
 - M2 = M1 + short term deposits + medium term deposits in financial institutions
 - M3 = M2 + long term deposits
 - M3 is the indicator used to set guidelines for the money supply in South Africa by the SARB as part of its monetary policy.

- Interest rates
 - Price of money: charge made for the use of borrowed money.
 - Money is lent or borrowed on financial markets:
 - money market (short term)
 - capital / bond market (long term)
 - Repo rate: SARB sets the repo rate and supplies whatever quantity of money is demanded by commercial banks at that price.
 - Prime rate: the lowest rate at which a bank will lend money to its best customers.
 - Nominal interest rates – quoted interest rates
Real interest rates – interest rates that have been adjusted for inflation
- JSE All Share index: shows what is happening to the overall value of all shares quoted on the JSE.
 - Dow Jones – New York
 - FTSE – London
 - DAX – Frankfurt
 - CAC40 – Paris
 - Hang Seng – Hong Kong
 - Nikkei – Tokyo
 - NASDAQ – no physical exchange. Trades in technology stocks on networked computers.

SECTION C: HOMEWORK

QUESTION 1:**17 minutes***(Source: Economics For All)*

- 1.1 List three economic indicators used to measure the performance of the economy. (6)
- 1.2 Distinguish between real and nominal GDP. (6)
- 1.3 Name 5 factors that have had a negative impact on South Africa's labour market. (10)
- 1.4 Distinguish between CPI and CPIX. (6)
- [28]

QUESTION 2:**15 minutes***(Taken from The Answer Series)*

- 2.1 Name THREE economic indicators. (6)
- 2.2 Discuss GDP and Full employment as economic indicators. (16)
- [22]

SECTION D: SOLUTIONS AND HINTS TO SECTION A
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QUESTION 1:**10 minutes***(Taken from DoE Nov.2009)***GDP:**

- GDP is total value of all final goods and services produced within the borders of a country in one year ✓✓
- Measures total production of an economy ✓✓
- Formula: $\frac{GDP_t - GDP_o}{GDP_o} \times 100$ ✓✓
- Increased GDP will cause economic growth ✓✓
- Gives an indication of:
 - economic growth ✓✓
 - relative importance of different sectors in economy ✓✓
 - South Africa's economic growth in relation to growth of other countries ✓✓
 - Real GDP measures growth performance of economy ✓✓ / GDP adjusted with price increases ✓✓
 - Real GDP used in forecasting ✓✓ real GDP used to describe business cycles ✓✓
 - Per capita real GDP used to indicate economic development, indicate living standards and compare living standards ✓✓

(Max. 4 x 2)**Employment:**

- Full employment refers to aim of providing everyone who is willing to work at current wage rate with a job ✓✓
- Increase employment to decrease loss of production – produce more goods and services ✓✓
- Unemployment is calculated by expressing number of people who are willing and able to work, but do not have a job, as a percentage of the total number of people that are willing and able to work (EAP) ✓✓
- Employment rate – calculated by expressing the number of employed people as a percentage of the EAP ✓✓ / labour force participation rate ✓✓
- Employment is important for the forecasting of trends – employment in the various sectors ✓✓
- As well as the calculations of productivity / unemployment / employment rate ✓✓
- To ascertain economic successes ✓✓

Max. (4 x 2) [16]

QUESTION 2:**30 minutes***(Taken from DoE Nov.2010)***INTRODUCTION**

A statistic that shows the behaviour of one or other economic variable / Any suitable introduction. ✓✓✓

(Max. 3)**BODY****1. Real Gross Domestic Product (Production)**

- Definition: The GDP is the total value of all final goods and services produced within the borders of a country in one year. ✓✓
- The GDP measures the total production of an economy. ✓✓
- An increase in the Real GDP will cause economic growth, which is defined as the annual rate of increase in total production. ✓✓
- Nominal GDP cannot be used because its magnitude is partly caused by price increases and not by an increase in the physical numbers. ✓✓
- The real GDP is obtained when the effect of inflation is removed from the data. (GDP-Deflator) ✓✓
- RGDP is used to describe business cycles. ✓✓
- An important use of the RGDP is, therefore, to express real aggregate economic activity and to describe the movement of business cycles. ✓✓
- It is also used in forecasting, e.g. if the index of leading indicators starts to increase after a continuous decrease, it is an indication that the cycle has turned. ✓✓

Assessment:

- The total value of production decreased with 4% over the period 2008/2009. ✓✓
- It is a clear that South Africa's economy was trapped into a recession. (negative growth for two consecutive quarters) ✓✓
- As a result one will find the following:
 - Increase in the unemployment rate/ layoffs ✓✓
 - Increase number of bankruptcies / debt ✓✓
 - Poor profit margins etc. ✓✓

(Max. 5 x 2) (10)

2. Per Capita Real Gross Domestic product (Standard of living)

- If the population grows at a faster rate than the economy, everybody may be seen worse off despite increases in the quantities of goods and services. ✓✓ (For this reason the per capita RGDP is calculated)
- Calculation: per capita RGDP = $\text{RGDP} / \text{population number}$ ✓✓
- The per capita figures are used for three purposes:
 - To indicate economic development ✓✓
 - To indicate living standards ✓✓
 - To compare living standards ✓✓

Assessment:

- As a result of the global and domestic recession, we find our self in the position where many people have been laid off and are without income, ✓✓
 - This will have a negatively impact on the GDP and also on the per capita RGDP. ✓✓
 - That will indicate a drop in the standard of living and contributes to our growing poverty problem. ✓✓
- (Max. 5 x 2) (10)**

3. Consumer Price Index (Price changes)

- Consumer price indexes show price changes of a representative basket of goods and services that consumers buy. ✓✓
- The index covers metropolitan and other urban areas. ✓✓
- It is an overall index, and the weights are obtained from the expenditures of different income categories of households. ✓✓
- It is the most comprehensive indicator measuring consumer inflation in South Africa. ✓✓
- It shows changes in the general purchasing power of the rand. ✓✓

Assessment:

- The CPI decreases to within the inflation target of 3-6% over the period ✓✓
 - That means that inflation is, for the time being, under control because of strict monetary measures by the SARB ✓✓ and
 - The negative perception from consumers of the economy due to the global recession. ✓✓
- (Max. 5 x 2) (10)**

4. Repo rate (Monetary conditions)

- Interest rates are the main determinant of investment on a macroeconomic scale. ✓✓
- The key rate of interest, on which all other interest rates are founded, is the repo rate. ✓✓
- Interest rates are very important indicators: if they move up, the debt of households and businesses require bigger repayments. ✓✓
- This includes hire purchases and housing and other property loans. ✓✓
- It may be a signal that a downturn in the business cycle is pending. ✓✓
- Means that household incomes may fall as some workers lose their jobs. ✓✓

Assessment:

- Against the background of a slowing global and domestic economy and the improved medium-term outlook for inflation, the MPC has decided to reduce the repurchase rate (Repo Rate) ✓✓
- (Max. 5 x 2) (10)**

5. Gini Coefficient (Distribution of income)

- The Gini coefficient is calculated from the information provided by a Lorenz curve. ✓✓
- A Lorenz curve shows the distribution of income among proportions of the population. ✓✓
- The Gini coefficient is, therefore, the ratio of the proportion of the population who live on less than the proportional income. ✓✓
- The value of the Gini coefficient can vary between 0 and 1. ✓✓
- The higher the value the more unequal the distribution of income is. ✓✓

Assessment:

- Gini coefficients for countries with highly unequal distribution are typically between 0.50 and 0.70. It is, therefore, clear that South Africa can be classified as a country, which is highly unequal. ✓✓
- (Max. 5 x 2) (10)**
(Any 4 x 10) (40)

CONCLUSION

Any suitable conclusion ✓✓ **(Max. 2) [50]**

QUESTION 3:**12 minutes***(Taken from Exemplar 2008)*

- 3.1 Minister of Finance ✓✓✓ (3)
- 3.2 SARB ✓✓
Department of Labour ✓✓
Stats SA ✓✓
(Any other relevant institutions) (2 X 2) (4)
- 3.3 Relative performance of country can be measured (in comparison with other countries) ✓✓✓
A complicated economy changes throughout – makes measurement changes necessary ✓✓✓
Method of statistical calculation revised ✓✓✓
(Any 1 x 3) (3)
- 3.4 IMF ✓✓
World Bank ✓✓
United Nations ✓✓ (2 X 2) (4)
- 3.5 Indicate economic development ✓✓
Indicate living standards ✓✓
Used to compare living standards ✓✓ (3 X 2) (6)
- [20]**

QUESTION 4:**30 minutes***(Taken from Exemplar 2008)*

(The candidate should be able to give a little background on the growth and development policies of South Africa as part of the first paragraph)

Since 1994, the South African government has pursued international mainstream economic and development policies, making use of both demand-side and supply-side approaches. If the outcomes of these policies are satisfactory, the approaches used in pursuing them would also be satisfactory. ✓✓

The market approach could also be followed where, ✓✓ demand factors such as: consumer spending, investment spending, government spending, exports and imports and ✓✓

supply factors such as: natural resources, labour, capital, technology and entrepreneurship are being discussed. ✓✓

Any 4 marks [4]

(In the following paragraphs the candidate should be able to describe the specific policy and then evaluate it against international best practice)

Growth policies: (Any FOUR policies)

Economic growth: ✓✓

South Africa is a developing country; in terms of the World Bank, a lower-middle income country. ✓✓

The average economic growth rate was 3.1 % per year between 1994 and 2005, in comparison to an average of 1 % per year over the previous decade. ✓✓

After the implementation of GEAR (1996), the budget deficit reduced to less than 3 % of the GDP; was accepted as benchmark. ✓✓

Inflation: ✓✓

Inflation decreased continuously from 9 % in 1994 to 3,4 % in 2005. ✓✓

The SARB dropped monetary targets and adopted inflation targets, initially in a 3%-6% range. ✓✓

Interest rates, based on the repo rate, are the main instrument used in the stabilisation policy. ✓✓

The consistently stable budget deficit also had a stabilising effect on the inflation rate. ✓✓

Employment: ✓✓

Employment in the non-agricultural sector of the economy decreased. ✓✓

The GEAR strategy suggested that a climate was needed that was conducive to employment creation by private sector. ✓✓

Labour productivity in the formal economy increased by 4.2 % per year over the 10 years period until 2005. ✓✓

The unemployment rate increased from 14 % in 1994 to 26.5 % in 2005, yet employment increased – mainly because of informal sector activities. ✓✓

Exchange rate stability: ✓✓

The South African currency depreciated considerably between 1994 and 2002. Then from 2005 it appreciated. ✓✓

International reserves increased from 3 % of GDP in 1994 to 18.7 % in 2005. ✓✓

The SARB switched from managed floating to a free-floating exchange rate system. ✓✓

2 Marks – Heading

2 Marks – Discussion

[16]

Development Policies: (Any FIVE policies)

Macroeconomic policies: ✓✓

The successful implementation of macroeconomic policies is as important for the rich as for the poor. ✓✓

The per capita GDP increased from 1,6 % in 1998 to 3,5 % in 2005.- the standard of living of the whole population improved. ✓✓

Redistribution through the tax system was also successful ✓✓ and has made possible a substantial increase in the distribution of benefits in cash and kind; macro-economic policy benefits, housing and service benefits. ✓✓

Microeconomic policies: ✓✓

Employment in the formal and informal sector increased by about 32 %. (3,6 % per year). from 1996 to 2005, which was higher than the average real growth rate of 3,2 %. ✓✓

Social Policies: ✓✓

Almost 34,1 % of the South African population is poor in terms of the international benchmark poverty line income (\$2 a day) ✓✓

Poverty reduction is, therefore, a serious policy matter for the government, with the result that a number of policies focus on basic needs for the poor. ✓✓

Such as:

- Social security grants
- Benefits in kind
- Services
- Primary Health care
- Education

Redress: ✓✓

International organisations such as the UN, articulate the importance of the empowerment of the indigenous peoples of developing countries. ✓✓

The South African government passed both empowerment and affirmative action acts and introduced a range of other measures to ensure redress takes place. ✓✓

Black Economic Empowerment (BEE): ✓✓

The Broad Based Black Economic Empowerment Act, No.53 of 2003, provides the legal basis for the transformation of the South African economy. ✓✓

The speed and extent of empowerment and transformation were agreed upon in terms of so called charters between government and various industries. ✓✓

The DTI published a scorecard that is used to measure progress of businesses and industries which include some of the following elements: ✓✓ management and control ✓✓ employment equity ✓✓ and social responsibility ✓✓ (Any 1x2)

Land redistribution and restitution: ✓✓

The government aims to redistribute 30% of agricultural land to previous disadvantage individuals and groups. ✓✓

By 2004 some 1,5 % of agricultural land had been redistributed. ✓✓

Some 61 % of claims for land restitution had been finalised. ✓✓

Affirmative action: ✓✓

Affirmative action rules are described in the Employment Equity Act, no 55 of 1998, ✓✓ and apply to employers with 50 or more employees or those with an annual income of, e.g., R2 million in agriculture and R10 million in industry. ✓✓

2 Marks – Heading

2 Marks – Discussion [20]

TOTAL: 50

QUESTION 5:**12 minutes***(Taken from DOE Nov 2008)*

- 5.1 Economic indicator is a statistic (figure) that shows the behaviour of one or other economic variable / economic indicator is a statistic that measures some aspect of the economy ✓✓✓ Accept any other definition. (3)
- 5.2 Interest rates / repo rate / prime rate ✓✓ (2)
- 5.3 Statistics SA/Stats SA ✓✓
South African Reserve Bank/SARB/central bank ✓✓ (Any 1 x 2) (2)
- 5.4 An increase ✓✓✓ (3)
- 5.5 Private consumption expenditure increases beyond the level of GDP – the graphs mirror each other in this aspect because an excessive demand for goods and services will lead to increased imports to meet that demand ✓✓✓ (3)
Any other relevant explanation.
- 5.6 Real GDP ✓✓✓ / GDP ✓✓
 - used to describe business cycles ✓✓
 - used in forecasting ✓✓
 - indicate the importance of different sectors ✓✓
 - to compare economic growth with different countries ✓✓ **Any (2 x 2 = 4) + 3** (7)**[20]**

SELF-STUDY**TOPIC 2: SOCIAL INDICATORS**

Learner Note: It is just as important to know the current statistics for each of these indicators as it is to know them. You must therefore read business newspapers and watch news.

SECTION A: TYPICAL EXAM QUESTIONS**QUESTION 1:****12 minutes***(Taken from DOE Feb-March 2009)*

Read the following and answer the questions.

ESKOM INSISTS ON 10% CUT FOR HOMES, OFFICES

Heavy consumers, especially mining groups, have expressed concern about the effects of the power shortages on their operations, and warned of resulting job cuts. Eskom restricted mines to 90% of their power need to stabilise the national grid as it teetered on the brink of collapse. To avert a total blackout in January, mining groups ceased operations for five days, sparking threats of job losses. Gold mines of 3 kilometres and deeper, use 60% of their electricity for ventilation, cooling and pumping activities, meaning that only 40% is used for production. A serious concern is the safety of workers in the mines. Restructuring of mining activities can lead to a reduction of 7 000 job opportunities. Anglo Gold Ashanti, the third largest gold producer in the world, expects a reduction in production of 7%.

According to Anglo Platinum, the largest platinum producer worldwide, structural changes are needed over time to incorporate new equipment – the only long-term solution.

Threats are coming from different industrial groups. BHP Billiton was considering reducing production by closing part of its smelter in Bayside, Richards Bay, a move that is expected to cost hundreds of permanent and contract jobs. Further increases in the cost of electricity seem inevitable. After talks with Eskom, the regulator has approved a 14,2% electricity price increase. Industry alone should not have to bear brunt of shortages, the utility says. Power utility Eskom could force residential and commercial users to cut their electricity usage unless they voluntarily reduce consumption by 10%, Eskom CEO said yesterday.

[Adapted from: *Business Day*, 14 March 2008 and *Sake-Rapport*, 2 March 2008]

- 1.1 Which social indicator will mostly be affected by power outages? Explain. (4)
- 1.2 Which index will mostly be affected by the electricity price increase of 14,2 %? (3)
- 1.3 Why do gold mines experience a bigger problem in reducing their electricity consumption by 10% compared to coal mines in South Africa? (3)
- 1.4 Why did BHP Billiton threaten to close part of their plant in Richards Bay? (3)
- 1.5 What is the main reason for Eskom's decision to target households and offices, regarding electricity consumption? (3)
- 1.6 What impact does load shedding have on South Africa's economic growth and the balance of payments? (4)

[20]

QUESTION 2:**30 minutes***(Taken from DoE Feb-March 2010)*

"The aim of the Department of Social Development is to ensure the provision of comprehensive, integrated, sustainable and quality social-development services, and to create an enabling environment for sustainable development." [2006/07 SA Yearbook]

Analyse and discuss the South African key social performance indicators and their uses.

[50]

QUESTION 3:**6 minutes***(Taken from DOE Nov 2010)***LIFE EXPECTANCY AND ADULT LITERACY IN SOUTH AFRICA**

PROVINCE	LIFE EXPECTANCY AT BIRTH (YEARS)	ADULT LITERACY RATE (%)
Eastern Cape	60,41	76,47
Free State	52,78	88,77
Gauteng	59,62	98,13
KwaZulu-Natal	52,98	89,17
Mpumalanga	53,49	79,42
Northern Cape	55,62	83,79
Limpopo	60,10	73,16
North West	53,29	95,76
Western Cape	60,83	95,76

[Source: SAIRR, 2009]

- 3.1 Define the term *life expectancy*. (3)
- 3.2 Which province has the highest life expectancy? (3)
- 3.3 Give TWO possible reasons for a low adult literacy rate. (4)

[10]

SECTION B: ADDITIONAL CONTENT NOTES**Social Indicators***Demographics*

- Total population
- Birth rates
- Death rates
- Dependency rates

Health and nutrition

- Access to safe drinking water and sanitation
- Number of doctors per 100 000 people
- Life expectancy and infant mortality rates
- In South Africa it is important to consider HIV/ AIDS, TB and Malaria

Education

- Adult literacy rate
- School enrolment ratios
- Average number of years of schooling
- Public expenditure percentage
- Compared to other countries South Africa's education expenditure percentage is high

HDI (developed by the UN Development Programme)

- Statistics used are:
 - Life expectancy at birth
 - Adult literacy
 - GDP per capita

Housing and services

- Number of houses completed, as measured by the Department of Housing, is an important indication of delivery of services to the disadvantaged.
- Services:
 - Electricity (Percentage of households with access to electricity)
 - Refuse removal
 - Water supply
 - Sanitation

Urbanisation

- **Urbanisation:** Increase in population numbers of cities and towns.
- Happens because of:
 - natural growth of population
 - migration
 - establishment of new towns
- Important indicator to highlight land allocation and availability of workers

Income distribution

- Gini coefficient
 - From 0 to 1:
 - 1 = uneven distribution of income
 - 0 = even distribution of income
- Head count index
 - Percentage of people living on an income that is less than the poverty line income.

SECTION C: HOMEWORK**QUESTION 1:****15 minutes***(Taken from The Answer Series)*

2.3 Name THREE social indicators.

(6)

1.1 Discuss Education and Urbanisation as social indicators.

(16)

[22]

SECTION D: SOLUTIONS AND HINTS TO SECTION A

QUESTION 1: **12 minutes** *(Taken from DOE Feb-March 2009)*

- 1.1 Services ✓✓
Eskom provides a service in the provision of electricity ✓✓ (4)
- 1.2 Consumer Price index ✓✓✓ (3)
- 1.3 Gold mines are deeper than coal mines; therefore they use a greater % of electricity for ventilation cooling and pumping activities ✓✓✓ (3)
- 1.4 Lack of structural changes which are needed to sustain production. ✓✓✓
OR Increased production costs. ✓✓✓ (3)
- 1.5 They are the largest consumers of electricity. ✓✓✓ (3)
- 1.6 Economic growth will decline due to interrupted production. ✓✓ Reduction in export goods, e.g. gold, can lead to a deficit on the BoP ✓✓ (4)
- [20]**

QUESTION 2: **30 minutes** *(Taken from DOE Feb-March 2010)*

Introduction

Social indicators are statistics that measure the level of social development and human welfare within a country. ✓✓✓ **OR** (Any other relevant definition.) **(Max 3)**

Body

- The level of a country's wealth and social development can be measured by means of the Human Development Index (HDI)
- Income distribution of a country is generally measured by the Gini coefficient ✓✓
- If the coefficient is zero, then there is perfect income equality, and if it is one, it is an indication of perfect income inequality ✓✓
- This inequality is related to unequal skills distribution and a high level of unemployment ✓✓

1. Infant mortality ✓

- Measured in terms of number of infants who die before reaching one year of age per thousand live births in a given year. ✓✓
- In SA in 2002 it was 59 per thousand. ✓✓

2. Under-five mortality ✓

- Measured in terms of probability that a newborn baby will die before reaching the age of five years if subject to present age-specific mortality rates. ✓✓
- Probability expressed as number per thousand – in SA 95 per thousand in 2002. ✓✓

3. Health expenditure ✓

- Measured in terms of amount of public and private health expenditure on health care as percentage of GDP. ✓✓
- In 2001 SA's expenditure was 8.6% compared to 10.8 in high income countries. ✓✓

4. Access to safe drinking water ✓

- Measured in terms of percentage of population that has reasonable access to safe drinking water treated or uncontaminated. ✓✓
- In 2002 87% of SA population had access compared to 64% in Africa. ✓✓

5. Access to sanitation facilities ✓

- Measured in terms of percentage of population with at least adequate sanitation facilities that can effectively prevent human, animal and insect contact. ✓✓
- In 2002, 67% of South African population had access to improved sanitation. ✓✓
- It is an important indicator for the well-being of infants and young children. ✓✓
- Two opposite nutrition conditions are relevant, i.e. child malnutrition and overweight children – both important for children under five years of age. ✓✓

6. Child malnutrition ✓

- Expressed in 2 ways: weight for age (underweight) and height for age (stunting or dwarfism). ✓✓
- Proportion of children underweight is most important indicator of malnutrition. ✓✓
- Important to monitor weight because being underweight increases the risk of death and inhibits cognitive development in children. ✓✓

7. Overweight children ✓

- Growing concern – there exists an association between obesity in childhood and high prevalence of diabetes, respiratory disease, high blood pressure and psychological and orthopedic disorders. ✓✓
 - Being overweight can lead to numerous adverse health conditions which affect people's ability to work and take care of themselves. ✓✓
- (Max 12)**

Education:

- A higher ratio of literacy, knowledge and skills among the population is necessary. ✓✓
- This can be achieved by means of effective and appropriate education and training. ✓✓
- This will ultimately lead to increased productivity, competitiveness, national wealth and a higher standard of living per capita of the population. ✓✓
- Spending on education makes up the largest percentage of total government expenditure in South Africa, and is clearly a priority. ✓✓

Housing and services:

- **Housing:** A significant proportion of South Africans is poor and cannot afford to buy residential property. ✓✓
- The government facilitates home ownership by means of a subsidy system and loans from the private sector. ✓✓
- Factors hindering housing delivering and home ownership in South Africa include: high levels of unemployment and a very skew income distribution. ✓✓

QUESTION 2: 30 minutes

Choose the correct word from those given in brackets.

Taken from DOE Exemplar 2008

- 2.1 Growth ✓✓
- 2.2 Tourism ✓✓
- 2.3 Forced ✓✓
- 2.4 Gini coefficient ✓✓

Taken from DOE Nov. 2008

- 2.5 Monetary ✓✓
- 2.6 IDZ ✓✓
- 2.7 Developing ✓✓
- 2.8 Forced ✓✓

Taken from DOE Feb/March 2009

- 2.9 Ad valorem ✓✓
- 2.10 Development ✓✓
- 2.11 Corridor ✓✓
- 2.12 Economic ✓✓

Taken from DOE Nov. 2009

- 2.13 Dualistic ✓✓
- 2.14 Food ✓✓
- 2.15 Quotas ✓✓
- 2.16 Real GDP ✓✓

Taken from DOE Feb/March 2010

- 2.17 Physical ✓✓
- 2.18 CSIR ✓✓
- 2.19 Lack of competition ✓✓

- 2.20 Cash grant incentive ✓✓

Taken from DOE Nov. 2010

- 2.21 WTO / World Trade Organisation ✓✓
- 2.22 NEPAD / New Partnership for Africa's Development ✓✓
- 2.23 Strategies ✓✓
- 2.24 Human ✓✓

Taken from DOE Feb/March 2011

- 2.25 oligopoly ✓✓
- 2.26 free ✓✓
- 2.27 street lights ✓✓
- 2.28 a market ✓✓

Taken from DOE Nov. 2011

- 2.29 growth ✓✓
- 2.30 Black Economic Empowerment ✓✓
- 2.31 quota ✓✓
- 2.32 subsidies ✓✓

Taken from DOE Feb/March 2012

- 2.33 3% ✓✓
- 2.34 GDP ✓✓
- 2.35 free-trade ✓✓
- 2.36 DBSA ✓✓

(36 x 2) [72]