



basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

ECONOMICS

EXAMINATION GUIDELINES

GRADE 12

2014

These guidelines consist of 25 pages.

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1. INTRODUCTION

The Curriculum and Assessment Policy Statement (CAPS) for Economics outlines the nature and purpose of the subject Economics. This guides the philosophy underlying the teaching and assessment of the subject in Grade 12.

The purpose of these Examination Guidelines is to:

- Provide clarity on the depth and scope of the content to be assessed in the Grade 12 National Senior Certificate (NSC) Examination in Economics.
- Assist teachers to adequately prepare learners for the examinations.

This document deals with the final Grade 12 external examinations. It does not deal in any depth with the School-Based Assessment (SBA).

This guideline should be read in conjunction with:

- *The National Curriculum Statement (NCS) Curriculum and Assessment Policy Statement (CAPS): Economics*
- *The National Protocol of Assessment: An addendum to the policy document, the National Senior Certificate: A qualification at Level 4 on the National Qualifications Framework (NQF), regarding the National Protocol for Assessment (Grades R–12)*
- The national policy pertaining to the programme and promotion requirements of the National Curriculum Statement, Grades R–12

2. ASSESSMENT IN GRADE 12**2.1 FORMAT OF THE PAPERS****CLASSIFICATION OF TOPICS FOR THE GRADE 12 ECONOMICS QUESTION PAPERS****FINAL EXAMINATION PAPERS**

| ECONOMICS GR.12 | |
|--|--|
| PAPER 1 | PAPER 2 |
| 150 MARKS - 1½ HOURS | 150 MARKS - 1½ HOURS |
| MAIN TOPIC MACROECONOMICS | MAIN TOPIC MICROECONOMICS |
| TOPICS: <ul style="list-style-type: none"> • Circular flow • Business cycles • Public sector • Foreign exchange markets • Protectionism and free trade | TOPICS: <ul style="list-style-type: none"> • Perfect markets • Imperfect markets • Market failures |
| MAIN TOPIC ECONOMIC PURSUITS | MAIN TOPIC CONTEMPORARY ECONOMIC ISSUES |
| TOPICS <ul style="list-style-type: none"> • Growth and development • Industrial development policies • Economic and social performance indicators | TOPICS <ul style="list-style-type: none"> • Inflation • Tourism • Environmental sustainability |

2.2 DETAIL OF THE GRADE 12 ECONOMICS QUESTION PAPERS

- Each paper carries 150 MARKS.
- The duration of each paper is 1½ HOURS.
- Each paper comprises SIX QUESTIONS divided into three sections. Of the six questions only FOUR must be answered as follows:
 - SECTION A: QUESTION 1 is COMPULSORY.
 - SECTION B: Consists of THREE questions: QUESTIONS 2–4 of which the candidate must choose only TWO
 - SECTION C: Consists from TWO questions: QUESTIONS 5–6 of which the candidate must choose only ONE
- The above papers must NOT be written on the same day.
- The detailed requirements of each section (per question paper) are indicated below:

SECTION A (COMPULSORY)**TOTAL: 30****QUESTION 1 (TO BE ANSWERED IN THE ANSWER BOOK – NO LOOSE ANSWER SHEETS ARE ALLOWED)**

- | | | |
|-----|--|--------------|
| 1.1 | Multiple-choice items (lower order) FOUR per main topic = 8 items (2 marks per item) | (8 x 2) (16) |
| 1.2 | Matching COLUMN A and B (lower order) FOUR items per main topic = 8 items (1 mark per item) | (8 x 1) (8) |
| 1.3 | Identify the concept (middle/lower order) THREE items per main topic | (6 x 1) (6) |

SECTION B (ANSWER TWO QUESTIONS FROM THIS SECTION)**TOTAL: 80****QUESTIONS 2–4 (THREE QUESTIONS)**

ONE question per MAIN TOPIC and ONE combination question (marks not necessarily equally distributed in the combination question) between the 2 MAIN TOPICS

2.1 Short items

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| 2.1.1 Lower order (2 ITEMS) | (2 x 1) (2) |
| 2.1.2 Middle order (1 ITEM) | (1 x 2) (2) |
| | (4) |

2.2 Data response (middle order): Study the following graph/cartoon/table/extract, etc. and answer the questions follow. (10)

2.3 Data response (middle order): Study the following graph/cartoon/table/text, etc. and answer the questions that follow: (10)

2.4 ONE single question (middle order): (2 x 4) OR (4 x 2) (8)

2.5 ONE single question (higher order): (2 x 4) OR (4 x 2) (8)

[40]**SECTION C (ANSWER ONE QUESTION FROM THIS SECTION)****TOTAL: 40****QUESTIONS 5–6 (TWO ESSAY QUESTIONS) ONE question per MAIN TOPIC**

| STRUCTURE OF ESSAY | MARK ALLOCATION |
|---|------------------------|
| Introduction | Max. 2 |
| Body: Main part: Discuss in detail/In-depth discussion/Examine/Critically discuss/Analyse/Compare/Evaluate/Distinguish/Explain/Assess/Debate 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. 26 Max. 10 |
| Conclusion | Max. 2 |
| TOTAL | 40 |

3. COGNITIVE LEVEL GRID: ECONOMICS GRADE 12

| PAPER 1 & PAPER 2 | COGNITIVE LEVELS | MARKS | % |
|-------------------------|-----------------------------|-------|----|
| | Lower Order (Levels 1 & 2) | 45 | 30 |
| | Middle Order (Levels 3 & 4) | 60 | 40 |
| | Higher Order (Levels 5 & 6) | 45 | 30 |

3. CONTENT

NOTE: Examples of challenging/higher-order questions indicate the eventual scope and depth of the specific elements of the content.

MAIN TOPIC: MACROECONOMICS

| TOPIC | CONTENT | SCOPE AND DEPTH OF EXAMINABLE CONTENT |
|--------------------------------|--|--|
| <p>1. Circular flow</p> | <p>Present the circular flow as a macroeconomic model</p> <ul style="list-style-type: none"> • The open economy circular flow model <ul style="list-style-type: none"> - Concepts - The complete four-sector diagram - Participants <ul style="list-style-type: none"> ➢ Households ➢ Business sector ➢ Government ➢ Foreign sector - Markets <ul style="list-style-type: none"> ➢ Factor market ➢ Market for goods and services/products ➢ Financial Market – Money and Capital ➢ Foreign markets/foreign exchange ➢ Flows through different markets (production, income and spending) - Real and money flows - Injections ($J = I + G + X$) - Leakages ($L = S + T + M$) - Equations e.g. $Y = C + I + G + (X - M)$ <p>Deduce and analyse national account aggregates and conversions</p> <ul style="list-style-type: none"> • National account aggregates and conversions <ul style="list-style-type: none"> Deriving National Account Aggregates: <ul style="list-style-type: none"> - Production GDP(P) – GDP - Income GDP(I) – GDI - Expenditure GDP(E) – GDE National Account Conversions: <ul style="list-style-type: none"> - System of National Accounts (SNA) - (Nominal and Real prices, Basic prices, Factor cost, Market prices, Net Figures, Domestic and National figures and disposable national income) | <ul style="list-style-type: none"> • Definitions and explanations • Identification of participants, flows, injections and leakages from diagram • In depth discussion of the inter relationships between participants • Draw and interpret a circular flow diagram • Discussion of an economy in equilibrium • Justify the equality: $L=J$ and illustrate its component elements • Explain the relationship between markets within the FOUR-SECTOR model • Link the operation of financial and foreign exchange markets to the other participants of the circular flow <ul style="list-style-type: none"> • Definitions and explanations • Identify from table • Briefly discuss the THREE methods • Explain the concepts used in national accounts • Analyse, interpret and derive aggregates • Analyse the national account conversions <p><i>HOT QUESTION: How is expenditure related to income and production?</i></p> |

Examination Guidelines

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| | <p>Derive and apply the multiplier</p> <ul style="list-style-type: none">• The multiplier<ul style="list-style-type: none">- Definition of multiplier effect- Explanation of the multiplier process- Aided with a circular flow and examples (using a graph and illustration)- Application of basic formulae | <ul style="list-style-type: none">• Define the concept <i>HOT QUESTION: Explain the multiplier process by using the graph and the following formula: $\Delta Y/\Delta E$</i><i>HOT QUESTION: What is the effect of the marginal propensity to consume (mpc) and marginal propensity to save (mps) on the multiplier ($1/1-mpc$ or $1/mps$)?</i>• Link the multiplier to the circular flow model<i>HOT QUESTION: Why is the value of the multiplier in reality a small figure?</i> |
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| TOPIC | CONTENT | SCOPE AND DEPTH OF EXAMINABLE CONTENT |
|----------------------------------|---|--|
| <p>2. Business cycles</p> | <p>Analyse and explain business cycles, show how they are used in forecasting</p> <ul style="list-style-type: none"> • The composition and features of business cycles <ul style="list-style-type: none"> - Definition - The nature of business cycles - Demonstration/diagram - The real (actual) business cycle • Explanations <ul style="list-style-type: none"> - Exogenous explanation - Endogenous explanation - Types of business cycles • Government policy <ul style="list-style-type: none"> - Monetary policy (expansionary and contractionary policies) - Fiscal policy (expansionary and contractionary policies) - Combination of monetary and fiscal policy • The new economic paradigm (smoothing of cycles) <ul style="list-style-type: none"> - Definition - Demand side policy <ul style="list-style-type: none"> ➤ Inflation and Unemployment - Supply side policy <ul style="list-style-type: none"> ➤ Reduction in costs ➤ Improvement in the efficiency of inputs ➤ Improvement in the efficiency of markets • Features underpinning forecasting with regard to business cycles <ul style="list-style-type: none"> - Indicators <ul style="list-style-type: none"> ➤ Leading ➤ Coincidence ➤ Lagging ➤ Composite - Length of a cycle - Amplitude - The trend line - Extrapolation - Moving averages | <ul style="list-style-type: none"> • An in-depth discussion is required. • Define the concept • Explain the nature of business cycles • Draw/Illustrate a typical business cycle • Use a diagram and discuss the different phases in a business cycle • Only a broad outline of the real business cycle is required • Discuss the Monetarist/ Exogenous explanation • Discuss the Keynesian/ Endogenous explanation • Only a broad outline of the types of business cycles is required <p><i>HOT QUESTION: Compare and contrast endogenous and exogenous explanations of business cycles</i></p> <ul style="list-style-type: none"> • Explain the monetary and fiscal policies used by government to smooth out business cycles <p><i>HOT QUESTION: Explain how fiscal and monetary policy might be used to stimulate economic activity during a recession</i></p> <ul style="list-style-type: none"> • Define the <i>new economic paradigm</i> • Explain the meaning of the <i>smoothing of cycles</i> • Discuss demand and supply side policies with the aid of graphs <p><i>HOT QUESTION: Explain how supply side and demand side policies would be used to stimulate economic activity in the smoothing of cycles.</i></p> <ul style="list-style-type: none"> • Explain the relevant concepts • Discuss in detail the features underpinning forecasting • Make use of a diagram and discuss the cycle length, amplitude and the trend line as features underpinning forecasting <p><i>HOT QUESTION: Make use of a given real business cycle diagram and explain why it serves as a forecasting model</i></p> |

| TOPIC | CONTENT | SCOPE AND DEPTH OF EXAMINABLE CONTENT |
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| <p>3. Public sector</p> | <p>Evaluate the role of the public sector in the economy with special reference to its socio-economic responsibility in the South African context</p> <ul style="list-style-type: none"> • The composition and necessity of the public sector <ul style="list-style-type: none"> - Composition - Necessity <ul style="list-style-type: none"> ➤ To supply public goods ➤ To conserve resources ➤ To manage the economy • Problems of public sector provisioning <ul style="list-style-type: none"> - Accountability - Efficiency - Assessing needs - Pricing policy - Parastatals - Privatisation/Nationalisation • Objectives of the public sector and its budgets <ul style="list-style-type: none"> - Objectives <ul style="list-style-type: none"> ➤ Economic growth ➤ Full Employment ➤ Exchange rate stability ➤ Price stability ➤ Economic equity - Budgets <ul style="list-style-type: none"> ➤ Medium-term Expenditure Framework (MTEF and MTBPS) ➤ The national (main), provincial and municipal budgets • Fiscal policy (including the Laffer curve) <ul style="list-style-type: none"> - Features of fiscal policy <ul style="list-style-type: none"> ➤ Goal bound ➤ Demand based ➤ Cyclical - Composition of fiscal policy <ul style="list-style-type: none"> ➤ Government expenditure ➤ Taxation ➤ Borrowing (States debt) | <ul style="list-style-type: none"> • Briefly describe the composition of the public sector <p><i>HOT QUESTION: Illustrate the composition of the public sector by means of a diagram</i></p> <ul style="list-style-type: none"> • Briefly discuss the necessity of the public sector <p><i>HOT QUESTION: Assess the effectiveness of the public sector in supplying public goods</i></p> <ul style="list-style-type: none"> • Discuss in detail the problems of public sector provisioning (clearly show why each of these factors contributes to poor public sector provisioning) • Discuss in detail the main objectives of the public sector in the economy • Supply a broad outline of the various budgets • Evaluate each budget within a South African context • Analyse the most recent budget data <p><i>HOT QUESTION: Identify and explain how social rights are embedded in the budgets</i></p> <ul style="list-style-type: none"> • Briefly discuss the features of fiscal policy • Propose five major purposes of Fiscal policy <p>Briefly discuss the composition of the Fiscal policy</p> |

Examination Guidelines

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| | <ul style="list-style-type: none"> - Effects of fiscal policy <ul style="list-style-type: none"> ➤ Income distribution ➤ Consumption ➤ Price level ➤ Incentives/Disincentives: <ul style="list-style-type: none"> ○ The Laffer Curve ➤ Discretion • Reasons for public sector failure <ul style="list-style-type: none"> - Characteristics/Features <ul style="list-style-type: none"> ➤ Ineffective ➤ Inefficiency - Reasons for public sector failure <ul style="list-style-type: none"> ➤ Management failure ➤ Apathy ➤ Lack of motivation ➤ Bureaucracy ➤ Politicians ➤ Structural weaknesses ➤ Special interest groups - Effects of public sector failure <ul style="list-style-type: none"> ➤ Allocation of resources ➤ Economic instability ➤ Distribution of income ➤ Social instability <p>Infuse where appropriate: national macro-economic policy and service delivery with regard to socio-economic rights, education, health, and the environment, and social security, convention of the rights of the child, taxation, and compensation for human rights abuses.</p> | <ul style="list-style-type: none"> • Discuss in detail the effects of Fiscal policy • Analyse/evaluate the effects within a South African context • Draw and interpret the Laffer Curve • Briefly discuss the characteristics/features of public sector failure • Discuss the reasons for public sector failure in detail <i>HOT QUESTION: Write a proposal on how the South African government can avoid public sector failure</i> • Give a broad outline of the effects of public sector failure |
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| TOPIC | CONTENT | SCOPE AND DEPTH OF EXAMINABLE CONTENT |
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| <p>4. Foreign exchange market</p> | <p>Examine the foreign exchange market and the establishment of exchange rates and show how the balance of payments account is affected</p> <ul style="list-style-type: none"> • The main reasons for international trade <ul style="list-style-type: none"> - Demand reasons <ul style="list-style-type: none"> ➤ Size of population ➤ Income levels ➤ Change in the wealth of the population ➤ Preferences and taste ➤ The difference in consumption patterns - Supply reasons <ul style="list-style-type: none"> ➤ Natural resources ➤ Climatic conditions ➤ Labour resources ➤ Technological resources ➤ Specialisation ➤ Capital | <ul style="list-style-type: none"> • Give a brief discussion on the main reasons for international trade • Distinguish between the demand and supply reasons |

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| | <ul style="list-style-type: none"> - The effects of international trade <ul style="list-style-type: none"> ➤ Specialisation ➤ Mass production ➤ Efficiency ➤ Globalisation • The balance of payments <ul style="list-style-type: none"> - Description/Definition - The value of the BoP - Composition of the BoP <ul style="list-style-type: none"> ➤ The current account ➤ The capital transfer account ➤ The financial account ➤ The reserve account • Foreign exchange markets <ul style="list-style-type: none"> - Description/Definition - Supply and demand/price formation - Appreciation and depreciation - Revaluation and devaluation - Interventions into the market • The establishment of exchange rates <ul style="list-style-type: none"> - Exchange rate systems <ul style="list-style-type: none"> ➤ Free floating exchange rate system ➤ Managed floating exchange rate system ➤ Fixed exchange rate system - Terms of trade - Free trade and protection - South Africa's foreign trade • Corrections of BOP surplus and deficit (disequilibria) <ul style="list-style-type: none"> - Description/Definition - Interest rates - Import controls - Borrowing and lending - Change in demand - Export promotion - Import substitution - Change in exchange rates | <ul style="list-style-type: none"> • Briefly discuss the effects of international trade • Give your opinion on the effects of international trade • Define the BoP • Explain the purpose / value of the BoP • Analyse and interpret the BoP • Give a brief overview of the subaccounts of the BoP <i>HOT QUESTION: 'It is often said that a BoP shows if a country is living within its means'. Evaluate this statement with regard to each section in the BoP</i> • Define/Explain /Compare the relevant concepts • Draw/Interpret graphs • Briefly discuss the demand and supply factors • Briefly discuss market intervention <i>HOT QUESTION: Draw a fully labelled graph that expresses equilibrium in the foreign exchange market and predict the effects that changes in the underlying forces of supply and demand will have on the value of a currency</i> • Define and explain the relevant concepts • Briefly discuss each exchange rate system • Briefly explain the concept terms of trade • Broadly outline the concepts free trade and protectionism • Broadly outline, analyse and interpret data on the composition of SA trade and trading partners • Evaluate South Africa's exchange rate system • <i>Assess South Africa's foreign trade in relation to its terms of trade, free trade and protection</i> • Explain the concepts: corrections and deficit/disequilibria • Briefly discuss the different measures <i>HOT QUESTION: 'South Africa's BoP shows an overall deficit of R10 billion rand over three successive quarters this year.' Assume the biggest problem appears to be the current account. How would you advise the Governor of the Reserve Bank to reduce the deficit on the BoP?</i> |
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| TOPIC | CONTENT | SCOPE AND DEPTH OF EXAMINABLE CONTENT |
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| <p>5. Protection and free trade (Globalisation)</p> | <p>Discuss protectionism and free trade and evaluate the South African international trade policies and major protocols in terms of the following:</p> <ul style="list-style-type: none"> • Export promotion <ul style="list-style-type: none"> - Definition - Reasons - Methods - Advantages - Disadvantages • Import substitution <ul style="list-style-type: none"> - Definition - Reasons - Methods - Advantages - Disadvantages • Protectionism (the arguments) <ul style="list-style-type: none"> - Definition - Arguments in favour of protectionism <ul style="list-style-type: none"> ➤ Industrial development ➤ Infant industries ➤ Stable wage levels and high standard of living ➤ Increased employment ➤ Self-sufficiency and strategic industries ➤ Prevention of dumping ➤ Stable exchange rates and BoP ➤ Protection of natural resources • Free Trade (the arguments) <ul style="list-style-type: none"> - Arguments in favour of free trade <ul style="list-style-type: none"> ➤ Specialisation ➤ Economy of scale ➤ Choices/increased welfare ➤ Innovations/best practice ➤ Improved international relations • A desirable mix <ul style="list-style-type: none"> - Import substitution and export promotion - Protection of free trade - Globalisation - Economic integration • Evaluate South Africa's trade policies <ul style="list-style-type: none"> - Import substitution and export promotion - Protection and free trade <ul style="list-style-type: none"> ➤ Southern African Custom Union (SACU) ➤ Multilateral Monetary Area (MMA) ➤ Southern African Development Community (SADC) ➤ African Union (AU) ➤ European Union (EU) | <ul style="list-style-type: none"> • Define/Explain the concept • Discuss export promotion in detail <ul style="list-style-type: none"> • Define/Explain the concept • Discuss import substitution in detail <i>HOT QUESTION: Evaluate the effectiveness of export promotion and import substitution</i> <ul style="list-style-type: none"> • Define/Explain the concept • Discuss arguments in favour of protectionism in detail • Broadly outline the concept free trade and protectionism <ul style="list-style-type: none"> • Define/ Explain the concept • Discuss free trade in detail • <i>Argue a case in favour of protectionism and against free trade, OR in favour of free trade and against protectionism.</i> <ul style="list-style-type: none"> • Explain in your own words the meaning of a desirable mix • Briefly outline economic integration as part of trade protocols. <i>HOT QUESTION: How does globalisation impact on the desirable mix of South Africa?</i> <ul style="list-style-type: none"> • Explain the meaning of the concept protocol • Briefly evaluate the South African policies in terms of protectionism and free trade • Briefly evaluate South Africa's trade protocols in terms of its benefits |

Examination Guidelines

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| | <ul style="list-style-type: none"> ➤ Mercusor ➤ AGOA ➤ The partnership between South Africa and China ➤ Brazil, Russia, India, China and South Africa (BRICS) <p>- Trade Liberalisation</p> <ul style="list-style-type: none"> ➤ World Trade Organisation (WTO) | <ul style="list-style-type: none"> • Explain the concept • Broadly outline the role of the World Trade Organisation in trade liberalisation |
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MAIN TOPIC: MICROECONOMICS

| TOPIC | CONTENT | SCOPE AND DEPTH OF EXAMINABLE CONTENT |
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| <p>6. Dynamics of Perfect markets</p> | <p>Examine the dynamics of perfect markets with the aid of cost and revenue curves</p> <p>NOTE:</p> <ol style="list-style-type: none"> 1. Review cost and revenue tables and curves done in Grade 11 2. Distinguish between the short and long run <ul style="list-style-type: none"> • Perfect competition <ul style="list-style-type: none"> - Description - Characteristics/conditions • Individual business and industry <ul style="list-style-type: none"> - The demand curve for: <ul style="list-style-type: none"> ○ Individual business ○ The industry - Profit maximization - Derivation of supply curve from cost curves • Market structure <ul style="list-style-type: none"> - Definition - Characteristics <ul style="list-style-type: none"> ➤ Number of businesses ➤ Nature of product ➤ Entrance ➤ Control over prices ➤ Information ➤ Examples ➤ Demand curve ➤ Economic profit ➤ Collusion ➤ Allocative efficiency ➤ Technical efficiency | <p><i>HOT QUESTION: Examine in detail how cost and revenue curves can be used to illustrate and explain the dynamics (working) of markets</i></p> <ul style="list-style-type: none"> • Explain the concept • Examine the characteristics of a perfect market in detail • Compare the individual businesses to the industry in detail • The examination of individual business and industry should be accompanied by an analysis of tables and graphs <p><i>HOT QUESTION: Explain why the individual maize, wheat or milk farmer does not have an influence on the price of their products in the market</i></p> <ul style="list-style-type: none"> • Define the concept • Compare and contrast the FOUR broad types of market structures <p>NOTE: As the various market structures are discussed in detail, other characteristics will feature</p> |

Examination Guidelines

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| | <ul style="list-style-type: none"> • Output, Profits, Losses and Supply <ul style="list-style-type: none"> - Individual business <ul style="list-style-type: none"> ➤ Short run (economic profit, economic loss, normal profit) ➤ Long run (normal profit) ➤ Shutdown/Closing down - The industry <ul style="list-style-type: none"> ➤ Short run (economic profit, economic loss, normal profit) ➤ Long run (normal profit) • Competition policies <ul style="list-style-type: none"> - Description - Goals with the competition policy - Anti-monopoly policy - Competition policy, 1998 (Act 89 of 1998) <ul style="list-style-type: none"> ➤ Competition Commission ➤ Competition Tribunal ➤ Competition Appeal Court | <ul style="list-style-type: none"> • Examine in detail the THREE equilibrium positions with the aid of graphs • Explain shutdown/closing down point with the aid of a graph <p>HINT: When teaching the various equilibrium positions a link must be made between individual businesses and the industry</p> <p><i>HOT QUESTION: Draw three fully labelled graphs showing the possible equilibrium positions of a business operating under perfect market conditions</i></p> <ul style="list-style-type: none"> • Define/Explain the policy • Briefly discuss/analyse the goals of the SA competition policy • Briefly analyse the SA Anti-monopoly policy • Briefly discuss the Competition policy Act and its implications highlighting the roles of the THREE key institutions • Give your opinion about the successes/failures of the competition policy <p><i>HOT QUESTION: In your opinion is the competition policy in South Africa destroying or saving businesses?</i></p> |
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| TOPIC | CONTENT | SCOPE AND DEPTH OF EXAMINABLE CONTENT |
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| <p>7. Dynamics of imperfect markets</p> | <p>Examine the dynamics of imperfect markets with the aid of cost and revenue curves</p> <ul style="list-style-type: none"> • The dynamics of imperfect markets with the aid of cost and revenue curves <ul style="list-style-type: none"> - Income/Revenue <ul style="list-style-type: none"> ➤ Revenue schedule ➤ Average and marginal revenue curves - Costs <ul style="list-style-type: none"> ➤ Cost schedule ➤ Average and marginal cost curves • Monopolies <ul style="list-style-type: none"> - Description/Definition - Characteristics - Income <ul style="list-style-type: none"> ➤ Average and marginal revenue curves ➤ Profit and loss in the short run ➤ Long term equilibrium ➤ Comparison between a monopoly and a perfect competitor (curves, higher prices, lower production, economic profit) | <ul style="list-style-type: none"> • Briefly discuss the cost and revenue tables and graphs • Draw and interpret graphs <ul style="list-style-type: none"> • Define/Explain the concept monopoly • Examine the characteristics in detail • Distinguish between natural and artificial monopolies • Emphasise and highlight good practical examples of businesses in this market • Explain the downward slope of the demand curve of the monopolist with the aid of a table graph • Briefly discuss with the aid of graphs short and long run positions |

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| | <ul style="list-style-type: none"> • Oligopolies <ul style="list-style-type: none"> - Description/Definition - Characteristics - Non-price competition - Collusion <ul style="list-style-type: none"> ➤ Cartels ➤ Price leadership - Prices and levels of production - Kinked demand curve • Monopolistic competition <ul style="list-style-type: none"> - Description/Definition - General characteristics - Non-price competition - Collusion - Prices and levels of production - A comparison with perfect competition | <p><i>HOT QUESTION: Compare a monopoly with a perfect competitor in terms of price, output and profit</i></p> <ul style="list-style-type: none"> • Define/ Explain the concept • Examine the characteristics in detail • Emphasize and highlight good practical examples of businesses in this market • Briefly discuss non-price competition • Briefly discuss collusion • Distinguish between <i>price leadership</i> and <i>cartels</i> as forms of collusion • Broadly outline prices and production levels • Broadly outline the rationale of the Kinked demand curve • Use the graph and briefly explain the kink in the kinked demand curve <p><i>HOT QUESTION: 'Collusion is a punishable offence in South Africa'. Analyse this phenomenon</i></p> <ul style="list-style-type: none"> • Define/Explain the concept • Examine the characteristics in detail • Emphasize and highlight good practical examples of businesses in this market • Compare a <i>monopoly</i> to <i>monopolistic competition</i> • Briefly compare <i>monopolistic competition</i> with <i>oligopolistic competition</i> • Briefly discuss product differentiation in this market • Briefly discuss non-price competition in this market <p><i>HOT QUESTION: Compare monopolistic competition with perfect competition</i></p> |
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| TOPIC | CONTENT | SCOPE AND DEPTH OF EXAMINABLE CONTENT |
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| <p>8. Dynamics of markets: Market failures</p> | <p>Explain the reasons for and consequences of market failures, reflecting on the cost-benefit analysis</p> <ul style="list-style-type: none"> • The causes of market failures <ul style="list-style-type: none"> - Externalities <ul style="list-style-type: none"> ➤ Private cost ➤ Private benefits ➤ Social cost ➤ Social benefits - Missing markets <ul style="list-style-type: none"> ➤ Community goods ➤ Collective goods ➤ Public goods ➤ Merit and demerit goods - Imperfect competition | <ul style="list-style-type: none"> • Discuss the causes of market failures in detail <p><i>HOT QUESTION: Draw a fully labelled graph to demonstrate the elements of externalities</i></p> <p><i>HOT QUESTION: Why do governments produce certain goods and services themselves?</i></p> <p>NOTE: It is important to explain how these causes relate to market failure.</p> |

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| | <ul style="list-style-type: none"> - Lack of information <ul style="list-style-type: none"> ➤ Consumers ➤ Workers ➤ Entrepreneurs - Immobility of factors of production <ul style="list-style-type: none"> ➤ Labour ➤ Physical Capital ➤ Technological change - Imperfect distribution of income and wealth <ul style="list-style-type: none"> • Consequences of market failures <ul style="list-style-type: none"> - Inefficiencies (Refer to Pareto efficiency) <ul style="list-style-type: none"> ➤ Productive inefficiency ➤ Allocative inefficiency - Externalities <ul style="list-style-type: none"> ➤ Negative externalities ➤ Positive externalities - State Intervention <ul style="list-style-type: none"> Rules and regulations <ul style="list-style-type: none"> ➤ Direct control ➤ Imperfect markets ➤ Minimum wages ➤ Maximum prices ➤ Minimum prices - Taxes and Subsidies <ul style="list-style-type: none"> ➤ The price mechanism ➤ Subsidies on goods and services ➤ Redistribution of wealth - Government involvement in production • Cost-benefit analysis <ul style="list-style-type: none"> - Description/Definition - Reasons for a CBA - Applications/Examples in South Africa | <ul style="list-style-type: none"> • Discuss the consequences of market failure in detail • Illustrate productive and allocative inefficiency with the aid of a production possibility curve (refer to Pareto efficiency) <p><i>HOT QUESTION: Draw two graphs to illustrate the negative and positive elements in the concept 'externalities'</i></p> <ul style="list-style-type: none"> • Illustrate with the aid of graphs <ul style="list-style-type: none"> • Define/Explain the concept • Briefly discuss the rationale/ reasons • Emphasise and highlight good practical examples • Apply by graphical or numerical illustration <p><i>HOT QUESTION: Present a case for the use of CBA in practice</i></p> |
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MAIN TOPIC: ECONOMIC PURSUITS

| TOPIC | CONTENT | SCOPE AND DEPTH OF EXAMINABLE CONTENT |
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| <p>9. Economic Growth & Development</p> | <p>Compare South African growth and development policies in terms of international benchmarks, also highlight the North/South divide</p> <ul style="list-style-type: none"> • Background <ul style="list-style-type: none"> - Economic growth - Economic development • The demand-side approach <ul style="list-style-type: none"> - Growth and Development <ul style="list-style-type: none"> ➤ Monetary policy ➤ Fiscal policy - South Africa's approach <ul style="list-style-type: none"> ➤ Monetary policy Interest rate changes Open market transactions Moral suasion ➤ Fiscal Policy Progressive personal income tax Wealth tax Cash benefits Natural benefits Other redistribution Land restitution and redistribution Subsidies on property • The supply-side approach <ul style="list-style-type: none"> - Creation of growth <ul style="list-style-type: none"> ➤ Aggregate supply and demand - South Africa's approach <ul style="list-style-type: none"> ➤ Efficiency and effectiveness of markets ➤ Business efficiency ➤ The cost of doing business • Evaluate the approaches of the growth and development policies used in South Africa <ul style="list-style-type: none"> - Growth and Development Policies <ul style="list-style-type: none"> ➤ Reconstruction and Development policy (RDP) ➤ Growth Employment and Redistribution Programme (GEAR) ➤ National Skills Development Strategy (NSDS) ➤ Accelerated and Shared Growth Initiative for South Africa (ASGISA) ➤ Joint Initiative on Priority Skills Acquisition (JIPSA) | <ul style="list-style-type: none"> • Distinguish between growth and development • Distinguish between government policies, strategies and initiatives • Discuss the demand-side approach in detail • Focus on discretionary changes in monetary and fiscal policies with the aim of changing the level of aggregate demand and therefore output (Real GDP) • Analyse SA approach in terms of its monetary policy • Focus on: the SARB who is responsible for the implementation of the policy. Its primary goal is to protect the value of our currency • Analyse South Africa's approach in terms of fiscal policy • Focus on: the budgetary process , the purpose of fiscal policy to stimulate macroeconomic growth and employment and to ensure a desirable redistribution of income • Discuss the supply-side approach in detail <i>HOT QUESTION: Critically analyse the use of demand and supply-side policies in South Africa</i> • Discuss South Africa's growth and development policies in detail • Appraise South Africa's growth and development policies • Evaluate (benchmark) elements of South Africa's growth and development policies from given data <i>HOT QUESTION: Analyse South Africa's Growth and Development Plan (GDP) in terms of growth and development objectives</i> |

Examination Guidelines

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| | <ul style="list-style-type: none"> ➤ Expanded Public Works Programme (EPWP) ➤ The New Growth Path (NGP) ➤ National Development Plan (NDP) ➤ Small Business Development Promotion Programme ➤ Black Economic Empowerment Programmes <ul style="list-style-type: none"> • The North/South divide <ul style="list-style-type: none"> - Unequal standards of living <ul style="list-style-type: none"> ➤ Per capita income ➤ Life expectancy ➤ Education - Challenges of Globalisation <ul style="list-style-type: none"> ➤ Poverty ➤ Growth ➤ Trade - Environment <ul style="list-style-type: none"> ➤ Countries in the North ➤ Countries in the South | <ul style="list-style-type: none"> • Compare the standard of living between North–South countries • Explain the positive/negative impact of globalisation on developing countries • Explain the negative environmental effects as a result of the economic activities in both North and South |
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| TOPIC | CONTENT | SCOPE AND DEPTH OF EXAMINABLE CONTENT |
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| <p>10. Economic growth and development: Industrial development policies</p> | <p>Justify South Africa's industrial development policies and their suitability in terms of international best practice</p> <ul style="list-style-type: none"> • Industrial development in South Africa <ul style="list-style-type: none"> - Industrial Development Policies <ul style="list-style-type: none"> ➤ National Industrial Policy Framework (NIPF) ➤ Industrial Policy Action Plans (IPAP) - Industrial development Strategies <ul style="list-style-type: none"> ➤ National Research and Development Strategy (NRDS) ➤ Integrated Manufacturing Strategy (IMS) - Focus of these policies and actions <ul style="list-style-type: none"> ➤ Targeted industries, sectors and regions ➤ Sectors with potential ➤ Special Economic Zones ➤ Southern Africa • Regional Development <ul style="list-style-type: none"> - Aims - Regional development in South Africa - International best practice for regional development • South Africa's endeavours <ul style="list-style-type: none"> - Spatial Development Initiatives (SDI's) - Industrial Development Zones (IDZ's) - Special Economic Zones (SEZ's) - Corridors - Strategic Integrated Projects (SIP's) - Infrastructure Plan | <ul style="list-style-type: none"> • Define/ Explain the concept • Briefly discuss the reasons for industrial development • Justify South Africa's Industrial Development Policies • Briefly explain South Africa's Industrial Development Strategies • Define/Explain the concept • Briefly discuss regional development • Briefly discuss spatial development initiatives (SDI's) in South Africa • Briefly discuss industrial development zones (IDZ's) in South Africa • Briefly discuss Special Economic |

Examination Guidelines

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| | <ul style="list-style-type: none"> • Incentives to encourage industrial development <ul style="list-style-type: none"> - Small Businesses Support Program - SEDA Technology Program (STP) - Skills Support Program (SSP) - Critical Infrastructure Facilities - Custom Free Incentives - Foreign Investment Incentives - Strategic Investment Program - Services to Business Processes • Appropriateness of South Africa's industrial policies <ul style="list-style-type: none"> - Success factors - External Limitations - Internal Limitations • Appropriateness of South Africa's regional development policies • Small business development • The appropriateness of Black Economic Empowerment in the SA economy <ul style="list-style-type: none"> - Best practice for regional development – benchmark criteria: <ul style="list-style-type: none"> ➤ Free market orientation ➤ Competitiveness ➤ Sustainability ➤ Good governance ➤ Provisioning of resources ➤ Investment of social capital ➤ Integration ➤ Partnerships | <p>Zones (SEZ's) in South Africa</p> <ul style="list-style-type: none"> • Briefly discuss corridors in South Africa • Critically discuss the incentives used by the SA government to improve industrial development • Briefly discuss the appropriateness of SA endeavours • Evaluate the appropriateness of the South African industrial development strategies in terms of international benchmark criteria |
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| TOPIC | CONTENT | SCOPE AND DEPTH OF EXAMINABLE CONTENT |
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| <p>11. Economic and social performance indicators</p> | <p>Analyse South Africa's economic and social performance indicators and their uses</p> <ul style="list-style-type: none"> • The Performance of an Economy <ul style="list-style-type: none"> ➤ Performance ➤ Comparisons ➤ Specifications ➤ Purposes • Economic Indicators: <ul style="list-style-type: none"> - Inflation Rate <ul style="list-style-type: none"> ➤ Production prices (PPI) ➤ Consumer prices (CPI) - Foreign Trade <ul style="list-style-type: none"> ➤ Terms of trade ➤ The exchange rate - Employment <ul style="list-style-type: none"> ➤ Economically Active Population (EAP) ➤ Employment rate ➤ Unemployment rate | <ul style="list-style-type: none"> • Define/Explain the relevant concepts • Broadly outline the performance of an economy <p><i>HOT QUESTION: Propose five considerations when assessing the performance of an economy</i></p> <ul style="list-style-type: none"> • Analyse the economic indicators in detail |

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| | <ul style="list-style-type: none"> - Productivity <ul style="list-style-type: none"> ➤ Labour productivity ➤ Remuneration per worker - Interest Rates <ul style="list-style-type: none"> ➤ Repo Rate - Money Supply <ul style="list-style-type: none"> ➤ M1 ➤ M2 ➤ M3 • Social Indicators: <ul style="list-style-type: none"> - Demographics <ul style="list-style-type: none"> ➤ Population growth ➤ Life expectancy - Nutrition and Health <ul style="list-style-type: none"> ○ Nutrition <ul style="list-style-type: none"> ➤ Malnutrition ➤ Obesity ○ Health <ul style="list-style-type: none"> ➤ Children mortality ➤ Under 5 mortality ➤ Spending on health ➤ Access to clean water ➤ Access to sanitation - Education <ul style="list-style-type: none"> ➤ Percentage public sector spending ➤ Percentage enrolment in secondary schools - Services <ul style="list-style-type: none"> ➤ Electricity ➤ Refuse/Garbage removal ➤ Water supply ➤ Sanitation - Housing and Urbanisation <ul style="list-style-type: none"> ○ Housing <ul style="list-style-type: none"> ➤ Number of houses completed ○ Urbanisation <ul style="list-style-type: none"> ➤ Natural growth in population ➤ Migration ➤ Founding of new towns • International comparisons <ul style="list-style-type: none"> - Globalisation - International standardisation - Aid and support - Comparison and forecasting | <ul style="list-style-type: none"> • Analyse the social indicators in detail <p><i>HOT QUESTION: Identify five social indicators that are used for international benchmarking and give an analysis of their importance</i></p> |
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| MAIN TOPIC: CONTEMPORARY ECONOMIC ISSUES | | |
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| TOPIC | CONTENT | SCOPE AND DEPTH OF EXAMINABLE CONTENT |
| <p>12 Contemporary Economic Issues Inflation</p> | <p>Analyse and investigate inflation and the policies used to combat it</p> <ul style="list-style-type: none"> • Inflation <ul style="list-style-type: none"> - Definition - Measuring Inflation <ul style="list-style-type: none"> ➤ Indexes (CPI/PPI) ➤ Weighting (Basket of goods and services) ➤ Inflation Rate (Calculations) • Types and Characteristics of Inflation <ul style="list-style-type: none"> - Consumers Inflation <ul style="list-style-type: none"> ○ Headline Inflation ○ Core Inflation ○ Administered Prices Inflation - Producers Inflation - All inclusive Inflation - Hyper Inflation - Stagflation - Comparison of inflation rates • Causes and consequences of inflation <ul style="list-style-type: none"> - Demand-pull inflation <ul style="list-style-type: none"> ○ Monetarists explanation ○ Causes of demand inflation <ul style="list-style-type: none"> ➤ Increase in household consumption ➤ Decline in saving ➤ Tax reduction ➤ Access to credit ➤ Investors expenditure ➤ Government expenditure ➤ Export services - Cost-push Inflation <ul style="list-style-type: none"> ○ Causes of cost push inflation <ul style="list-style-type: none"> ➤ Wages ➤ Key inputs ➤ Exchange rate depreciation ➤ Profit margins ➤ Productivity ➤ Natural disasters - Consequences of Inflation, on <ul style="list-style-type: none"> ○ Debtors/Creditors ○ Wage and salary earners ○ Investors and savers ○ Tax payers ○ Industrial peace - Expectancy and Inflation • The inflation problem in South Africa | <ul style="list-style-type: none"> • Define/Explain the concept • Examine ways to measure inflation • Define/Explain the different types of inflation • Distinguish between the different types of inflation • Briefly discuss demand-pull inflation • Analyse the causes of demand-pull inflation • Briefly discuss cost push inflation • Analyse the causes of cost-push inflation • Examine in detail the consequences of inflation • Broadly outline the inflation problem in South Africa |

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| | <ul style="list-style-type: none"> • Measures to combat inflation <ul style="list-style-type: none"> - Demand inflation <ul style="list-style-type: none"> ○ Monetary policy ○ Fiscal policy - Cost Push Inflation <ul style="list-style-type: none"> ○ Productivity ○ Competition | <ul style="list-style-type: none"> • Examine the measures to combat inflation in detail • Use the following information to calculate the CPI for September 20... <i>HOT QUESTION: What effects does inflation have on the current account of the South African BoP?</i> |
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| TOPIC | CONTENT | CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES |
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| <p style="text-align: center;">13. Contemporary Economic Issues Tourism</p> | <p>Debate the economic importance of tourism to South Africa and suggesting policies to promote it also refer to the importance of indigenous knowledge systems (IKS)</p> <ul style="list-style-type: none"> • Tourism: <ul style="list-style-type: none"> ○ Definition ○ Types of tourism ○ To measure - Reasons for its growth <ul style="list-style-type: none"> ○ International ○ Domestically - The Effects of tourism on: <ul style="list-style-type: none"> ○ GDP ○ Employment ○ Poverty ○ Externalities ○ Environment ○ Investment - The Benefits of tourism for: <ul style="list-style-type: none"> ○ Households ○ Businesses ○ State ○ Infrastructure Development - South Africa's profile (indigenous knowledge systems) <ul style="list-style-type: none"> ○ South Africa's Profile <ul style="list-style-type: none"> ➤ Aim with visits ➤ Local Destinations ➤ Local Tourists ➤ Indigenous Knowledge - Policy Suggestions - Department of Tourism <ul style="list-style-type: none"> ○ Marketing, infrastructure, education and training and environmental management | <ul style="list-style-type: none"> • Define/Explain the relevant concepts • Broadly outline the types of tourism • Broadly outline the measuring of tourism • Examine the reasons for growth in the tourism industry in detail • Examine the effects of tourism in detail • Examine the benefits of tourism for: Households, businesses, government and infrastructure development • Broadly outline the tourism profile of South Africa • Broadly outline the Department of Tourism's policy suggestions • Briefly analyse the relationship between tourism and indigenous knowledge within the South African context. |

| TOPIC | CONTENT | CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES |
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| <p>14. Contemporary Economic Issues Environmental sustainability</p> | <p>Analyse environmental sustainability and investigate recent international agreements in this regard, for example, the Rio de Janeiro and Johannesburg summits</p> <ul style="list-style-type: none"> • The State of the Environment <ul style="list-style-type: none"> - Pollution <ul style="list-style-type: none"> ○ Definition ○ Types - Erosion, deforestation and climate change - Conservation - Preservation • Measures to Ensure Sustainability <ul style="list-style-type: none"> - Using the market <ul style="list-style-type: none"> ○ The market does not take care of social costs and benefits ○ The market fails because of specific reasons ○ The mechanism of market and social costs and benefits - Government Interventions <ul style="list-style-type: none"> ○ Give property rights ○ Pay for environmental use ○ Levying of environmental tax ○ Pay for environmental subsidies ○ Issuing of marketable permits - Public sector control <ul style="list-style-type: none"> ○ Command and control ○ Voluntary agreements ○ Education - International <ul style="list-style-type: none"> ○ Sustaining biodiversity ○ Chemical waste ○ Hazardous waste ○ Climate change policy – adaptation and mitigation ○ Loss in indigenous knowledge • Major International Agreements <ul style="list-style-type: none"> - Rio de Janeiro summit (UNCED) - Johannesburg summit (WSSD) - Rio + 20 summit - Kyoto Protocol - Millennium Development Goals - United Nations Framework Convention on Climate Change (COP 17) - Conference of the Parties (COP) | <ul style="list-style-type: none"> • Define/Explain the relevant concepts • Briefly discuss the state of environment <ul style="list-style-type: none"> • Examine the measures to ensure sustainability in detail <i>HOT QUESTION: How effective are the South African government's interventions with regard to environmental sustainability? Motivate your response!</i> <ul style="list-style-type: none"> • Distinguish between the concepts <i>protocol</i> and <i>agreement</i> • Briefly discuss the major protocols in terms of the following: <ul style="list-style-type: none"> ➤ Name of the agreement ➤ Environmental issue to be addressed by the agreement/protocol ➤ Envisaged outcome of the agreement/protocol |

| TOPICS : CAPS PAPERS GRADE 10–12 | | | | | |
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| ALL TOPICS MENTIONED ARE APPLICABLE FOR THE FINAL EXAMINATION | | | | | |
| GR.10 | | GR.11 | | GR.12 | |
| PAPER 1 | PAPER 2 | PAPER 1 | PAPER 2 | PAPER 1 | PAPER 2 |
| MACROECONOMICS | MICROECONOMICS | MACROECONOMICS | MICROECONOMICS | MACROECONOMICS | MICROECONOMICS |
| <ul style="list-style-type: none"> • Basic concepts • Basic economic problem • Circular flow • Quantitative elements: production and income • Business cycles | <ul style="list-style-type: none"> • Dynamics of markets • Production possibility curve • Public sector intervention | <ul style="list-style-type: none"> • Factors of production and its remuneration • Economic goods & services • Economic systems • South Africa's economic structures | <ul style="list-style-type: none"> • Relationships between markets • Effects of cost & revenue on price and quantities • Price elasticity | <ul style="list-style-type: none"> • Circular flow • Business cycles • Public sector • Foreign exchange markets • Protectionism and Free Trade | <ul style="list-style-type: none"> • Perfect markets • Imperfect markets • Market failures |
| ECONOMIC PERSUITS | ECONOMIC ISSUES | ECONOMIC PERSUITS | ECONOMIC ISSUES | ECONOMIC PERSUITS | ECONOMIC ISSUES |
| <ul style="list-style-type: none"> • South African economic growth and development in historical context • History of money & banking • Population & labour force | <ul style="list-style-type: none"> • Unemployment • Labour relations • Economic redress | <ul style="list-style-type: none"> • Economic growth • Economic development • Money & banking • RSA's economic importance in Africa | <ul style="list-style-type: none"> • Poverty • Globalisation • Environmental deterioration | <ul style="list-style-type: none"> • Growth & Development • Industrial development policies • Economic concepts and social performance indicators | <ul style="list-style-type: none"> • Inflation • Tourism • Environmental sustainability |

4. CONCLUSION

This Examination Guidelines document is meant to articulate the assessment aspirations espoused in the CAPS document. It is therefore not a substitute for the CAPS document which teachers should teach to.

Qualitative curriculum coverage as enunciated in the CAPS cannot be over-emphasised.