



**NATIONAL
SENIOR CERTIFICATE**

GRADE 11

NOVEMBER 2023

**ECONOMICS P1
MARKING GUIDELINE**

MARKS: 150

This marking guideline consists of 16 pages.

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

- 1.1.1 C ✓✓ rent
- 1.1.2 A ✓✓ households
- 1.1.3 D ✓✓ bureaucracy
- 1.1.4 C ✓✓ depreciation
- 1.1.5 B ✓✓ gross domestic product
- 1.1.6 B ✓✓ Lorenz curve
- 1.1.7 A ✓✓ progressive
- 1.1.8 D ✓✓ National Development Plan (16)

1.2 MATCHING ITEMS

- 1.2.1 C ✓ – facilities, activities and services which support the operation and development of other sectors
- 1.2.2 G ✓ – a statistic used to rank countries in terms of life expectancy, education and standard of living
- 1.2.3 F ✓ – replace themselves over a long period
- 1.2.4 A ✓ – assets that are used in the production process over a long time
- 1.2.5 H ✓ – additions of money into the circular flow
- 1.2.6 B ✓ – measures the degree of income inequality and wealth distribution between households
- 1.2.7 D ✓ – the best possible outcome within a given set of circumstances
- 1.2.8 E ✓ – gross national product divided by population (8 x 1) (8)

1.3 GIVE ONE TERM

1.3.1 Intermediate goods ✓

1.3.2 Natural resources ✓

1.3.3 Capital deepening ✓

1.3.4 Land restitution ✓

1.3.5 Cash reserves ✓

1.3.6 Economically active population ✓

(6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

Answer TWO of the three questions in this section in the ANSWER BOOK.

QUESTION 2: MACROECONOMICS

- 2.1 2.1.1 **Name any TWO examples of durable goods.**
- vehicles ✓
 - books ✓
 - household goods / home appliances / consumer electronics ✓
 - furniture ✓
 - tools ✓
- (Any 2 x 1) (2)
- 2.1.2 **Why is it important for the government to empower marginalised people in the economy?**
 Empowering the marginalised can boost the economy resulting in faster economic growth. ✓✓
- (Any 1 x 2) (2)
- 2.2 **DATA RESPONSE**
- 2.2.1 **Identify the classification of gross capital formation in the above table.**
 Gross capital formation by kind of asset ✓
- (1)
- 2.2.2 **Name ONE main national account aggregate.**
- Gross valued added/gross domestic product/GVA/GDP ✓
 - Gross national expenditure (GNE) ✓
 - Gross national income (GNI) ✓
- (Any 1 x 1) (1)
- 2.2.3 **Briefly describe the term *gross capital formation*.**
 Gross capital formation occurs when capital stock such as machinery, buildings and inventories increase ✓✓ /
 Gross capital formation takes place when firms replace capital goods that become outdated, broken or have reached the end of their lifespan with new capital goods ✓✓
 (Accept any other correct relevant response.)
- (Any 1 x 2) (2)
- 2.2.4 **Explain the importance of national account aggregates in an economy.**
 They measure the performance of an economy by providing information on economic growth, inflation and other economic indicators. ✓✓
 (Accept any other correct relevant response.)
- (1 x 2) (2)

- 2.2.5 **Why is capital formation important for the economy?**
- Capital formation leads to more money circulating in the economy. ✓✓
 - The accumulation of capital goods translates to investment and the production of more goods and services ✓✓
 - This boosts the income of the population and stimulate demand. ✓✓ (Any 2 x 2) (4)

2.3 DATA RESPONSE

- 2.3.1 **Identify a level of government from the information above.**
- Central government ✓ (1)

- 2.3.2 **Name the economic system that South Africa is currently using.**
- Mixed economic system ✓ (1)

- 2.3.3 **Briefly describe the term *economic system*.**
- An economic system is a set of principles and techniques by which a society decides on and organises the ownership, allocation and use of scarce economic resources, and organises the production, distribution and consumption of goods and services. ✓✓
- (Accept any other correct relevant response.) (1 x 2) (2)

- 2.3.4 **Explain ownership as a characteristic of centrally planned economy.**
- The government owns and controls the factors of production. ✓✓
 - Labour, however, is not owned but is directed by the government. ✓✓
 - The government can control all land, labour and capital to serve the economic objectives of the state. ✓✓
 - There is no private property (land and capital) as it has all been nationalised, expropriated or confiscated by the government. ✓✓ (Any 1 x 2) (2)

- 2.3.5 **How does freedom of choice benefit the households as consumers of goods and services?**
- Consumers are able to buy from sellers who offer goods at a lesser price when they have freedom of choice. ✓✓
 - Consumers may have an opportunity to choose the quality and quantity of goods that they prefer when buying. ✓✓
 - Freedom of choice allows consumers to satisfy their needs and wants according to their taste and preferences. ✓✓
- (Accept any other correct relevant response.) (Any 2 x 2) (4)

2.4 **Discuss the characteristics of a market economy.**

- The market forces of demand and supply determine what, how and for whom to produce ✓✓
 - Price act as signals in the free market to prevent shortages and surpluses ✓✓
 - The individual can act on his own initiative and has freedom of choice with regard to all economic choices. ✓✓
 - Most of the factors of production are privately owned and controlled. ✓✓
 - Decision-making is decentralised. ✓✓
 - A market economy is subject to continuous business fluctuations. ✓✓
 - Market economies are subject to market failures. ✓✓
- (Accept any other relevant correct response.) (Any 4 x 2) (8)

2.5 **Examine the actions (strategies) taken by the government to increase accessibility of the economically marginalised groups through empowerment.**

- The Human Resource Development Strategy was implemented to reduce the levels of poverty, unemployment and inequality. ✓✓
 - The South African Schools Act, implemented in 1994, focuses on the transformation of education to improve access, quality, equity and redress for learners without discrimination of any kind. ✓✓
 - The Broad Based Black Economic Empowerment policy provides a basis for transforming the South African economy to eradicate inequality, and to encourage full participation of black people in the economic mainstream. ✓✓
 - The introduction of new labour legislation has had a great impact on jobs in South Africa, especially the Labour Relations Act, the Basic Conditions of Employment Act, the Employment Equity Act and the Skills Development Act. ✓✓
 - Entrepreneurship, grants, skills development through training and other forms of assistance to motivate people to become self-employed were implemented. ✓✓
 - The Expanded Public Works Programme, launched in May 2004, is the largest job-creating initiative that the government has undertaken. ✓✓
 - The National Youth Agency, launched in June 2009, aims to help people between the ages of 16 and 25 who want to continue their education by providing them with part-time jobs. ✓✓
- (Accept any other correct relevant response.) (Any 4 x 2) (8)

[40]

QUESTION 3: ECONOMIC PURSUITS**3.1 3.1.1 Name any TWO sources of wealth.**

- Savings ✓
- Inheritance ✓
- Profits generated by running a business ✓
- Luck ✓

(Accept any other correct relevant response.) (Any 2 x 1) (2)

3.1.2 How will the South African Reserve Bank intervene when a bank experiences bank failure?

The Reserve Bank will take curatorship of the bank and may provide financing to meet their obligations. ✓✓

(Accept any other correct relevant response.) (Any 1 x 2) (2)

3.2 DATA RESPONSE**3.2.1 Identify a plan to ensure economic development in South Africa from the information above.**

National Skills Development Strategy (NSDS) ✓

3.2.2 Name a characteristic of developing countries.

- Low standard of living ✓
- Low levels of productivity ✓
- High population growth and dependency burdens ✓
- High levels of unemployment ✓
- Dependence on the primary sector ✓
- Deficient infrastructure ✓

(Any 1 x 1) (1)

3.2.3 Briefly describe the term *economic development*.

- Economic development refers to an improvement in the standard of living and well-being of the citizens of a country. ✓✓

(Accept any other correct relevant response.) (1 x 2) (2)

3.2.4 Explain the importance of indigenous knowledge systems in the economy.

- IKS are seen as the key to sustainable social and economic development. ✓✓
- Provide a productive framework for activities aimed at helping communities. ✓✓
- Offer problem-solving plans or strategies for local communities, especially the poor. ✓✓
- Represent an important contribution to global development knowledge. ✓✓

(Accept any other correct relevant response.) (Any 1 x 2) (2)

3.2.5 **Why does economic growth improve economic development?**

- Economic development is measured through the living standards. ✓✓
- Living standards only increase when income is created, which is a direct result of economic growth. ✓✓

(Accept any other correct relevant response.) (2 x 2) (4)

3.3 **DATA RESPONSE**

3.3.1 **Identify a monetary policy instrument from the extract above.**

Interest rates ✓ (1)

3.3.2 **Name any function of the central bank (SARB).**

- Bank of issue ✓
- Act as banker to the government ✓
- Custodian of foreign reserves ✓
- Act as bankers' bank ✓

(Any 1 x 1) (1)

3.3.3 **Briefly describe the term *prime lending rate*.**

- The prime lending rate is the lowest rate at which a bank will lend money to its favourite customers. ✓✓

(Accept any other correct relevant response.) (1 x 2) (2)

3.3.4 **Explain the aim of the SARB's monetary policy.**

- The aim of the South African Reserve Bank is to protect the value of the currency in the interest of balanced and sustainable economic growth in the Republic ✓✓/ achieve and maintain price stability of the rand. ✓✓

(Accept any other correct relevant response.) (1 x 2) (2)

3.3.5 **How is the South African economy negatively affected by the continuous hike in interest rates?**

- Both businesses and consumers will cut back on spending ✓✓
- This will cause earnings to fall and stock prices to drop. ✓✓
- The cost of doing business rises for public (and private) companies. ✓✓

(Accept any other correct relevant response.) (Any 2 x 2) (4)

3.4 **Briefly discuss foreign exchange risks and poor credit evaluation as reasons for bank failures.**

- A poor economic environment makes it difficult for banks to make a profit. ✓✓
- A weak and fraudulent management may contribute to failure. ✓✓
- The over exposure to micro-lending and bad debts. ✓✓
- Poor and bad management can lead to liquidity. ✓✓
- Poor credit control measures that are in place ✓✓

(Accept any other correct relevant response.)

(Any 4 x 2) (8)

3.5 **Evaluate the Reconstruction and Development Programme as a development strategy in South Africa.**

Positive:

- RDP was a labour-intensive public works programme ✓✓
- It assisted in the reduction of poverty by providing more employment ✓✓
- It was a socio-economic policy framework that went through as a golden thread in every government plan ✓✓
- It assisted in the development of human resources, ✓✓ one of the most important resources that the economy needs for development ✓✓
- It assisted in the increase of infrastructure development ✓✓
- It promoted the implementation of land reform ✓✓
- It helped in the provisioning of houses, water, electricity and primary health care ✓✓

(Any 2 x 2)

Negative:

- The unemployment rate kept rising ✓✓
 - Poverty and service delivery were never improved ✓✓
- (Accept any other correct relevant responses.)

(Any 2 x 2)

(4 + 4)

(8)

[40]

QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS

- 4.1 4.1.1 **Name TWO ways in which standards of living can be measured.**
• Consumption ✓
• Income ✓ (2 x 1) (2)
- 4.1.2 **Why are imports not included in domestic expenditure?**
• It is because they do not form part of domestic production. ✓✓
• The income from their purchases is spent in other countries and not locally. ✓✓
(Accept any other correct relevant response.) (Any 1 x 2) (2)
- 4.2 **DATA RESPONSE**
- 4.2.1 **Identify a category of labour from the above information.**
Skilled labour ✓ (1)
- 4.2.2 **Name an economic term that refers to highly skilled workers leaving a country to look for better work opportunities in other countries.**
Brain drain ✓ (1)
- 4.2.3 **Briefly describe the term *labour*.**
Labour is the use of human mental and physical effort to produce goods and services to get a reward in the form of income. ✓✓
(Accept any other correct relevant response.) (2)
- 4.2.4 **Explain the difference between *nominal* and *real wages*.**
A nominal wage is not adjusted for inflation, while a real wage is a wage adjusted for inflation. ✓✓
(Accept any other correct relevant response.) (2)
- 4.2.5 **How can the quality of labour be improved in South Africa?**
• Increasing access to community colleges and technical and vocational training colleges. ✓✓
• Implementation of a national minimum wage. ✓✓
• Ensuring employment tax incentive works correctly and establishing of a national anti-corruption strategy. ✓✓
(Accept any other correct relevant response.) (Any 2 x 2) (4)

4.3 DATA RESPONSE

- 4.3.1 **Identify a function of money from the above information.**
Medium of exchange ✓ (1)
- 4.3.2 **Name the South African currency.**
Rand/ZAR ✓ (1)
- 4.3.3 **Briefly describe the term *micro-lending*.**
Micro-lending is the practice of granting small loans to those in need, which are usually small amounts. ✓✓
(Accept any other correct relevant response.) (2)
- 4.3.4 **Explain the role of the National Credit Act in the economy.**
 - The National Credit Act aims to ensure that borrowers are not charged excessively high interest rates ✓✓
 - It also ensures that loans are only granted to people who are able to service the debt ✓✓
 (Accept any other correct relevant response.) (Any 1 x 2) (2)
- 4.3.5 **How can the government stabilise the value of money in a country?**
The government stabilise the value of money by:
 - Stabilising the general price level. ✓✓
 - Keeping inflation at a minimum level. ✓✓
 - Using monetary policy as an instrument to control inflation e.g. interest rates. ✓✓
 - Increasing the interest rate if inflation rises above the Reserve Bank's upper limit, ✓✓ to curb spending and decrease demand, again stabilising the value of money. ✓✓
 (Accept any other correct relevant response.) (Any 2 x 2) (4)

4.4 **Differentiate between *real* and *money flows*.**Real flow:

- Factors of production flow from the households to producers via the factor markets. ✓✓
- Goods and services flow from the producers via the goods markets to households and other users of goods and services. ✓✓
- Factors of production and goods and services flow from foreign countries to South Africa (imports). ✓✓
- Factors of production and goods and services flow from South Africa to foreign countries (exports). ✓✓ (Any 2 x 2)

Money flow

- Factor remuneration represents the expenditure of producers and the income of households (wages, rent, interest and profit). ✓✓
 - On the other hand, consumption expenditure represents the expenditure of households and the income of producers. ✓✓ (2 x 2)
- (4 + 4) (8)

4.5 **Examine the relationship between bank failure and economic activities.**

- The banks are very important institutions in any given economy due to their role of financing the economy. ✓✓
 - Bank failures hamper the money supply in the economy. ✓✓
 - When banks fail, firms lose the funding and are forced to cut back on their operations. ✓✓
 - This results in unemployment rates going up due to lay-offs, low profits and reduction in production by these firms. ✓✓
 - If a bank has not fully insured the deposits, the borrowers would likely suffer losses and have a reduction of their wealth. ✓✓
 - This is transmitted into the real economy through reduced demand for goods and services. ✓✓
 - During liquidation of banks the assets are sold off to repay the depositors. ✓✓
 - This could take very long and results in the loss of value for money. ✓✓
 - When one bank fails, it causes other banks to have a contraction of money supply. ✓✓
 - The other banks may become more pessimistic about the economy and try to reduce their lending in the economy. ✓✓
- (Accept any other correct relevant response.) (Any 4 x 2) (8)

[40]

TOTAL SECTION B: 80

SECTION C**QUESTION 5: MACROECONOMICS**

- **Discuss in detail the economic importance of the tertiary sector.**
(26 marks)
- **Examine the relationship between the different sectors in the economy.**
(10 marks)

INTRODUCTION

The tertiary sector is an economic sector that involves the provisioning of services. ✓✓ (Accept any other correct relevant introduction.) (2)

MAIN PART**Contributes to GDP ✓**

- The tertiary sector's contribution to GDP is estimated at 62 percent in South Africa ✓✓
- In the current technological environment, it is predicted that the growth in the tertiary sector will play a bigger role in GDP's contribution in future. ✓✓
- The actual contribution of the tertiary sector to the GDP may be understated. ✓✓
- Many essential services are not included, such as the service of the homemakers, as well as services rendered by businesses for themselves in the primary and secondary sector e.g., computer services, bookkeeping and training. ✓✓

Contribution to employment ✓

- South Africa earns foreign income by exporting primary sector products such as fruit, nuts, grain and various minerals. ✓✓
- The foreign exchange earned is used to pay for necessary imports like oil. ✓✓
- South Africa is one of the largest and most diverse mineral producers and exports a variety of minerals ✓✓

Contribution to exports ✓

- The tertiary sector exports and imports a considerable number of services to foreign countries ✓✓
- These are usually in the form of freight, insurance, transport, travel, royalties, licence fees and services such as communication ✓✓

Contribution to economic growth ✓

- The growth in the tertiary sector is much bigger than that of the primary sector and of the secondary sector. ✓✓
- The tertiary sector is the engine of growth, that provides impetus to the other sectors. ✓✓

Source of income for the state ✓

- Companies must pay tax to the South African Revenue Services (SARS) ✓✓
- This money is used to provide basic services to South Africans for example, infrastructure (roads, housing, public transport etc) and welfare services. ✓✓

Creates markets for consumer products ✓

- For goods to sell, consumers need to know what is available. ✓✓
- This sector tells the consumers which goods are available by, for example, advertising. ✓✓

(Maximum of 8 marks for headings and examples.)

(Max.) (26)

ADDITIONAL PART

- The primary sector depends on the secondary sector for manufactured goods such as machinery and equipment. ✓✓
- The secondary sector depends on the primary sector for the raw materials and products that it processed into products that are useful. ✓✓
- Both primary and secondary sectors depend on the tertiary sector for the provision of services. ✓✓
- The primary and secondary sectors also depend on the tertiary sector for the provision of products to resell, such as traders in fresh produce. ✓✓
- The tertiary sector also depends on the secondary for manufactured goods ✓✓ such as office equipment, office furniture and stationery. ✓
- In the secondary sector, manufacturers make components that other manufacturers use in their final products. ✓✓
- Businesses within a sector also depends on other businesses within the same sector. ✓✓

(Accept any other correct relevant response.)

(Max.) (10)

CONCLUSION

- The tertiary sector is rapidly changing with the increased use of technology in the service sector.

(Accept any other correct relevant high order conclusion.)

(Max. 2) (2)

[40]

QUESTION 6: ECONOMIC PURSUITS

- Discuss in detail the different methods used to redistribute income and wealth. (26 marks)
- Evaluate South Africa's economic growth performance. (10 marks)

INTRODUCTION

Redistribution is a process of re-allocating income; wealth and resources equally amongst the citizens to reduce social and economic inequalities. ✓✓

(Accept any correct relevant introduction.)

(Max. 2) (2)

MAIN PARTTaxation ✓

- The government can begin to ensure redistribution by using taxation. ✓✓
- Progressive tax system will be used since it states that the higher income pay more tax. ✓✓
- The revenue collected from taxes is used to assist the poor citizens in the country. ✓✓

Social grants (cash benefits) ✓

- Cash grants are paid by the government to receivers without any service being rendered. ✓✓
- They help the poor face the basic costs of living in the country. ✓✓
- The main cash grants in South Africa are Older Persons Grants; Child Support Grants; Disability Grants; etc. ✓✓
- South Africa is the biggest welfare state in the world and is spending the largest part of its GDP on social grants and social assistance. ✓✓

Payments in kind ✓

- These are essential services that the government ensure they are provided to the needy free of charge. ✓✓
- They consist of primary health care; basic education; feeding schemes; protection and infrastructure. ✓✓
- Although these do not contribute to the accumulation of assets for generating long-term wealth, they satisfy basic needs. ✓✓

Education ✓

- Improved education system increases education levels in low-income families in a country. ✓✓
- This improves the peoples' prospects in the labour market. ✓✓
- Education clearly makes workers more competitive in a tough labour market. ✓✓
- The supply of highly skilled labour needs to increase if unemployment and poverty are to be reduced. ✓✓

Labour practice ✓

- Elimination of the labour inequalities improve the general working conditions for all South Africans. ✓✓
- The implementation of a minimum wage and unemployment insurance helps to reduce relative poverty for people who earn very low wages. ✓✓
- Strategies for helping the youth to obtain their first job include a wage subsidy, a search subsidy and reduced regulations for first jobs. ✓✓

Macroeconomic policy ✓

- Benefits of strong macroeconomic performance and economic growth is that tax revenue is generated to fund social expenditure. ✓✓
- Macroeconomic policies such as GEAR and AsgiSA influence the distribution of income and wealth in various ways. ✓✓
- Regional development policies reduce geographical inequalities of income and wealth. ✓✓

Redistribution methods ✓

- South Africa's transformation since 1994 has emphasised strategies for eliminating inequalities and living conditions for all South Africans. ✓✓
- Interventions that would ensure a more rapid redistribution of income, wealth and opportunities to the previously disadvantaged. ✓✓
- They include Black Economic Empowerment (BEE), affirmative action, land redistribution and property subsidies. ✓✓

(Max. 26) (26)

ADDITIONAL PART

- Weak structural growth and COVID-19 pandemic have exacerbated socio-economic challenges. ✓✓
 - South Africa has recovered its pre-pandemic GDP, but not its employment level. ✓✓
 - High unemployment levels were evident during this period ✓✓
 - At the end of 2022 there were still close to half a million fewer jobs than at the end of 2019 with women and youth persistently more impacted. ✓✓
 - Private consumption and investments will remain the main drivers of growth. ✓✓
 - The job growth, the cost of living, elevated interest rates and the declining in buying power had a huge impact on economic growth. ✓✓
- (Accept any other correct relevant answer.)

(Max. 10) (10)

CONCLUSION

The government plays an important role in the redistribution of income so that previously disadvantaged groups benefit and participate in economic activities to ensure growth and development in the economy.

(Max. 2) (2)

[40]

TOTAL SECTION C: 40
GRAND TOTAL: 150