



Province of the
EASTERN CAPE
EDUCATION

**NATIONAL
SENIOR CERTIFICATE**

GRADE 11

NOVEMBER 2014

**ECONOMICS P1
MEMORANDUM**

MARKS: 150

This memorandum consists of 15 pages.

SECTION A (COMPULSORY)**QUESTION 1**

- | | | | | | |
|-----|-------|------|---|---------|------|
| 1.1 | 1.1.1 | B ✓✓ | intermediary | | |
| | 1.1.2 | B ✓✓ | unskilled labour | | |
| | 1.1.3 | C ✓✓ | progressive | | |
| | 1.1.4 | B ✓✓ | Economic growth rate | | |
| | 1.1.5 | C ✓✓ | hidden unemployment | | |
| | 1.1.6 | B ✓✓ | repo rate | | |
| | 1.1.7 | A ✓✓ | level of per capita income | | |
| | 1.1.8 | C ✓✓ | Commonwealth | (8 x 2) | (16) |
| 1.2 | 1.2.1 | B ✓ | Free gifts from nature | | |
| | 1.2.2 | E ✓ | Represent spending on capital stock | | |
| | 1.2.3 | H ✓ | Promotes sustainable and equitable economic growth and economic development in Southern Africa | | |
| | 1.2.4 | F ✓ | Awarding government tenders to firms that comply with BEE Act. | | |
| | 1.2.5 | A ✓ | Measures taken by the SARB to influence the supply of money | | |
| | 1.2.6 | C ✓ | Use of goods and services to satisfy needs | | |
| | 1.2.7 | D ✓ | Formal and specific activities that will improve the ability of all individuals to reach their full potential | | |
| | 1.2.8 | I ✓ | The acquisition of privately owned enterprises by a government, with or without compensation | (8 x 1) | (8) |
| 1.3 | 1.3.1 | | Production method ✓ | | |
| | 1.3.2 | | Human development index (HDI) ✓ | | |
| | 1.3.3 | | Final goods ✓ | | |
| | 1.3.4 | | Developing country ✓ | | |
| | 1.3.5 | | Income distribution ✓ | | |
| | 1.3.6 | | Monetary union ✓ | (6 x 1) | (6) |

TOTAL SECTION A: 30

SECTION B (Answer any TWO questions from this section.)**QUESTION 2: MACROECONOMICS****2.1 Mention any TWO kinds of capital**

- 2.1.1
- Physical capital ✓
 - Financial capital ✓
 - Fixed capital ✓
 - Human capital ✓
 - Social capital ✓
 - Capital stock ✓
 - Working capital ✓
- (Any 2 x 1) (2)

- 2.1.2
- Market economy resolves the basic economic problem of “what”, “how” and “for whom” to produce mainly through the market mechanism. ✓✓

OR

- Means that prices and quantities in the economy are controlled by the market forces of demand and supply. ✓✓ (1 x 2) (2)

2.2 DATA RESPONSE

- 2.2.1
- Is money spent by government on goods and services that provide benefits to the whole of society. ✓✓ (2)

- 2.2.2
- Education ✓✓ (2)

- Education is important for skills development in SA to improve the labour force. ✓✓
 - To teach young people life skills and important values. ✓✓
- (Any 1 x 2) (2)
(Any relevant answer)

- 2.2.3
- It provides goods and services that satisfy both the individual and collective needs of communities. ✓✓
 - Provides goods and services at lower cost and sometimes free, which help members of the public who can enjoy these services. ✓✓
 - Employment through basic projects such as the construction of roads, dams and sewerage. ✓✓ (Any 2 x 2) (4)

2.3 DATA RESPONSE

- 2.3.1 Is the remuneration or payment made for the use of factors of production which is limited in supply. ✓✓ (2)
- 2.3.2 Demand and supply. ✓✓ (2)
- 2.3.3
- The supply of natural resources is fixed and limited to what nature provides us. ✓
 - It is limited because the resources are not man made. ✓
 - These resources are scarce in relation to the demand for them. ✓
 - The availability of non-renewable resources cannot be increased if more resources are required. ✓
 - It is possible, however, to exploit more of the available resources. ✓
 - The disadvantage of doing this that they will be used up more quickly. ✓
 - New technology can improve the productivity of some natural resources. ✓ (Any 2 x 1) (2)
- 2.3.4 Economic rent = = R35 000 – R10 000 ✓✓ = R25 000 ✓✓ (4)

2.4 Compare the ownership and motivation of centrally planned and mixed economic characteristics in table form

Centrally planned	Mixed economy
<p>Ownership</p> <ul style="list-style-type: none"> • Factors of production, except labour are owned by the state. ✓✓ • Labour services are, however, directed by the state ✓✓ • There is no private ownership of property, land or business. • All private property has been nationalised. ✓✓ • Nationalisation is a practice to strengthen this characteristic. ✓✓ 	<p>Ownership</p> <ul style="list-style-type: none"> • Consumers, producers and organisation own most of the factors of production. ✓✓ • The state may own a significant proportion. ✓✓ • In SA, the state owns land and capital directly, through its enterprises, such as Transnet, Telkom, Post Office, Eskom, the SABC and Water Board. ✓✓
<p>Motivation</p> <ul style="list-style-type: none"> • Consumers, enterprises and government are all assumed to be selfless, cooperating together to benefit the community. ✓✓ • This is in contrast with most economic agents in market economies who are assumed to be motivated only by their self-interest. ✓✓ (4) 	<p>Motivation</p> <ul style="list-style-type: none"> • In the private sector of the mixed economy, consumers and producers are assumed to be motivated by self-interest. ✓✓ • The public sector, however, is assumed to be motivated by the necessity to satisfy the social needs of the community. ✓✓ (4)

2.5 Discuss the economic importance of tertiary sector in the economy

2.5.1 Contribution to GDP ✓✓

- The tertiary sector currently makes the greatest contribution to South Africa's GDP. ✓✓
- The contribution has increased from 51% of GDP in 1960 to 67% in 2010. ✓✓
- This shows that our economy is becoming more developed as products from the other sectors are traded on formal markets. ✓✓

2.5.2 Contribution to employment and training ✓✓

- The tertiary sector is the largest employer in economy. ✓✓
- It has employed 71% of the workforce in 2010 ✓✓
- It provides jobs for highly skilled as well as semi-skilled and unskilled workers. ✓✓
- Opportunities for training are provided by most of the businesses in this sector, both state and privately owned. ✓✓

2.5.3 Contribution to economic growth ✓✓

- The growth of the tertiary sector has been greater than that in any of the other sectors. ✓✓
- The growth in the tertiary sector for the seven years from 2003 to 2010 was much higher than that of the primary and of the secondary sectors. ✓✓
- Over this period the tertiary sector was the "engine of growth" that pulled the other sectors. ✓✓

2.5.4 Contribution to exports ✓✓

- Countries exports services when they sell services, such as insurance and port facilities, to foreigners. ✓✓
- Countries also import services. ✓✓
- The growth of the tertiary sector has been greater than that in any of the other sectors. ✓✓

(Any 2 x 4) (8)

[40]

QUESTION 3: ECONOMIC PURSUITS

- 3.1 3.1.1
- Compare standard of living. ✓
 - Indicate standard of living. ✓
 - Indicate economic development. ✓
- (Any 2 x 1) (2)

- 3.1.2 Income distribution that is not in proportion to the number of persons in the population. ✓✓
- (Any relevant answer) (2)

3.2 DATA RESPONSE

- 3.2.1 Is all the built facilities that are needed for economic development, e.g. roads, telephone and hospitals, ect. ✓✓
- (2)

- 3.2.2
- Economic infrastructure – transport, water, sanitation, electricity, etc. ✓
 - Social infrastructure – health, housing, cultural activities, etc. ✓
- (2)

- 3.2.3 Transport ✓✓
- (2)

- 3.2.4
- Determine the success of manufacturing and agricultural activities. ✓✓
 - Improves lives ✓✓
 - Reduce poverty ✓✓
 - Expand cultural advances ✓✓
- (Any 2 x 2) (4)

3.3 DATA RESPONSE

- 3.3.1 Inflation is a continuous increase in the general price levels over a period of time. ✓✓
- (2)

- 3.3.2 3% to 6% ✓✓
- (2)

- 3.3.3 The value of money is low/decrease. ✓✓
- (2)

- 3.3.4
- Health ✓✓
 - Transport ✓✓
 - Education ✓✓
- (Any 2 x 2) (4)

3.4 Discuss the reasons for unequal distribution of income.

- Unequal holdings of wealth – As wealth generates income in the form of profits, interest and dividends, differentials in wealth cause differences in income. ✓✓
- Differences in the composition of households – Some household are big and others are small. ✓✓
- Differences in skills and qualifications – Those with advanced skills and qualifications are likely to earn high incomes. ✓✓
- Discrimination – The income of some groups is adversely by discrimination in terms of employment opportunities, pay and promotion chances ✓✓

(Only listing – max. 4 marks)

(4 x 2) (8)

3.5 Elements of IKS

- The economic element ✓✓ – Includes agricultural activities, e.g. livestock and crop farming. ✓✓ Mining e.g. gold, iron and copper. ✓✓ Manufacturing e.g. farming equipment such as ploughs household’s utensils, craft and jewellery. ✓✓ Services e.g. health care, medicine, medical treatment and grooming. ✓✓
- The social (cultural) element ✓✓ – Includes religion and religious activities e.g. relaxation and education. ✓✓ – Living by principles of Batho-Pele (put people first) and Letsema (volunteer to do more). ✓✓
- The governance (political) element ✓✓ – Includes the authority system, e.g. kings, chiefs and headman, and judicial system, e.g. hearing and punishment. ✓✓

(Any 2 x 4) (8) [40]

QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS

- 4.1 4.1.1
- Durable goods ✓
 - Non-durable goods ✓
 - Semi-durable goods ✓
 - Services ✓
- (Any 2 x 1) (2)

4.1.2 Economic growth is an increase in production capacity of goods and services in a country over a year, in physical terms. ✓✓ (2)

4.2 DATA RESPONSE

4.2.1 New Growth Path is a macroeconomic policy that was introduced in 2010 to fight poverty and unemployment and prioritise job creation ✓✓ (2)

4.2.2 • Is to create five million jobs by 2020. ✓✓ (2)

- 4.2.3
- To improve the visibility and coordination of South African public investment drives. ✓✓
 - It will includes all spheres of government, various national departments and SOE’s. ✓✓
 - Was setup to improve visibility and coordination of SA’s R860-Billioms public investment drive. ✓✓
 - It will seek to unblock regulatory and funding constraints. ✓✓
 - Set five year project priorities. ✓✓
 - Create certainty about expected developmental industrial spin-offs. ✓✓
 - Support revitalisation of rail infrastructure ✓✓
 - Gain a handle in the lifecycle maintenance challenge and improve linkages to poor communities. ✓✓
- (Any 1 x 2) (2)

- 4.2.4
- Infrastructure ✓✓
 - Agriculture and Agri processing ✓✓
 - Mining and mineral beneficiation ✓✓
 - Manufacturing ✓✓
 - Tourism and selected service ✓✓
- (Any 2 x 2) (4)

4.3 DATA RESPONSE

- 4.3.1
- Savings ✓
 - Gifts ✓
 - Appreciation of assets ✓
 - Luck ✓
 - Entrepreneurial activities ✓
- (Any 2 x 1) (2)

- 4.3.2
- Individuals save when they abstain from consuming all their income ✓✓
 - They accumulate wealthy when they hold on to cash, make deposits, pay premiums on assurance policies, and carry out investments ✓✓
- (4)

- 4.3.3
- Lorenz Curve ✓
 - Gini coefficient ✓
- (2)

- 4.3.4 They are essential for economic growth and development ✓✓ (2)

4.4 Discuss '*money as a store of value*' and '*money as a unit of account*' as functions of money

Money as store of value

- Money is generally accepted, there will always individuals, business enterprise and household that holds money. ✓✓
 - After money has been received as income, it is held and payments are only made when goods and services are purchased. ✓✓
 - Employees e.g. receive their income once a week or month and spend it over the course of the month until the next month's salary is received. ✓✓
 - Business enterprises receive money when household and other debtors pay their accounts. ✓✓
 - When money is held, it serves as a store of value until it is used to pay for goods and services. ✓✓
 - Money that is not spent, is part of the personal wealth of individuals and businesses. ✓✓
 - Money as a store of value is also used to store personal wealth. ✓✓
- (Any 2 x 2) (4)

Money as a unit of account

- Goods and services that are offered for sale, always have price. ✓✓
 - Price is expressed in terms of the standard money, for instance, in rands and cents. ✓✓
 - When something is given a price, money serves as unit of account. ✓✓
- (Any 2 x 2) (4)

4.5 Differentiate between ‘*capital widening*’ and ‘*capital deepening*’ as importance of capital

Capital widening

- Occurs when the capital stock grows at the same rate as the labour force, resulting in the average amount of capital per worker remaining the same. ✓✓
- For example, in a team of 20 workers there are ten 10 shovels (capital goods), giving a labour – to capital ratio of 2: 1. ✓✓
- If the workers increase to 40, the employer has to invest in a further 10 shovels to maintaining the labour – to-the employer has to invest in a further 10 shovels to maintain the labour –to-capital ratio. ✓✓
- The workers can now maintain their previous production level per worker. ✓✓
- There will be no economic growth, no change in the real GDP and the real GDP per capita will remain unchanged with no change in the standard of living. ✓✓ (Any 2 x 2) (4)

Capital deepening

- Occurs when the amount of capital per worker is increased, that is, when the rate of increase in capital stock is higher than the rate of increase in the labour force. ✓✓
- For example, it would imply that when the number of workers increases from 20 to 40, the employer invests in a further 20 shovels to give a total of 30 shovels. ✓✓
- This increases the capital-to-labour ratio from 2 : 1 (or 4 : 2) to 4 : 3. ✓✓
- This will allow the team of workers to perform more work and increase its efficiency. ✓✓
- So, capital deepening results in real economic growth that will raise the standard of living of the population. ✓✓
- This is because it leads to a higher real GDP and higher GDP per capita. ✓✓ (Any 2 x 2) (4)

[40]

TOTAL SECTION B: 80

SECTION C (Answer any ONE question from this section.)

QUESTION 5

Discuss the economic importance of an entrepreneurship. In addition explain how the South African government promotes entrepreneurship.

INTRODUCTION

An entrepreneur is a person who takes the risk of starting and financing a new business to satisfy the needs and wants of consumers by effectively combining the other factors of production to make a profit. ✓✓

(Any relevant introduction is accepted) Max. (2)

BODY

Importance of an entrepreneurship

- Entrepreneur is found in small and large enterprise. ✓✓ Because there are so many more small enterprises, however, the contribution from entrepreneurs in the smaller enterprises is significant. ✓✓ Throughout the world, smaller business enterprises seem to form the natural habitat for entrepreneurs. ✓✓ Smaller businesses allow them more freedom to implement their innovations. ✓✓
- In South Africa, many entrepreneurs in the informal sector start their own micro-businesses to create their own employment. ✓✓ Many of these entrepreneurs in the informal sector are unemployed, poor people who venture into the world of business purely to survive, often without the means, skills and knowledge to make a success of their businesses. ✓✓ They should be recommended for providing for their own needs. ✓✓
- Countries that encourage a culture of entrepreneurship, such as Japan, the USA and Europe, are characterised by economic wealth that is reflected in their population's high per capita income. ✓✓ in countries where a culture of entrepreneur is lacking, such as the former Soviet Union, countries in Eastern Europe, Africa and even South Africa, the income per capita is much lower. ✓✓
- Successful entrepreneurs make a considerable contribution in the economy of the community in which they operate and to the economy of the country. ✓✓

Their contributions are the following:

- They satisfy the needs and wants of consumers in a community by providing the goods and services that the community require. ✓✓
- They provide employment for the citizens of a community. ✓✓ In doing so, they place income in the hands of workers or consumers and help to raise the standard of living of working people. ✓✓ They often help to reduce unemployment. ✓✓
- They serve as a market for the natural resources or raw materials of the community, so they provide income to the owners of these resources. ✓✓

- Responsible entrepreneurs show leadership in the responsible use of scarce resources. ✓✓ They do not produce goods or services, or discharge waste into the earth, water or atmosphere, that would harm the environment. ✓✓
- Because of their high level of achievement and motivation as well as their drive to make good profits, entrepreneurs make production a reality. ✓✓ as they strive to carry out their tasks more efficiently; they help to increase productivity. ✓✓
- Through all these activities, entrepreneurs make a positive contribution to the economic growth of the community in which they operate and to the economic growth of the country. ✓✓ (Any 13 x 2) (26)

In addition explain how the South African government promotes entrepreneurship.

Because of the importance of entrepreneurship in South Africa, the government launched key institutions to support and empower South Africa's historically disadvantaged entrepreneurs (woman and youth in particular) to establish new enterprises. Some of these institutions are the following:

- The Small Enterprise Development Agency (SEDA) that provides non-financial support, such as mentoring programmes, business advice, ✓✓ help with government tenders and technology support to small enterprises. ✓✓
- Khula Credit Indemnity Scheme provides access to finance through various schemes and micro-credit in rural areas to support small businesses for the benefit of new black entrepreneurs. ✓✓
- Business Partners LTD is a specialist investment group, providing customised investment, mentoring and property-management services to SMEs in South Africa. ✓✓ (5 x 2) (10)

CONCLUSION

Entrepreneurs are necessary for the economic growth of a country. Governments appreciate and acknowledge their importance. ✓✓

(Any relevant conclusion is accepted) Max. (2)
[40]

QUESTION 6

Discuss the characteristics of developing countries. In addition, briefly explain the development strategies that a country can implement.

INTRODUCTION

Economic development is a process of transformation, whereby the inhabitants of the country experience higher standards of living, more employment, government intervention and less poverty. ✓✓

(Any relevant introduction) Max. (2)

BODY**1. Low standard of living** ✓✓

- The standard of living of the majority of people is low. ✓✓
- They earn low income resulting in poverty, lack of housing. ✓✓
- The low standard of living is manifested in:

(a) Poverty ✓✓

- A large number of people live below the poverty line. ✓✓
- Poverty is characterised by inadequate housing, poor health, limited education, high infant mortality, unemployment and sense of despair. ✓✓
- A household living in poverty does not have enough income to satisfy its wants. ✓✓

(b) Poor health conditions ✓✓

- People suffer from malnutrition and diseases. ✓✓
- These countries do not have enough food. ✓✓
- They depend on aid from developed countries. ✓✓

(c) Lack of education ✓✓

- The level of education and training is very low. ✓✓
- As a result, they experience low productivity and low income. ✓✓
- Education is vital in lifting developing countries out of the cycle of poverty. ✓✓

2. Low levels of productivity ✓✓

- Productivity per capita is very low. ✓✓
- The reason for this is poor health, poor education and training. ✓✓
- There is a lack of capital to buy machinery and equipment and to develop human resource ✓✓

3. High levels of unemployment and underemployment ✓✓

- The majority of people are unemployed or underemployed. ✓✓
- This is due to the fact that there are few industries. ✓✓
- This results in low incomes and a low standard of living. ✓✓

4. High population growth rate ✓✓

- They have very high population growth rate. ✓✓
- The number of children below 15 years is usually about 40% of the population. ✓✓
- Each family has a large number of dependents. ✓✓

5. High dependency on primary sector ✓✓

- They have defective economic structures. ✓✓
- They depend mostly on the agricultural sector. ✓✓
- This is because there are no manufacturing firms. ✓✓
- They also depend on the export of primary products like basic food and raw materials. ✓✓
- In return, they import finished goods which were manufactured from their materials. ✓✓
- They export raw materials at low prices and import finished goods at higher prices. ✓✓
- They have huge foreign debt because of the lack of capital. ✓✓
- They find it difficult to repay either the interest or the loans. ✓✓

6. Deficient infrastructure ✓✓

- Developing countries do not have enough infrastructure. ✓✓
- The few that they have are in a poor state. ✓✓
- They have poor roads, bridges, railways and communication networks. ✓✓

7. Low life expectancy ✓✓

- Due to lack of medical facilities, people die at young age. ✓✓
- The eruption of HIV and Aids has reduced life expectancy even further. ✓✓

(Any 13 x 2) (26)

(If only listed max. 7 marks)**ADDITIONAL PART****1. The growth-oriented development approach** ✓✓

This approach sees the quality of the factors of production and how they are used as important elements of supporting growth strategies. ✓✓

Natural resources ✓✓

- Their supply is limited and cannot be increased, but production from land can be increased by improving farming methods, use of fertilisers, etc. ✓✓
- Developing countries should start secondary industries to process raw primary products and produce other final goods. ✓✓
- They should not only export raw material resources in unprocessed form. ✓✓

Labour (human resource) ✓✓

- Countries can improve this in many ways. ✓✓
- Education and training will increase the general skills level in a country. ✓✓
- Health care should be improved to ensure that the labour force will be healthy, energetic and more productive. ✓✓
- Population growth should be managed by family planning programmes so that the population can be supported by its natural resources and combat poverty. ✓✓

Capital ✓✓

- Capital formation is necessary for an economy to develop. ✓✓
- Accumulation of capital is an important ingredient for growth. ✓✓
- If capital is allocated effectively, economic growth will increase. ✓✓
- The government should provide physical infrastructure where markets fail to provide it. ✓✓

Entrepreneurship ✓✓

- An entrepreneurial spirit and programmes must be developed to encourage people to take risks, open new businesses and be productive. ✓✓

2. The basic needs development approach. ✓✓

- In contrast with growth orientated approach, the basic needs theory regards development as a function to meet basic human needs such as food, water, shelter and clothing. ✓✓
- It aims to support the poor, reduce mass deprivation and give everyone the opportunity to live a full life. ✓✓
- It focuses on providing the goods and services that deprived population groups need. ✓✓

3. A shared approach ✓✓

- This is a combination of the growth-orientated approach, the basic needs theory regards.
- Development as a function to meet the basic human needs approach. ✓✓
This theory believes that economic development needs a high economic growth to strategy, while at the same time focusing on basic needs and interventions assist the poor. ✓✓
- The development strategy that the country follows to increase the income of the poor cannot be permanently based on transfers. ✓✓
It should be based on creating long-term opportunities for people to make a decent living on their own ✓✓

(Any 5 x 2) (10)

(If only listed max. 5 marks)

CONCLUSION

Although certain common features can be identified, significant differences exist between developing countries. Within the category of developing countries the level of development varies, e.g. a developing country such as Brazil has a much more advanced economy than Somalia. ✓✓

(Any relevant conclusion is accepted.) Max. (2)
[40]

TOTAL SECTION C: 80
GRAND TOTAL: 150