 Province of the

EASTERN CAPE

EDUCATION

**DIRECTORATE SENIOR CURRICULUM MANAGEMENT (SEN-FET)**

**HOME SCHOOLING SELF-STUDY WORKSHEET ANSWER SHEET**

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| --- | --- | --- | --- | --- | --- |
| **SUBJECT** | **ECONOMICS** | **GRADE** | **12** | **DATE** | **09/04/2020** |
| **TOPIC** | **MACROECONOMICS TOTAL MARKS: 40** | **TERM 1**  **REVISION** | **X** | **TERM 2 CONTENT** | (Please tick) |

**QUESTION 1 MACROECONOMICS 40 MARKS – 40 MINUTES**

**The state plays a significant role in a mixed economic system and is therefore one of the largest sectors in the economy.**

**• Discuss the macroeconomic objectives of the state. (26)**

**• How successful is the implementation of South Africa's fiscal policy? (10) [40]**

**INTRODUCTION**

Economic growth is required for economic development and can only occur if policy planning in the country embraces those policies that which would ensure sustainability in the economy √√ (Max 2)

**MAIN PART**

Price stability √

* Implies that prices in the economy do not change much over time √√
* Price stability is the opposite of inflation √√
* When prices are relatively stable and inflation is low, markets can function optimally and the government can promote economic growth and development more effectively √√
* The SARB strives to keep the inflation rate within the target range of 3 to 6% √√ **(Max 6)**

Exchange rate stability√

* If more money flows into the country than going out, we could have a surplus on the BOP √√
* The state promotes domestic production of surpluses to increase exports and by monitoring changes in exchange rates√√
* Fluctuations, such as the depreciation and appreciation of a currency, can create uncertainties for investors, producers and retailers √√
* South Africa uses a floating exchange rate system, which allows its exchange rate to determine its own value, based on demand and supply √√
* The South African currency has fluctuated considerably over the last two decades √√
* Over the last decade it appreciated to reach a peak of R6,36 to the US dollar by the end of 2005 √√
* Thereafter it depreciated sharply by 33% to R8,44 to the US dollar in 2010 and 2012 √√
* International reserves increased from 12,9% a decade ago to 28,67% in 2011 √√
* The SARB uses a free-floating exchange rate system √√
* Instability of exchange rates such as during the latter part of the 2000s is a great problem for businesses √√
* However, the international benchmark is whether market forces determine rates √√ **(Max 6)**

Full employment **√**

* Full employment means that all persons who would like to work and who are looking for work should be able to find work, or create work for themselves / where all resources are utilised efficiently √√
* Employment in the formal non-agricultural sectors of the economy increased at a low rate √√
* However, in 2009 and 2010 it turned negative because of the effect of global recession √√
* The average growth of less than one per cent over the ten years is disappointingly low √√
* The result is that the unemployment rate is increased from 15% in 1994 to 25,2% in 2012 √√
* Public sector employment increased during and after the global recession, reducing the total effect on employment √√
* The government supports education, labour-intensive businesses and the informal sector√√
* Low rates of unemployment also correlates with other socio-indicators, such as a lower crime rate and higher standard of health √√ **(Max 6)**

Economic equity √

* This is the reasonable division of income among the population √√
* Redistribution of income and wealth achieves the reasonable division of income √√
* Measures that the government uses to achieve that are:
  + Using the progressive income tax system, higher income groups pay higher tax rates√√
  + Government uses taxes to finance social goods and services such as housing, education and primary health care √√
  + Government pays cash grants such as old-age grants, disability grants, child support grants, etc. √√
  + Government implements policies such as BBBEE to achieve that √√

Economic growth √

* This refers to an increase in the productive capacity of the economy of the country for a specific period of time e.g. a year / an increase in the production of goods and services in the economy √√
* It is usually measured in terms of growth in the national output valued at market prices referred to as the gross domestic product (GDP) √√
* South Africa is a developing country and in terms of the World Bank's classification it is an upper-middle income country √√
* The average economic growth rate was 3.8% per year in the ten years between 2001 and 2012 √√
* The government applied structural reform as the guiding principle in the fiscal policy discipline of the country √√
* Structural reform means that the budget had to reflect on transformation aims of the government, e.g. on education, health and welfare √√
* Under the GEAR policy, which was phased out by 2010, the budget deficit was reduced to less than 30% of the GDP in all the years before 2009 √√
* This was the acceptable international benchmark for best practice √√
* The government is internationally acknowledged for its fiscal discipline and this stands the country in good stead in the international community √√
* The state attempts to ensure that there is a continual improvement in the productive capacity of the economy by offering quality education and skills training √√
* Economic growth makes it possible to improve the standard of living of people and also reduce poverty √√ (Max 6) (26)

(Accept current statistics)

(Allocate a max of 8 marks for headings/subheadings/examples)

**ADDITIONAL PART**

The government have the following in place to raise revenue:

- Progressive personal income tax where those higher-income earners are taxed at a higher rate √√

- Wealth tax where properties like houses, offices and factory buildings in urban areas are taxed annually √√

- Other redistributions that advantage the poor and low income earners √√

Expenditure:

- Cash benefits provided in the form of old-age pensions, disability grants, child support grants √√

- Benefits in kind which include the provision of healthcare, education and schools’ meals √√

- Property subsidies that help the beneficiaries to acquire ownership of fixed residential property √√

- Government complies in terms of expenditure and taxation in a way that enhances its chances of achieving macroeconomic objectives √√

- Government invest in more infrastructure to develop the economy, e.g. the Medupi power plant for the increase in the supply of electricity, the De Hoop dam √√

- The provision of housing to the impoverished and previously disadvantaged black majority √√

- Provision of meals at schools for school children √√ (Max 10)

(Accept any other correct relevant response)

**CONCLUSION**

Macroeconomic objectives are a desirable for the government to have for they serve as the roadmap in addressing the socio-economic circumstances in the country √√

(Accept any other correct relevant higher order response) **(Max 2) [40]**