



**GAUTENG PROVINCE**  
EDUCATION  
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**GAUTENG DEPARTMENT OF EDUCATION  
PROVINCIAL EXAMINATION  
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GRADE 11**

**ECONOMICS P1**

**MEMORANDUM**

**20 pages**

**GAUTENG DEPARTMENT OF EDUCATION  
PROVINCIAL EXAMINATION**

**ECONOMICS  
(Paper 1)**

**MEMORANDUM**

**SECTION A (COMPULSORY)**

**QUESTION 1**

**1.1 MULTIPLE-CHOICE QUESTIONS**

- |       |   |   |            |
|-------|---|---|------------|
| 1.1.1 | C | factors of production✓✓                 |            |
| 1.1.2 | B | depreciation✓✓                          |            |
| 1.1.3 | C | entrepreneur✓✓                          |            |
| 1.1.4 | B | households✓✓                            |            |
| 1.1.5 | A | added to✓✓                              |            |
| 1.1.6 | A | Growth, Employment and Redistribution✓✓ |            |
| 1.1.7 | C | A Smith✓✓                               |            |
| 1.1.8 | A | developed✓✓                             | (8x2) (16) |

**1.2 MATCHING ITEMS**

- |       |   |  |           |
|-------|---|--|-----------|
| 1.2.1 | E | The skill, knowledge and health conditions of workers ✓                      |           |
| 1.2.2 | F | Received at the end of each day or week ✓                                    |           |
| 1.2.3 | H | Services such as legal, medical and financial services ✓                     |           |
| 1.2.4 | C | Items not wanted for themselves, but for what they can help to manufacture ✓ |           |
| 1.2.5 | I | The current price at which an item or service may be bought or sold ✓        |           |
| 1.2.6 | D | Total value of spending inside the borders of a country ✓                    |           |
| 1.2.7 | B | Aim to stimulate economic growth and development ✓                           |           |
| 1.2.8 | A | The primary sector ✓   | (8x1) (8) |

**1.3 ONE WORD ITEMS**

- |       |  |           |
|-------|--|-----------|
| 1.3.1 | Remuneration / <b>Income</b> ✓                     |           |
| 1.3.2 | Gross fixed capital formation ✓                    |           |
| 1.3.3 | Market Economy / <b>Capitalism / Free Market</b> ✓ |           |
| 1.3.4 | Nationalisation✓                                   |           |
| 1.3.5 | Subsidies/ <b>Grants</b> ✓                         |           |
| 1.3.6 | <b>Secondary Sector</b> / Industry ✓               | (6x1) (6) |

**TOTAL SECTION A: 30**

**SECTION B**

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

**QUESTION 2**

2.1 2.1.1 **Name TWO factors that will influence the remuneration for natural resources.**

- The price of products ✓
- The location of land or business premises ✓
- Infrastructure ✓
- The size of the population ✓
- Increase in the demand for products and services ✓
- Quality of natural resources ✓
- Climate ✓
- Technology ✓
- Improvements made ✓
- Proximity of transport services, schools and recreation facilities ✓
- Social rating of the residential areas ✓
- Sanitary facilities ✓
- Type of economic activity performed with resources ✓

(Any 2) (2x1) (2)

2.1.2 **What factor determines how much households can spend on final goods and services?**

The most important determinant is their **income / remuneration** , which the household derives from selling their factors of production. ✓✓

(1x2) (2)

2.2 2.2.1 **Which economic system is illustrated in the cartoon above?**

Centrally planned economy / communism/ **command economy / socialism** ✓

(1)

2.2.2 **Who was Karl Marx?**

- Was a German philosopher, who explained his theory of communism ✓
- The father of communism ✓

(1)

2.2.3 **Why does the cartoon say “... and then there were three!”?**

- This system did not succeed in the other countries ✓✓
  - Only these 3 countries still use it. ✓✓
  - Not an economically sustainable system ✓✓
  - This system doesn't promote economic growth. ✓✓
  - People are forced to serve the state and this can result in resentment as people do not have free choice. ✓✓
  - Requires a huge amount of administration by civil servants ✓✓
- (Any other relevant answer) **(2x2) (4)**

2.2.4 **Explain the role of the three men standing in this economic system**

- They represent the governments of the countries. ✓✓
  - They decide the economic activity in the country, what to produce, how to produce and for whom. ✓✓
  - They do not allow private ownership or entrepreneurship. ✓✓
  - The system is rigid as all decisions are made by a central committee and the community has to comply. ✓✓
  - Dictatorship rule ✓✓
- (Any relevant answer) **(2x2) (4)**

2.3 2.3.1 **Define the term *infrastructure*.**

- Basic physical and organisational structures (such as buildings, roads, power supplies needed for a society to operate) ✓✓ – *Via Africa Economics*
  - Infrastructure is economic goods and services provided by the state to assist the economy, for example, roads and harbours. ✓✓ *Solutions for all Economics*
- (Any relevant definition of infrastructure) **(2)**

2.3.2 **Mention TWO infrastructure services that are mentioned in the article above.**

- Roads ✓
  - Introduction of water and electricity in rural parts of SA ✓
  - Pipeline projects ✓
- (2x1) (2)**

2.3.3 **How will large infrastructure programmes benefit the South African economy?**

- Through creation of job opportunities ✓✓
  - Providing efficient and cheaper public transport ✓✓
  - Water and electricity to rural areas ✓✓
  - Pipeline project making money (bankable) ✓✓
  - Sustainable economic growth ✓✓
- (Any relevant answer) **(1x2)(2)**

2.3.4 From the extract, it is evident that the government supports this plan. Will this project benefit the South African government? Explain your answer.

- Yes ✓
- Result in a new sustainable growth path for the country ✓✓
- Biggest investment in infrastructure since 1960s ✓✓  
(Any relevant answer)

**Max (4)**

2.4 Identify and discuss factors that impact on the quantity and quality of labour.

#### Quantity of labour

- Population growth – If the birth rate exceeds the death rate, the size of the population increases. ✓✓
- Low life expectancy reduces economically active population ✓✓
- Labour force participation rate – not all people of working age are part of the labour supply or the economically active population. Some choose not to work and some are not able to work. ✓✓
- An increase / decrease in the size of the population ✓✓
- Migration and the difference between immigration and emigration is another factor that influences the supply of labour. ✓✓
- The loss of skilled workers will decrease the economically active population. ✓✓  
(Max 4 Marks)

#### Quality of labour

- Education is one way in which the quality of labour can be improved. ✓✓
- Skills development – It takes years to train skilled and experienced workers. ✓✓
- Health – In South Africa the greatest threat to labour is HIV and AIDS, which has a severe impact on the health of the workforce. ✓✓
- Quality labour allows for the production of more capital goods. ✓✓
- Better quality labour allows an economy to develop and become more complete. ✓✓

Learners must indicate which factors impacts on quality and which quantity. If not indicated only half the marks may be allowed.

(Any relevant answer)

(Max 4 Marks)  
**(2x4) (8)**

## 2.5 In which way do consumers spend their income in the national economy?

### Durable goods ✓

- These are tangible goods that tend to last for more than a year. ✓✓ Examples of durable goods are furniture, household appliances, cars and personal computers. ✓

### Semi-durable goods ✓

- These are tangible goods with a shorter life cycle than durable goods. They are also not as expensive as durable goods. ✓✓
- Examples of semi-durable goods are clothing and footwear, motor vehicle tyres, parts and accessories, and glassware. ✓

### Non-durable goods ✓

- These are tangible goods that tend to last for less than a year. ✓✓
- Common examples are food, beverages, tobacco and petrol ✓

### Services ✓

- These are intangible things. ✓✓
- Common examples are legal, medical and financial services. ✓

(2x4) (8)  
[40]

## QUESTION 3

### 3.1 3.1.1 Give TWO reasons why the SA government will intervene in the economy.

- To strengthen the functioning of the markets ✓
- To promote economic growth and development ✓
- To ensure a redistribution of income and wealth ✓
- To ensure full employment ✓
- To ensure price stability ✓
- To ensure a stable exchange rate ✓

(2x1) (2)

### 3.1.2 What do you think *Affirmative Action* means?

Affirmative action is all the measures taken by businesses to ensure that suitably qualified employees from formerly disadvantaged groups have equal employment opportunities at all levels of the workforce. ✓✓

(Any relevant answer)

(1x2) (2)

### 3.2 3.2.1 Define the term *economic rent*.

Economic rent is the remuneration or payment made for the use of natural resource production which is limited in supply. ✓✓ (Any relevant answer) (2)

**3.2.2 List TWO market forces that can influence the level of rent.**

- Demand and supply✓
- An increase in the demand for a product or service✓
- The quality of natural resources✓
- Climate✓
- Technology✓
- Location✓

(Any 2) (2x1) (2)

**3.2.3 Explain why the supply of land is fixed.**

The supply of natural resources is fixed and limited to what nature provides us. ✓✓  
(Any relevant answer) (2)

**3.2.4 Calculate the economic rent according to the graph. Show all calculations.**

Economic rent = R35 000 – R10 000 ✓✓ = R25 000 ✓✓ (2x2) (4)

**3.3 3.3.1 Identify the method that was used in the above table to calculate the GDP.**

Income method / GDP(I)✓ (1)

**3.3.2 Name any other method that can be used to calculate the GDP.**

- Production / Value added Method / GDP(P)/ GVA✓
- Expenditure method / GDP(E)

(Any 1) (1)

**3.3.3 Calculate the GDP at market price. (Calculations must be listed in table form.)**

Compensation of employees	1 732 809
Net operating surplus	1 086 547
Consumption of fixed capital	522 116
<b>GDP at factor cost</b>	<b>3 341 472 ✓</b>
Plus tax on production	71 649
Minus subsidies on production	8 021
<b>GDP at basic price</b>	<b>3 405 100 ✓</b>
Plus tax on product	404 939
Minus subsidies on product	12 972
<b>GDP at market price</b>	<b>3 797 067 ✓✓</b>

(4)

**3.3.4 Calculate the GNI. (Calculations must be listed in table form.)**

<b>GDP at market price</b>	3 797 067
<b>Plus</b> Primary income from the rest of the world	82 235 ✓
<b>Minus</b> Factor Primary income to the rest of the word	183 779 ✓
<b>Gross National Income</b>	<b>3 695 523</b> ✓✓

**(2x2) (4)**

**3.4 Discuss reasons for the unequal distribution of income.**

- People with a higher level of education and post-school qualifications earn higher salaries. ✓✓
  - People working in the urban areas earn higher incomes than people in the rural areas. ✓✓
  - Different sectors in which people are employed earn different incomes. ✓✓
  - Tertiary sector earnings are higher than primary sector earnings. ✓✓
  - Level of employment equity in the country where discrimination on the basis of gender and race can force wages down ✓✓
  - The power that trade unions have to negotiate higher wages ✓✓
- (Any relevant answer)

**(4x2) (8)**

**3.5 Tabulate the advantages of a market economy and a centrally planned economy.**

<b>Market economy</b>	<b>Centrally planned economy</b>
<ul style="list-style-type: none"> <li>• Private ownership and initiative is allowed ✓✓</li> <li>• Consumer needs are best satisfied as they determine what will be produced. ✓✓</li> <li>• High levels of economic growth occur through the system. ✓✓</li> <li>• Consumers are protected from exploitation as there is competition between suppliers. ✓✓</li> <li>• Producers specialise in the goods and services they can produce best. ✓✓</li> </ul> <p>(Any relevant answer) (Max 4 marks)</p>	<ul style="list-style-type: none"> <li>• Private individuals have to be concerned only with performing their daily tasks as resources are utilised and managed by the state. ✓✓</li> <li>• The needs of the community are satisfied collectively. ✓✓</li> <li>• Workers are not exploited by the state and unemployment is rare. ✓✓</li> <li>• The distribution of income among the community is fairer to all. ✓✓</li> </ul> <p>(Any relevant answer) (Max 4 marks)</p>

**(2x4) (8)**

**[40]**

**QUESTION 4**

4.1 4.1.1 **Name TWO types of assets that make up gross fixed capital investment.**

- Residential buildings✓
  - Non-residential buildings✓
  - Construction work✓
  - Transport equipment✓
  - Machinery and other equipment✓
- (Any relevant answer)

**(2x1)(2)**

4.1.2 **Why is the line of perfect equality a 45° line?**

- It shows the perfect distribution of income among the different quintiles.✓✓
  - It indicates a situation in which each quintile would get exactly the same income.✓✓
- (Any relevant answer)

**(1x2)(2)**

4.2 4.2.1 **Define the term *entrepreneur*.**

- An entrepreneur is an agent that unites all means of production.✓✓ *Solution for all Economics*
  - The entrepreneur organises or employs natural resources, capital and labour into a profitable business to produce useful goods and services to satisfy the needs and wants of the consumer. ✓✓ *Focus Economics*
  - An entrepreneur is an enterprising and ambitious person who has the ability to co-ordinate and combine the other factors of production efficiently and profitably. ✓✓ *Via Africa Economics*
  - Entrepreneurs are individuals who employ the three factors of production, land, labour and capital, to set up and run businesses. ✓✓ *Oxford Successful Economics*
- (Any relevant definition of entrepreneurs)

**(2)**

4.2.2 **Why do you think the Deputy President said, “young people have a large role to play in the growth of South Africa’s Economy”?**

- They are the future economically active population.✓✓
  - They are the people that will be the future entrepreneurs.✓✓
  - They are the future risk-takers and innovators creating new goods and services.✓✓
- (Any relevant answer)

**(1x2) (2)**

4.2.3 **Why are *educational opportunities* important for entrepreneurship?**

- South Africa currently has a shortage of skilled workers. ✓✓
- South Africa has an oversupply of unskilled workers and needs to educate and skill people to be semi-skilled and skilled workers. ✓✓
- Only through education will the youth be able to actively participate in the economy. ✓✓

(Any relevant answer)

(1x2)(2)

4.2.4 **What is the difference between a successful entrepreneur and an unsuccessful entrepreneur?**

Successful entrepreneur	Unsuccessful entrepreneur
<ul style="list-style-type: none"> <li>• Recognises and identifies new and profitable opportunities ✓✓</li> <li>• Has a clear understanding of what he/she want to do ✓✓</li> <li>• Persuades others of their plan ✓✓</li> <li>• Gets hold of resources efficiently ✓✓</li> <li>• Prepared to take calculated risks ✓✓</li> <li>• Rewarded with profits ✓✓</li> <li>• Has leadership and management abilities ✓✓</li> <li>• Is innovative ✓✓</li> </ul> <p>(Any relevant answer) (Max 2 marks)</p>	<ul style="list-style-type: none"> <li>• Uses old ideas and never looks at new methods of production of products ✓✓</li> <li>• No clear vision or mission for the business ✓✓</li> <li>• Cannot convince people to invest in the business or buy the product ✓✓</li> <li>• Wastage of resources and inefficient use of resources ✓✓</li> <li>• Takes uncalculated risks ✓✓</li> <li>• Unsuccessful businesses go bankrupt and insolvent ✓✓</li> <li>• Lack of leadership causes businesses to fail ✓✓</li> <li>• No new innovative products ✓✓</li> </ul> <p>(Any relevant answer) (Max 2 marks)</p>

(Any 2x2)(4)

4.3 4.3.1 **Define the term *tertiary sector*.**

- The tertiary sector (also known as the services sector or the services industry) of the economy moves goods and services from the producer to the final consumer. ✓✓ *Solution for all Economics*
  - The tertiary sector distributes goods (makes goods available) and provides services. ✓✓ *Focus Economics*
  - Tertiary sector is the services and trade sector of the economy. ✓✓ *Via Africa Economics*
  - The tertiary sector is also called the services sector. ✓✓ *Oxford Successful Economics*
- (Any relevant definition of the tertiary sector) **(2)**

4.3.2 **Give TWO examples of personal services mentioned in the pie chart above.**

- Payment of salaries ✓
  - Expenditure on services rendered to the communities ✓
  - Investment expenditure, where government has to pay for capital goods like roads and buildings ✓ *Focus Economics*
- (Any 2) **(2x1) (2)**

4.3.3 **Why has economic growth been driven mainly by the tertiary sector since the early 1990s?**

- During the 1990s South Africa's economy was opened up to international trade again ✓✓.
  - The focus shifted from a dominant agricultural system towards a secondary and tertiary system. ✓✓
- (Any relevant answer) **(2x2) (4)**

4.3.4 **Calculate the total contribution of the tertiary sector to the GDP in 2013. (Calculations must be listed in table form.)**

Wholesale, retail and motor trade, catering and accommodation	12.5%
Transport, storage, communication	9%
Finance, real estate, business services	21.5%
General government services	13,7%
Personal services	5.4%
	<b>62.1%</b> ✓✓

**(2)**

4.4 Explain the difference between final goods and intermediate goods in detail.

**Final Goods**

- Are goods and services that are bought by the ultimate user to satisfy a need or want ✓✓
- The buyers of these goods and services have no intention to further transform these goods and services to resell them. ✓✓
- The final goods and services can be either consumer goods and services or capital goods, such as machines. ✓✓
- Capital goods are regarded as final goods, since they are not going to be processed further for resale. ✓✓
- Final goods and services are bought on the product markets by the four participants in the economy. ✓✓
- Have reached the final stage in the production process and have the characteristics of form utility ✓✓
- Final goods and services can be divided into durable goods, semi-durable and non-durable goods. ✓✓

(Any relevant answer about final goods and services)

(Max 4 marks)

**Intermediate goods and services**

- Intermediate goods and services are those goods and services that are used in the production of other goods and services. ✓✓
- In order to produce final goods and services, intermediate goods are combined and processed. ✓✓
- Include all goods and services that are not directly consumed ✓✓
- Usually bought by manufacturers ✓✓

(Any relevant answer about intermediate goods and services)

(Max 4 marks)

**(2x4)(8)**

- 4.5 Compare the Growth, Employment and Reconstruction (GEAR) policy with the Expanded Public Works Programme.

Growth, Employment and Reconstruction policy	Expanded Public Works Programme
<ul style="list-style-type: none"> <li>• A new macro-economic policy, introduced in 1996✓✓</li> <li>• It was introduced to create jobs✓✓ and stimulate economic growth.✓✓</li> <li>• Introduced to move away from state control of the economy to promote growth in businesses to be successful✓✓ (Any relevant answer) (Max 4 marks)</li> </ul>	<ul style="list-style-type: none"> <li>• Launched in April 2004✓✓</li> <li>• To promote economic growth and create sustainable development✓✓</li> <li>• The immediate aim was to help alleviate unemployment and employ 1 million people by 2010✓✓</li> <li>• A large-scale programme using labour-intensive methods to ✓✓upgrade rural and municipal roads, pipelines, storm-water drains and paving, fencing of roads, etc. (Examples 1 mark) (Any relevant answer) (Max 4 marks)</li> </ul>

(2x4) (8)  
[40]

TOTAL SECTION B: 80

### SECTION C

Answer only ONE of the two questions in this section in the ANSWER BOOK.

STRUCTURE OF THE ESSAY	MARK ALLOCATION
<b>Introduction</b>	Max. 2
<b>Body:</b> <b>Main part:</b> Discuss in detail / in-depth discussion / Examine / Critically discuss / Analyse / Compare / Evaluate / Distinguish / Explain / Assess / Debate  <b>Additional part:</b> 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 / How / Suggest / Use the information and argue, debate, evaluate,	Max. 26           Max. 10
<b>Conclusion:</b> <ul style="list-style-type: none"> <li>➤ Any relevant higher order conclusion that should include:</li> <li>➤ A brief summary of what has been discussed / analysed without repeating facts already mentioned in the body</li> <li>➤ An opinion or valued judgement on the facts discussed</li> <li>➤ Additional support information to strengthen the discussion / analysis</li> <li>➤ A contradictory viewpoint with motivation, if so required</li> <li>➤ Recommendations</li> </ul>	Max. 2
<b>TOTAL</b>	<b>40</b>

### QUESTION 5

“A section of South Africa’s society will forever be marginalised,” Standard Bank chief economist Goolam Ballim says.

- Discuss economically marginalised groups in detail. (26 marks)
- In your opinion do you think the government is doing enough to eliminate the economical marginalisation of groups of people? Refer to the success or failure of government programmes in this regard. (10 marks)

**INTRODUCTION**

Economically marginalised groups are people who are discriminated against and to a large extent, excluded from the decision-making process. (*Solutions for all Economics*) ✓✓

Economically marginalised groups refer to people who are excluded from the economic activities of the country. (*Via Africa Economics*) ✓✓

In South Africa, marginalised people are those who are unlikely to find employment and satisfy their needs. ✓✓

(Any relevant definition)

(Max 2)

**BODY****MAIN PART**

1. South Africa's history ✓
  - In the past, black, coloured and Indian South Africans ✓ were discriminated against in terms of employment opportunities, the development of skills, ownership and control of businesses, and access to educational and social services. ✓
  - As a result, we have many economically marginalised people in South Africa ✓✓
  - They do not own factors of production and do not receive sufficient benefits from the factors of production. ✓ ✓
  - Economically marginalised people include unemployed people or people that are "employed" in the informal sector. ✓ ✓
  - The informal sector is made up of people who sell goods and services to the local community on a small scale. ✓ ✓
  - Examples are spaza shops, hairdressers and the shoe-repair man on the street corner. ✓
  - **Women** ✓ are also economically marginalised. For a long time they were excluded from the decision-making processes in the economy. ✓✓
  - **Racial discrimination** ✓ in South Africa in the past resulted not only in a very unequal distribution of wealth and income, but also in poor productivity rates for the country. ✓ ✓
  - **Physically and mentally handicapped persons** ✓ are also part of the marginalised groups and they find it difficult to access services and find gainful employment. ✓ ✓
  - Marginalised people are characterised by specific conditions that include:
    - i. Being misplaced ✓ – poor people and / or refugees are victims of situations over which they have no control ✓✓
    - ii. Discrimination ✓ – in any form marginalises people and is a criminal offence ✓✓
    - iii. Disability ✓ – people who have a physical or intellectual barrier that prevents them from joining the workforce or having access to education ✓✓
    - iv. Inexperience and ignorance ✓ – rural, uneducated, unschooled, semi-schooled people are among the people in this group. ✓✓

2. Accessibility✓
- Participation and access by marginalised groups needs to be increased at all levels of the economy in South Africa to redress the imbalances in the ownership and control of South Africa's resources.✓✓
  - Marginalised people often do not have meaningful access to assets such as land and financial resources.✓✓
  - They also have minimal access to the health and educational facilities that could enhance their social well-being.✓✓
3. Empowerment✓
- The three core components of broad-based black economic empowerment are direct empowerment, investment in human resources and indirect empowerment.✓✓
  - Indirect empowerment is achieved through developing entrepreneurship and enterprises.✓✓
4. Procurement✓
- Preferential procurement is one of the cornerstones of black economic empowerment.✓✓

**(Headings and examples max 8 marks – max main section 26)**

#### **BODY: ADDITIONAL PART**

- Through its policy of small, micro and medium enterprises (SMMEs), the government is trying to help these entrepreneurs to gain access to the formal economy. ✓ ✓
- The new dispensation in South Africa has achieved remarkable successes in improving the participation levels of women in our economy. ✓✓ This is evident in the appointment of women to key positions in the government and state-owned companies. ✓
- The government of South Africa has developed a set of black economic empowerment (BEE) policies and procurement policies to address marginalisation. ✓ ✓
- The government developed a number of policies, such as those relating to:
  - Job creation✓
  - Poverty alleviation✓
  - Specific policies to empower black women✓
  - Education✓
  - Skills transfer and management development✓
  - Meaningful ownership✓
  - Access to finance to conduct business✓
  - Affirmative action✓
  - Preferential procurement✓
  - Restructuring and privatisation of state-owned enterprises✓
  - Public / private partnership✓
- By using its own purchasing power, government hopes to increase the involvement of BEE-compliant businesses in the tendering system and thereby reach the goals of increased accessibility and empowerment.✓✓
- RDP and the Employment Equity Act (EEA) of 1998 was implemented to address economically marginalised groups.✓✓  
(Any relevant government policy)

(Max 4)

**(Max 10)**

**CONCLUSION**

In South Africa we need every person to be able to be economically active as our Constitution prohibits discrimination of any kind. ✓✓  
(Any relevant higher order conclusion)

**(Max 2)****[40]****QUESTION 6**

*Every country follows some kind of economic system.*

- **In South Africa we have a mixed economy. Explain in detail what a mixed economy entails.** (26 marks)
- **Explain typical social economic issues in your area and how these issues are addressed by a mixed economy.** (10 marks)

**INTRODUCTION**

A mixed economy contains features of both a market economy and a centrally planned economy. (*Solutions for all Economics*) ✓✓

In a mixed economy, some of the economic activities are performed by individuals, but the government also assists in industries that are too large for private management and it also performs other functions. (*Via Africa Economics*) ✓✓

A mixed economic system is a mixture of market capitalism and central planning where both the state and the private sector direct the economy (*Oxford Successful Economics*) ✓✓

(Any relevant definition for a mixed economic system)

**(Max 2)****BODY****MAIN PART**

1. Characteristics
  - a. Goods and services are produced by the public and private sector. ✓
    - In a mixed economy, the state owns and runs several businesses that produce mainly infrastructure services. ✓✓
    - Examples, Eskom, SAA and Transnet etc. ✓
  - b. Means of production are mostly privately owned ✓
    - Businesses that are owned by individuals (or groups of individual shareholders) own most of the natural resources. ✓✓

- c. Profit motive is controlled by state actions.✓
- Profit dominates in a mixed economy, even state-owned enterprises are supposed to make a profit.✓✓
  - The state protects the workers by setting minimum wages, legalising trade unions and laying down conditions for employment.✓✓
- d. Government influences the running of the economy✓
- The state passes laws to regulate the way businesses function in the market economy✓✓ Examples: Labour Relations Act 66 of 1995, Companies Act 11 of 2008, etc.✓
  - The state also designs fiscal and monetary policies that promote a more even distribution of income,✓✓ for example the progressive tax system, provision of merit goods, social grants etc.✓
- e. Competition in business is promoted✓
- Businesses compete to produce and sell a wide variety of goods and services and this ensures better products and cheaper prices.✓✓
- f. Consumer freedom✓
- Consumers are free to decide what to consume and they can choose the type of ownership they prefer.✓✓
- g. Privatisation and nationalisation✓
- Both privatisation and nationalisation could be practised in a mixed economy.✓✓
  - Privatisation is the sale of government assets to the private sector.✓✓
  - Nationalisation is government buying privately owned assets.✓✓
2. Advantages
- a. Freedom of choice and private ownership✓
- Private ownership of land and business gives individuals control of the economy.✓✓
  - To succeed, enterprises need to have better ideas, better products and better prices than their competitors.✓✓
  - Promotes an attitude of hard work and innovation in business✓✓
  - Government policy encourages entrepreneurship.✓✓
- b. Economic growth is promoted✓
- Economic growth is greater in countries that allow private ownership.✓✓
  - The SA government promotes growth by providing a well-developed infrastructure and economic policies that encourage the development of industries and trade.✓✓
  - More jobs are created through development programmes✓✓ such as BEE.✓

- c. State intervenes to ensure welfare✓
- The state can intervene in the operating of the economy to improve the standard of living of, especially, the poor.✓✓
  - This is done by regulating working conditions and providing social welfare grants, housing, education, power, water and healthcare.✓✓
- d. Protection of the environment✓
- State passes laws to protect the environment, reduce pollution and control the way in which the natural resources are exploited.✓✓
3. Disadvantages
- a. State intervention in the economy✓
- State intervenes in the economy to control inflation, to safeguard the rights of the poor, the disabled and other marginalised groups, or to ensure that the environment is protected.✓✓
- b. High levels of poverty✓
- In SA the gap between rich and poor is the largest in the world.✓✓
- c. State enterprises can be inefficient producers✓
- State corporations such as Eskom and Telkom have only recently been exposed to competition.✓✓
  - Many of these businesses are not being managed as efficiently as privately owned enterprises.✓✓

**(Headings and examples max 8 marks – max main section 26)**

**BODY****ADDITIONAL PART**

Issues such as:

- Education and training ✓
    - Many learners are not completing school. ✓✓
    - Learnership programmes have not been successful, people do not finish courses. ✓✓
    - Shortage of skilled workers ✓✓
    - Illiteracy rates are high ✓✓
    - Some teachers are poorly trained. ✓✓
  
  - Health care ✓
    - The health system is overburdened and hospitals and clinics cannot cope with the large number of people requiring care. ✓✓
    - There are many complaints about the quality of service. ✓✓
    - Increasing numbers of TB and HIV/AIDS cases ✓✓
  
  - Social protection (welfare services and social grants) ✓
    - Old people and sick people must walk far to get social grants. ✓✓
  
  - Housing and community amenities ✓
    - Delivery of houses is slow and corruption levels are high in awarding houses. ✓✓
    - Poor quality of workmanship ✓✓
  
  - Public order and safety ✓
    - High crime rates ✓✓
    - Backlogs in hearing court cases and prisons are overflowing ✓✓
- (Accept both positive and negative responses)  
(Any relevant answer)

**(Max 10)****CONCLUSION**

In South Africa we need Private-Public Partnerships to address all socio-economic issues. ✓✓  
(Any relevant higher order conclusion)

**(Max 2)**  
**[40]****TOTAL SECTION C: 40****TOTAL: 150**