



LIVE: ECONOMIC PURSUITS AND CONTEMPORARY ISSUES



Lesson Description

In this lesson we:

- Work through selected examination questions adapted from 2014 Exemplar Paper covering:
 - Economic Pursuits and Contemporary Issues



Improve your Skills

Question 1

(Adapted from Exemplar 2014, Paper 1, Question 3.1)

Answer the following questions.

- 1.1 State TWO fiscal policy measures that can be implemented to redistribute wealth in South Africa. (2 x 1) (2)
- 1.2 What effect will import restrictions have on the local textile industry in South Africa? (1 x 2) (2)

Question 2

(Adapted from Exemplar 2014, Paper 1, Question 3.2)

Study the extract below and answer the questions that follow.

INDUSTRIAL POLICY ACTION PLAN

The Industrial Policy Action Plan (IPAP) is located in the vision of the National Development Plan and forms one of the fundamental cornerstones of the New Growth Path Framework. IPAP is predicated to bring about significant structural change to the South African economy. The existing growth path is led by the consumption-driven sectors, which are growing twice as fast as the manufacturing sectors. The economy is import intensive, especially with respect to value-added products. Stronger domestic growth in the manufacturing sector is imperative. High structural unemployment is a constant, oscillating between 22,5% and 25% if the strict definition is used.

[Adapted from www.bdlive.co.za]

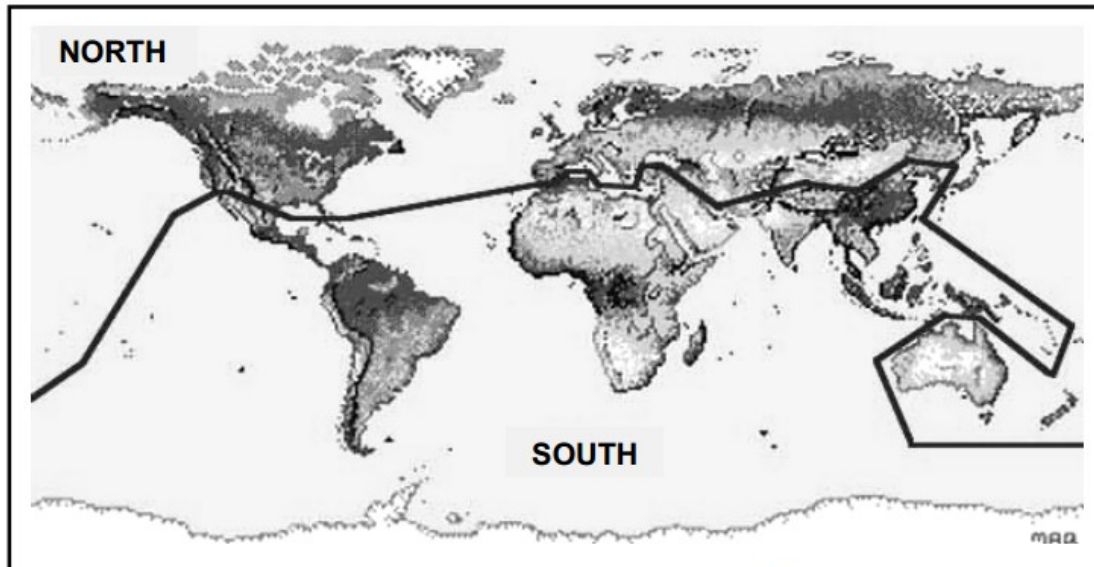
- 2.1 Identify the main objective of the IPAP. (2)
- 2.2 How will the above objective be achieved? (4)
- 2.3 Explain how unemployment will be addressed by the New Growth Path Framework. (4)



Question 3

(Adapted from Exemplar 2014, Paper 1, Question 3.3)

Study the map below and answer the questions that follow.



[Source: www.cartoons.com]

- 3.1 What is indicated by the solid line in the map above? (2)
- 3.2 Name TWO countries that make up the G8 grouping of countries in the North. (2)
- 3.3 Briefly comment on the trade relations between the countries in the North and South. (6)

Question 4

(Adapted from Exemplar 2014, Paper 1, Question 3.4)

Briefly explain the integrated manufacturing strategy in South Africa. (4 x 2) (8)

Question 5

(Adapted from Exemplar 2014, Paper 1, Question 3.5)

How can the repo rate be used to stimulate aggregate demand? (4 x 2) (8)

Question 6

(Adapted from Exemplar 2014, Paper 1, Question 4.1)

Answer the following questions:

- 6.1 What effect will low labour productivity have on inflation? (2 x 1) (2)



Question 7

(Adapted from Exemplar 2014, Paper 1, Question 4.3)

Study the extract below and answer the questions that follow.

SPECIAL ECONOMIC ZONES TO EMPLOY REGIONAL STRENGTHS

The announcement that 10 potential special economic zones have been identified in conjunction with the provinces could be a game-changer for South African manufacturers. Such zones are intended to bring mainstream economic activity to poor and isolated parts of South Africa by leveraging the commercial potential of the particular regions.

This will include industry clustering, or targeted development. Upington, in the Northern Cape, is a natural home for solar energy research and development. Saldanha Bay will service the growing oil and gas industry on Africa's west coast, while expanding iron ore exports.

The Department of Trade and Industry is devising a draft of regulations that will see the country's industrial development zones (IDZs) in Richards Bay, East London and Coega, near Port Elizabeth, taken into a new special economic zones framework. This envisages zones including free ports, free trade zones, and sector development zones.

A special corporate tax rate of 15% is proposed, well below the 28% currently applied. There was, however, a concern that the incentive would cause dislocation and would have 'distorting effects' on the economy.

[Source: www.bdlive.co.za]

- 7.1 Define the concept IDZ. (2)
- 7.2 Identify TWO new proposed economic regions. (2)
- 7.3 What is the main difference between an IDZ and an SEZ? (2)
- 7.4 What, in your opinion, would be the 'distorting effects' on the economy? (4)

Question 8

(Adapted from Exemplar 2014, Paper 1, Question 6)

ECONOMIC PURSUITS 40 MARKS – 35 MINUTES

Supply-side policies focus on the ability of markets to supply enough goods and services to meet aggregate demand.

- Discuss this statement by focusing on effectiveness and efficiency of markets in the South African context. (26 marks)
- In your opinion, how successful is the South African government in providing for the basic needs of the poor? (10 marks)

[40]

Question 9

(Adapted from Exemplar 2014, Paper 2, Question 3.1)

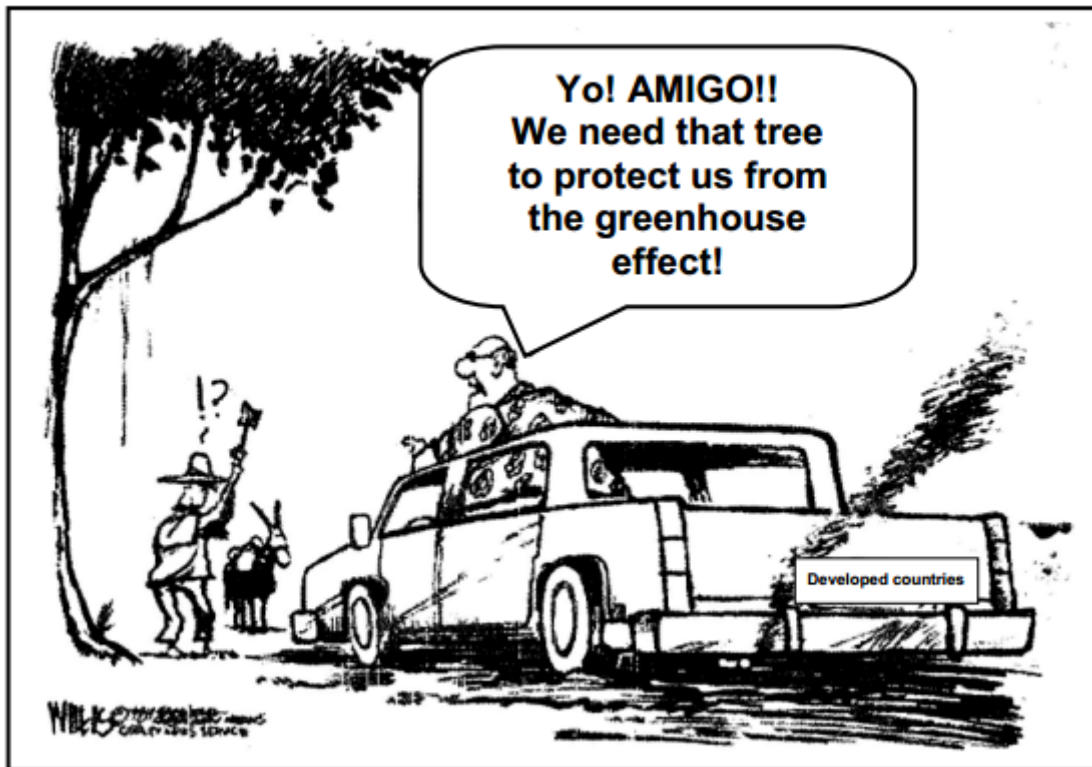
Answer the following questions.

- 9.1 Give TWO examples of places or events that form part of cultural tourism. (2 x 1) (2)
- 9.2 How will a sound political climate lead to an increase in tourist figures? (1 x 2) (2)

Question 10

(Adapted from Exemplar 2014, Paper 2, Question 3.2)

Study the cartoon below and answer the questions that follow.



[Source: *Internet Globalisation*, 22 February 2013]

- 10.1 What is the meaning of the greenhouse effect? (2)
- 10.2 Why is it necessary to prevent global warming at all times? (2)



Question 11

(Adapted from Exemplar 2014, Paper 2, Question 3.3)

Study the table below and answer the questions that follow.

EXPECTED GDP: R51,1 billion		
Tourist group	Volume of local tourism market (number of trips)	Value of local market (%)
Visits to family and friends	32	37,2
Holiday makers	8,1	44,5
Religion	5,3	4
Business	3,8	12,8
Medical reasons	0,8	14

[Fictitious figures]

- 11.1 Which tourist group contributed most (%) to the local economy? (2)
- 11.2 Determine the percentage contribution to the gross domestic product by people visiting friends and family. (2)
- 11.3 Why do you think that tourist figures increased locally after 1994? (2 x 2) (4)
- 11.4 How can tourism eradicate poverty in South Africa? (2 x 1) (2)

Question 12

(Adapted from Exemplar 2014, Paper 2, Question 3.4)

Discuss taxation as a fiscal measure to combat inflation. (4 x 2) (8)



Question 13

(Adapted from Exemplar 2014, Paper 2, Question 4.2)

Study the extract below and answer the questions that follow.

TIME RIPE FOR SMART TRANSPORT

Motorists will have to reconsider their transport options in the light of current petrol price hikes. According to Findalift.co.za many motorists drive to work causing millions of empty seats daily. Registering with Findalift will bring you into contact with people traveling the same route on a daily basis. Sharing the total cost of travelling 25 km daily will save you more than R6 500 every year – four people per vehicle will bring this saving up to R10 000. The Universities of Cape Town and Stellenbosch have already registered their students and employees to lower their travel costs.

[Adapted from Beeld, March 2013]

- 13.1 Define the concept inflation. (2)
- 13.2 Explain the influence Findalift might have on consumer consumption expenditure. (4)
- 13.3 What impact will reduced petrol costs have on savings and investment in general? (4)

Question 14

(Adapted from Exemplar 2014, Paper 2, Question 6)

CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 35 MINUTES

Tourism is one of the fastest growing industries worldwide.

- Critically discuss the effects of tourism. (28 marks)
- Evaluate how tourism benefits the households in your community by using appropriate examples. (10 marks)

[40]



SOLUTIONS TO ECONOMIC PURSUITS AND CONTEMPORARY ISSUES (LIVE)

Question 1

(Adapted from Exemplar 2014, Paper 1, Question 3.1)

- 1.1 Progressive personal income tax
 - Wealth taxes
 - Cash benefits - grants
 - Benefits in kind – food parcels/user fee charge/school meals/
 - Land reform programmes – land restitution and land redistribution
 - Property subsidies
 - Youth wage subsidies
- 1.2 Increased sales of locally produced clothing
 - Expansion of local industries
 - Increased employment

Question 2

(Adapted from Exemplar 2014, Paper 1, Question 3.2)

- 2.1 IPAP is predicated on the need to bring about significant structural change to the South Africa economy
- 2.2 Stronger domestic growth in the manufacturing sector.
 - High employment levels
- 2.3 Creation of employment.
 - NGP envisage the creation of 5 million new jobs by 2020.

Question 3

(Adapted from Exemplar 2014, Paper 1, Question 3.3)

- 3.1 North/South divide or developed/developing countries
- 3.2 USA, Canada, UK, France, Germany, Japan, Italy, Russia
- 3.3 **Developing countries:** mainly export raw to developed countries and import manufactured products from developed countries.
Developed countries: continue to subsidise production of their agricultural goods, making it difficult for developing countries to compete, while insisting that developing countries eliminate their tariffs on manufactured goods. Most developing countries have very little foreign trade.



Question 4

(Adapted from Exemplar 2014, Paper 1, Question 3.4)

- The main focus was on developing the global competitiveness of the SA manufacturing enterprises (implemented by the DTI)
- It is a strategy that applies to all processes that transforms natural products into manufactured products
- It involve cross cutting issues such as technology, human resource development, access to finance and infrastructure
- It also concentrate on key input sectors like transport, telecommunications and energy
- The IMS prioritise certain growth sectors like tourism, agriculture, information technology and cultural industries

Question 5

(Adapted from Exemplar 2014, Paper 1, Question 3.5)

- The SARB is using interest rates to manipulate the market
- The repo rate is the key interest rate. This is the rate at which the SARB lends money to banks for short periods of time
- The SARB will lower the interest rate if it wants to stimulate the demand for credit.
- Many people will be encouraged to buy more at lower interest rates.
- This will lead to a higher demand for goods and services

Question 6

(Adapted from Exemplar 2014, Paper 1, Question 4.1)

6.1 Accountability/Efficiency/Assessing needs/Pricing policy/
Parastatals/Privatisation

Low productivity – low production – negative effect on the aggregate supply of goods and services – same/or growing aggregate demand = rapid increase in general price level (demand inflation)

Question 7

(Adapted from Exemplar 2014, Paper 1, Question 4.3)

- 7.1 An IDZ is a purpose-built industrial estate which is closed off and situated in a specific area.
- 7.2 Upington, in the Northern Cape, is a natural home for solar energy research and development.
- Saldanha Bay will service the growing oil and gas industry on Africa's west coast, while expanding iron ore exports.
- 7.3 SEZ's currently get a special incentive, which is not applicable to the IDZ. A blanket corporate tax rate of 15%, well below the 28% currently applied.
- IDZ is located in a smaller area linked directly to a port, whereby an SEZ covers a wider area. The plan is to incorporate the IDZ into an SEZ.
- 7.4 Distorting effects – the current IDZ does not benefit from the special tax incentive scheme.



The concern is that companies within the IDZ will close their operations and move over to the SEZ's to enjoy this incentive.

This could mean dislocations and movement to other areas.

Valuable investments will be lost in the area withdrawn.

This will cause distortions in the production and output for that region.

Question 8

(Adapted from Exemplar 2014, Paper 1, Question 6)

Introduction

The stimulation of supply means to increase the output, in terms of goods and services.

Body

MAIN PART:

There are various factors that promote the efficiency and effectiveness of resources:

- **Education and training**

The Sectorial Education and Training Authorities (SETA's) have been created to promote and facilitate work-related training for the different sectors of the economy.

The increase in the number of skilled workers will improve the productivity levels of workers. This will lead to an increase in output.

- **Fiscal policy**

High tax rates discourage individuals, leading them to work less and businesses to invest less.

In South Africa the tax rates for individuals and businesses have been systematically reduced. Tax incentives give industries an area to operate at lower costs. These additional funds can be used to increase production.

Individuals get tax rebates.

This will increase the disposable income levels of individuals. This will stimulate the demand for consumer goods and services.

- **Competition**

The promotion of competition services as an incentive for new businesses to enter the market.

The Competition Act is aimed at limiting the number of monopolies formed and reducing or eliminating the powers of monopolies.

In addition, the many barriers of international trade have been lifted over the years.



- **Deregulations**

The deregulation of regulated industries provide for greater competition in the market.

Many unnecessary laws and other barriers to competition in SA have been removed, although there are still some regulations, especially the informal sector that has to be revised.

- **Labour legislation**

In South Africa, the Labour Relations Act, the Employment Equity Act and the Basic Conditions of Employment Act provide a fair and equitable working environment.

Such a workplace atmosphere will motivate workers to not only improve the quality of their work but also strive towards self-development.

- **Small, medium and micro enterprises**

In South Africa, the government encourages the establishment of SMMEs through various financing and support structures.

Institutions such as Khula, the National Empowerment Fund, the Industrial Development Corporations and Business Partners are in partnership with national government.

There are also free advisory centres available to provide information on topics such as managing and running SMMEs

- **Broad-Based Black Economic Empowerment Act (BBBEE)**

BBBEE is the economic empowerment of all black people, especially women, workers, youth, the disabled and people living in rural areas.

It is aimed at addressing historical imbalances of the past, through increasing the number of black people that can own, control and control the country's economy and decreasing income inequalities.

- **Research and Development**

An R&D strategy has been implemented by the government to improve national competitiveness.

The R&D Strategy has three pillars: innovation; science, engineering and technology (SET), human resources and transformation; creating an effective government system.

Examples are the CSIR and Mintek

- **Privatisation**

Many publicly owned businesses have been privatised or partly privatised.

Privatisation is essential in promoting competition in the market place.

It is also proven that private companies are more effective and efficient than state-owned businesses.

Examples are Telkom, Iscor,



- **Infrastructure**

A well-developed infrastructure is the backbone of a growing economy. South Africa has one of the better-developed infrastructure is Southern Africa.

Transport: The South African transport network consists of highways, railways and ports.

Energy: Currently Eskom generates 95% of electricity in South Africa. It is one of the world's ten largest electricity suppliers in the world. It also exports to other countries.

Telecommunications: this is one of the fastest growing sectors in the SA economy. It offers fixed-line, wireless and satellite communication and has the most developed network on the African continent.

- **Cost of doing business**

It refers to cost of doing business, such as transport, communication and energy costs .

Other costs involve water, sanitation, vehicle and registration and labour markets.

ADDITIONAL PART:

In your opinion, is the South African government successful in meeting the basic needs of the poor? Motivate your response.

Yes/No

Almost 26% is regarded as absolutely poor in terms of international benchmark poverty line (\$1,25 per day)

1. Social security grants: old age pensions, child support grants, disability grants
2. Benefits in kind: free quota water (6 000 litres per household) and electricity (20 kWh) per household, school-feeding schemes
3. Housing: RDP houses
4. Sanitation: Access to clean water, energy, sewerage system
5. Primary healthcare: poor receive free hospitalisation and medicine. From certain income levels fees are staggered. Immunisation for all children is free.
6. Education: no-fee schools

Conclusion



Question 9

(Adapted from Exemplar 2014, Paper 2, Question 3.1)

9.1 Museums

Art galleries

Archaeological sites

Festivals

Sports events

9.2 Where government intervenes to preserve environmental assets more tourists will visit a country

Better control and management of e.g. indigenous forests will maximize a country's income over the long run

Question 10

(Adapted from Exemplar 2014, Paper 2, Question 3.2)

10.1 Pollutants contribute to a layer or blanket in the atmosphere that traps heat

10.2 There is a steady increase in the average temperature of the earth's near-surface air and oceans that influences all economic sectors like agriculture and transport negatively

10.3 Kyoto protocol

Montreal protocol

10.4 The environment is a common resource many parts of the environment are not privately owned e.g. the sea

Externalities when people pollute the environment costs are borne by others

Lack of knowledge people cause damage without realizing it

Carelessness people continue with harmful practices and leave future generations to worry about the consequences

Question 11

(Adapted from Exemplar 2014, Paper 2, Question 3.3)

11.1 Holiday makers with a 44,5 % share

11.2

$$\frac{51.1 \times 37.2}{100} = 19\% / 19\%$$

11.3 Safety

Increased media coverage

Interest in politics

Interest in sport

Improved infrastructure

11.4 Job creation – jobs can be provided immediately



Entrepreneurial opportunities

Tourism allows rural people to share in the benefits of tourism development

Question 12

(Adapted from Exemplar 2014, Paper 2, Question 3.4)

Direct taxation increased less money available for consumption expenditure by consumers

Indirect taxation increased as part of a restrictive fiscal policy government can reduce its spending or increase taxation e.g. sin tax

Question 13

(Adapted from Exemplar 2014, Paper 2, Question 4.2)

13.1 Inflation is a sustained and significant increase in the general price level over a period of time and a simultaneous decrease in the value or buying power of money.

13.2 Major savings on transport cost will increase consumer consumption expenditure

The consumer can redirect his consumption expenditure on other goods and services

13.3 Reduced petrol cost could increase savings and investment in general if most of the consumer's needs are met. **OR**

Reduced petrol cost will not necessarily influence savings and investment if the consumer spends the extra money on goods and services.

Question 14

(Adapted from Exemplar 2014, Paper 2, Question 6)

Introduction

In general we say that tourism involves people moving from their usual place of residence to a destination where they make use of the facilities and take part in activities

BODY: MAIN PART

1.1 GDP

- Biggest impact on services industry than on agriculture or manufacturing
- Indirect contribution: service-based industry – responsible for 65% of GDP in developed economies and 40% of GDP in developing countries
- Direct contribution: contribution of 6,8% of GDP compared to 11.6% worldwide.

1.2 Employment

- Employs 7% of SA workforce (1,12 million)
- largest provider of jobs and earner of foreign exchange, due to:
 - Tourism is labour intensive
 - Tourism employs many skills
 - Tourism can provide immediate employment
 - Tourism provides entrepreneurial opportunities



1.3 Poverty

- Tourism is fast + effective distribution mechanism in development of rural areas
- Prime tourism attractions located in rural areas
- Promote balanced + sustainable form of development
- Provides alternative to urbanisation, permitting people to continue - a rural family existence, enfranchising both women and youth
- Offers diversity of income sources to poor people:
 - Allowing them a stake
 - Empowering them
 - Creating partnerships

1.4 Externalities

Has positive and negative impacts:

- Attracts large amounts of revenue, but can cause undue environmental damage (uses resources and produces waste)
- Rapid growth aimed at short-term benefits has more negative than positive effects: degeneration of traditions + cultural values, environmental damage to sites and natural settings – pollution and waste
- Global tourism will grow due to increased population, improved living standards, increased free time and expansion of transportation systems
- Pressure on tourist sites will increase
- Potential: attract revenue to country, alleviate poverty, conserve cultural and natural assets – needs conscious planning
- Needs to achieve ethical and sustainable tourism must respect tradition and customs of area, plough back earnings into local community – area must be protected as attractive tourist resort.

1.5 Environment

Industrial development has impact on physical environment in which it takes place.

Creates environmental stress – categories:

- Permanent environmental restructuring (construction work on highways, airports)
- Waste product generation (biological + non-biological waste)
- Direct environmental stress (destruction of coral reefs)
- Effects on population dynamics (migration and urban density, declining rural population)

1.6 Infrastructure

- Adequate physical, economic + basic services infrastructure essential for tourist destinations:
 - Transport infrastructure (roads, railway lines, airports, car parks)
 - Communication infrastructure (telephone lines, electronic signal stations)
 - Energy infrastructure (electricity and liquid fuels)
 - Basic services infrastructure (clean water, reuse removal, sewerage systems).
- Lack of economic + basic services infrastructure prevents growth of tourism



- This infrastructure is seen as public investment
- Seasonality – major problem for infrastructural development

ADDITIONAL PART

Tourism benefits households' prosperity in THREE ways:

- Income – salaries and wages – due to involvement with tourism example from the candidate's environment
- Infrastructure – available for tourists and local people's use example from candidate's environment
- Skills – variety required – education + training required – school subject example from the candidate's environment

Conclusion

In reality tourism is a much wider concept and can be quite demanding but very interesting when it is related to a specific community