

Economics

CLASS TEXT & STUDY GUIDE

Nazlie Mohamed

GRADE

10

CAPS

3-in-1



THE
ANSWER
SERIES *Your Key to Exam Success*



Grade 10 **Economics** 3-in-1 CAPS

CLASS TEXT & STUDY GUIDE

Our newly **REVISED** Grade 10 Economics 3-in-1 study guide transforms this challenging subject into easy-to-follow and bite-sized topics.

Self-explanatory notes accompanied by clear illustrations enhance understanding and facilitate the learning process. Updated source material with relatable examples unlock complex economic concepts. The accessible format of the content inspires confidence and promotes independent learning.

Key Features:

- Logical and comprehensive NOTES per topic
- Original, current and carefully selected SOURCE MATERIAL
- GRAPHS with detailed and logical explanations
- Illustrative VISUALS to complement the text
- Module-based QUESTIONS
- Detailed ANSWERS to all Questions
- EXAM PAPERS with in-depth MEMOS

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THIS CLASS TEXT & STUDY GUIDE INCLUDES

- 1 Comprehensive Notes
- 2 Topic-based Questions and Consolidation Tests
- 3 Detailed Answers with Explanations

eBook
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MODULE 1 MACROECONOMICS

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BASIC ECONOMIC CONCEPTS

'UNPACKING' ECONOMICS

DEFINING AND DESCRIBING ECONOMICS



Economics is a social science that studies how households, businesses and governments make choices about the scarce resources that are available to them to satisfy their needs and wants in the most efficient way.

THE BRANCHES OF ECONOMICS

Macroeconomics and **microeconomics** are the two main branches of economics.

MACROECONOMICS



Macroeconomics is the study of issues that affect the overall (whole) economy.

Examples of macroeconomics topics

- scarcity
- economic growth
- international trade
- business cycles
- exchange rates

MICROECONOMICS



Microeconomics is the study of the behaviour and decisions made by individual groups within the economy.

Examples of microeconomics topics

- demand
- market equilibrium
- market structures
- supply
- market failure

OTHER BRANCHES OF ECONOMICS

Macroeconomics and **microeconomics** are the two main branches of economics. There are other branches as well, e.g. **international economics**, **developmental economics** and **labour economics**, etc.



International economics is the study of the flow of goods and services and trade agreements between countries.



Developmental economics is the study of how best to stimulate **economic development** and **economic growth** in countries.

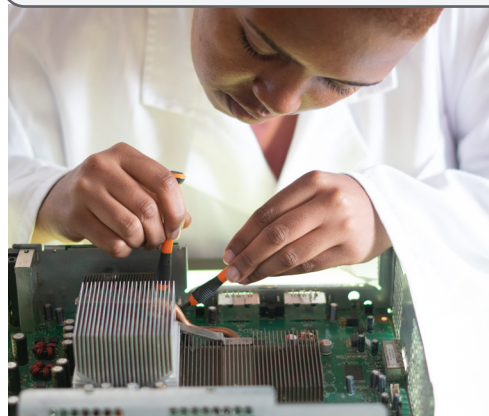


Economic development refers to an increase in the standard of living within the country whereas **economic growth** refers to an increase in the productive capacity within the country.





Labour economics is the study of the demand for and supply of labour and their employment conditions. It also studies how best to train and equip workers so that their productivity can improve.



Monetary economics is the study of the role of money and financial institutions in the economy.



Public sector economics is the study of the role of the government in economies and policies that can be implemented to improve their efficiency.

NOTE

The **government** can also be referred to as the **state** or **public sector**.



Environmental economics is the study of the state of the environment and the relationship between the economy and the environment.

DIFFERENT APPROACHES TO ECONOMICS

The **Classical approach** and **Keynesian approach** are the two main approaches in economics.

CLASSICAL APPROACH	KEYNESIAN APPROACH
Government intervention in the economy is not necessary	Government intervention in the economy is necessary
Markets are inherently stable and will self-regulate so no government intervention is necessary	Markets are not stable and government intervention is necessary
Based on the economist Adam Smith's school of thought	Based on the economist John Maynard Keynes's school of thought

OTHER APPROACHES TO ECONOMICS

Economists observe and analyse behaviour, study trends and gather and interpret factual information to develop economic principles.

There are three different approaches:

- In the **theoretical approach (deduction)** assumptions are made and conclusions are drawn. For example, it is assumed that when unemployment is low, political stability will be higher. However, there is no factual evidence to prove that the principles formed in this way are correct.
- In the **empirical approach (induction)** facts and data are gathered through observation so that trends can be formulated. For example, providing social welfare payments to citizens fosters an ethos of greater dependence on the government. A theory based on induction can be tested and proven.
- In the **combination approach**, the theoretical and empirical approaches are combined.

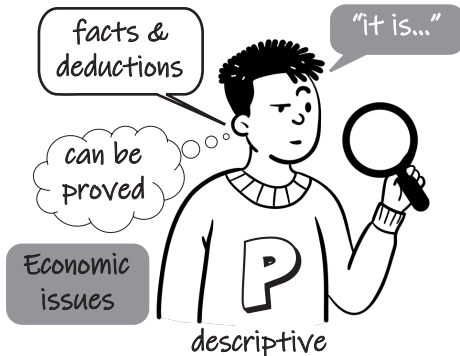
THE METHODS OF ECONOMICS

POSITIVE AND NORMATIVE STATEMENTS

POSITIVE STATEMENTS



A **positive statement** refers to one that is based on an objective fact.



A positive statement may not always be correct, but the statement can easily be confirmed or disproved.

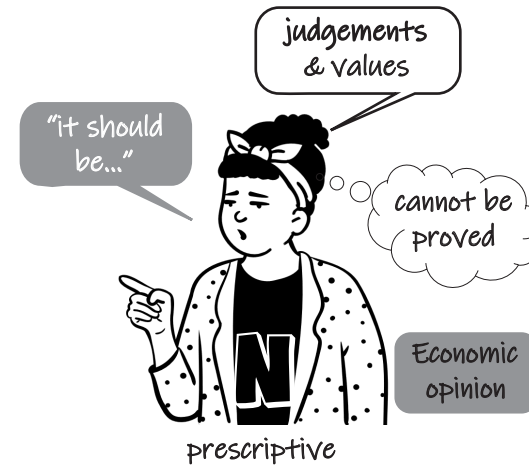
Examples of positive statements

- The Minister of Finance presents the South African budget annually in February.
- Gauteng contributed the most towards South Africa's GDP for the past five years.
- The Eastern Cape had the highest rate of unemployment in October 2022.
- The American dollar was the most globally traded currency in 2022.

NORMATIVE STATEMENTS



A **normative statement** refers to one that is based on subjective or value judgement.



A normative statement can be difficult to accurately confirm or refute.

Examples of normative statements

- If the Minister of Education provided free tertiary education, unemployment would decrease tenfold.
- If the Eastern Cape provincial government had built more dams, it would not have experienced a drought in 2022.
- The government should decrease VAT so that economic growth can improve.
- South Africa will be the best-performing economy in Africa in ten years' time.

Economics explores the accuracy of both positive and normative statements. Topics should ideally be investigated from both angles to ensure that there has been sufficient investigation.

THE SCIENTIFIC METHOD

The **scientific method of research** includes three processes:

- **formulating a hypothesis** – involves providing a scenario and then proving it, e.g. providing free tertiary education will decrease unemployment and improve economic growth in South Africa.
- **conducting an investigation** – involves proving whether the hypothesis is true, e.g. interviewing different role-players within the economy, doing extensive research both locally and internationally, collecting and analysing data.
- **making an informed conclusion** – provides evidence based on the extensive research conducted.

DIFFICULTIES FACED BY THE SOCIAL SCIENCES



Social sciences are academic disciplines that examine human behaviour and how society develops over time.

Economics, history and psychology are examples of **social sciences**.

Social sciences are difficult to study as they involve human behaviour, which is influenced by internal and external factors. The environment and society are constantly evolving, and this influences human behaviour and decisions.

Human behaviour is unpredictable and influenced by many factors, therefore it is virtually impossible to make accurate assumptions about how people will behave. It is also very difficult to measure human behaviour, and many conclusions are arrived at subjectively (based on opinion).



THE USE OF MODELS IN ECONOMICS



A **model** is a framework that is designed based on research and a detailed theoretical analysis thereof.

- A model provides constraints and limitations, however it allows for different variables to be considered.
- A model is usually a replica of a real situation and allows assumptions to be made and different scenarios to be enacted.
- A model provides a simplified visual representation of how the economy functions.
- A model can be used by economists to illustrate past events and make predictions about the future.
- There are two types of models that can be used to predict, explain or formulate a theory: **quantitative models** or **qualitative models**.



Quantitative models are based on systematic and empirical research using statistical or mathematical techniques.



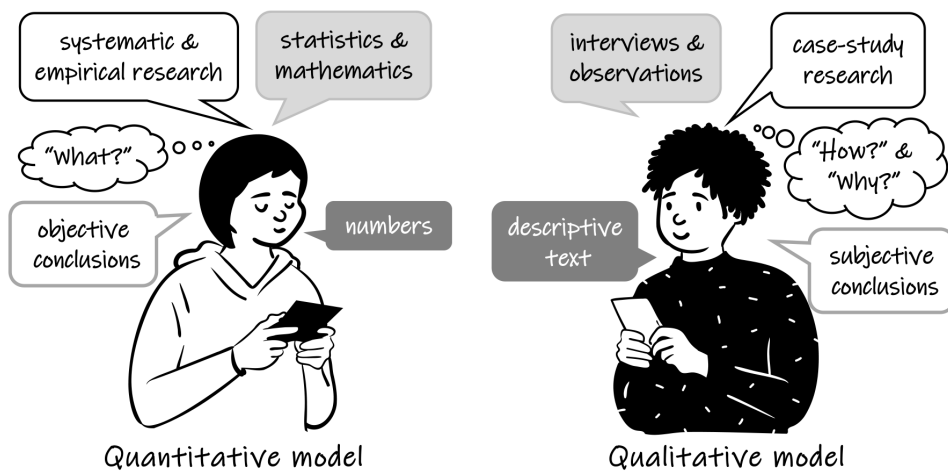
Qualitative models are based on theories that arise from case-study research exploring how and why decisions are made.

- While claims based on quantitative data can be easily proven, this is not the case with claims based on qualitative data.

NOTE

*In this Module we will examine the **circular flow model** and **business cycle model**.*

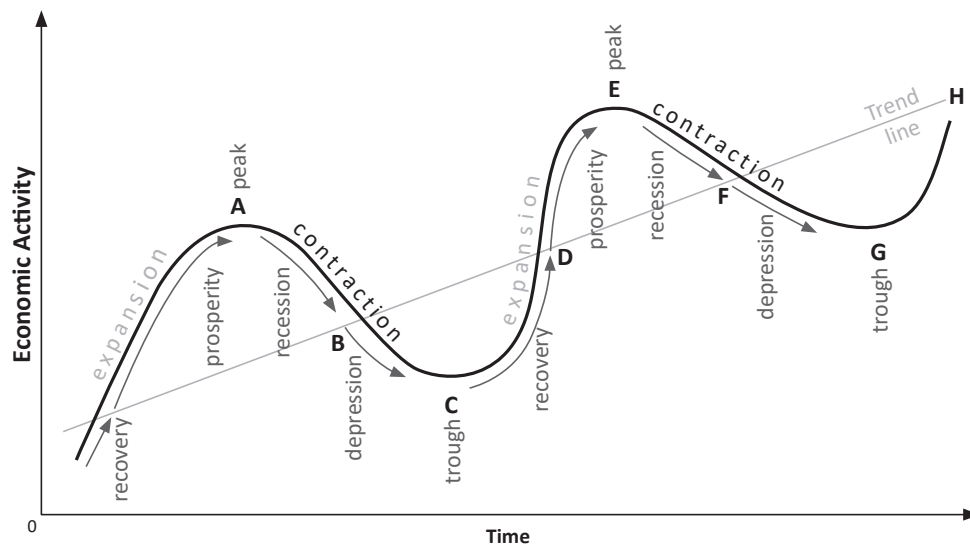
An example of a model



NOTE

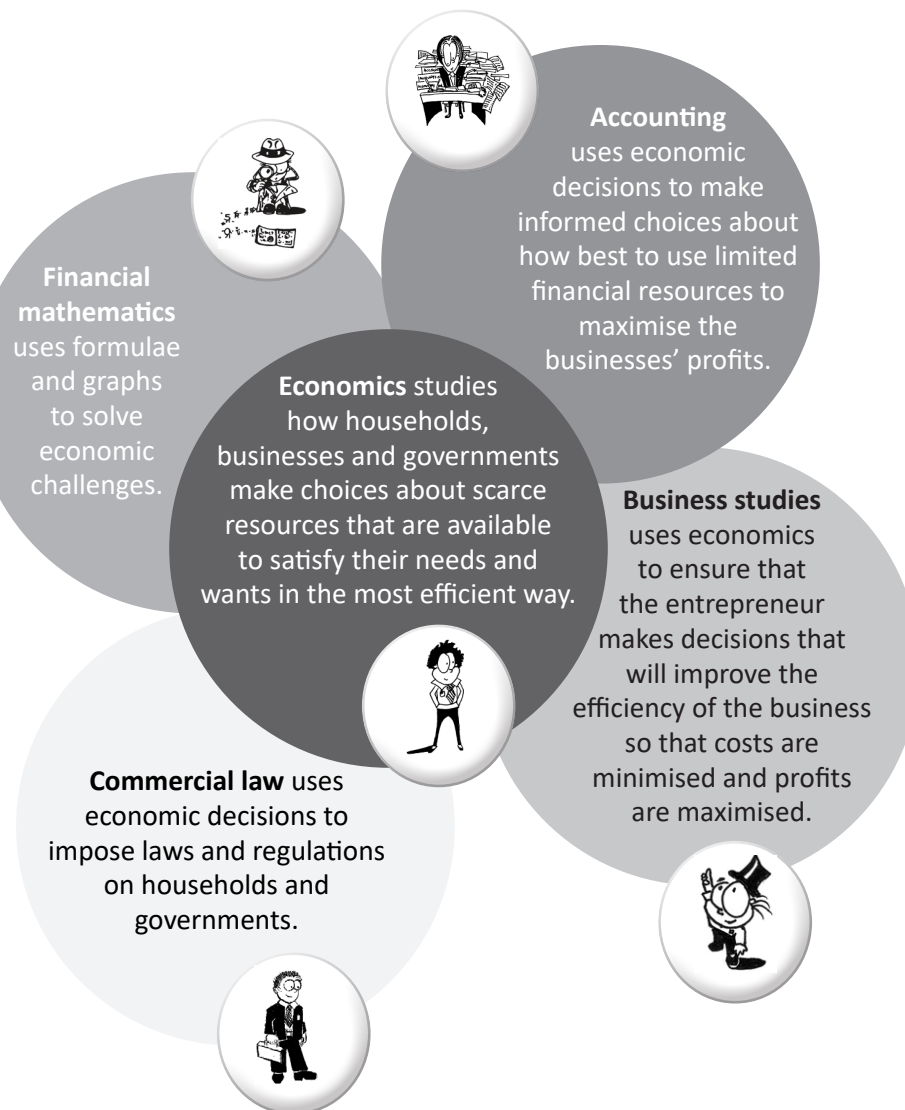
The business cycle is an example of a model and it is discussed in TOPIC 4.

A complete Business Cycle



THE SETTING OF ECONOMICS WITHIN THE FIELD

Economics is a social science that overlaps with many subjects within the commercial field.



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TOPIC 2 | THE BASIC ECONOMIC PROBLEM

FIELD OF STUDY	RELATIONSHIP TO ECONOMICS	CAREER OPPORTUNITIES
Law 	Law studies how rules and regulations can be used within an economy to ensure that households, businesses and governments operate within a framework that promotes economic stability.	Arbitrator, trademark attorney and judge
Politics 	Politics studies how the policies that are implemented by government impact on achieving desired outcomes within the economy.	Lawyer, political analyst and political consultant
Sociology 	Sociology studies human behaviour patterns and draws conclusions about how and why certain economic decisions are made.	Human rights officer, consumer relations specialist and human resources manager
Geography 	Geography studies how natural resources can be used most efficiently so that the economy benefits optimally.	Urban planner, cartographer and environmental consultant



THE BASIC ECONOMIC PROBLEM

THE SCARCITY PROBLEM

Resources are scarce and available in limited supply. Households, businesses and governments have numerous **needs** and **wants** to fulfil. In Economics, we refer to this as the **central economic problem**.



Needs are goods and services households require for their survival, e.g. food, water, clothing and shelter while **wants** are goods and services that households can survive without but add value to their lives, e.g. cars, jewellery and television.

All **economic participants** within the economy, i.e. **households**, **businesses** and **government**, have needs that have to be fulfilled.

Examples of needs

Households
need food, water, clothing and shelter



Businesses
need capital, entrepreneurship, land and labour

Governments
need tax revenue with which to provide public goods and services, e.g. hospitals and schools

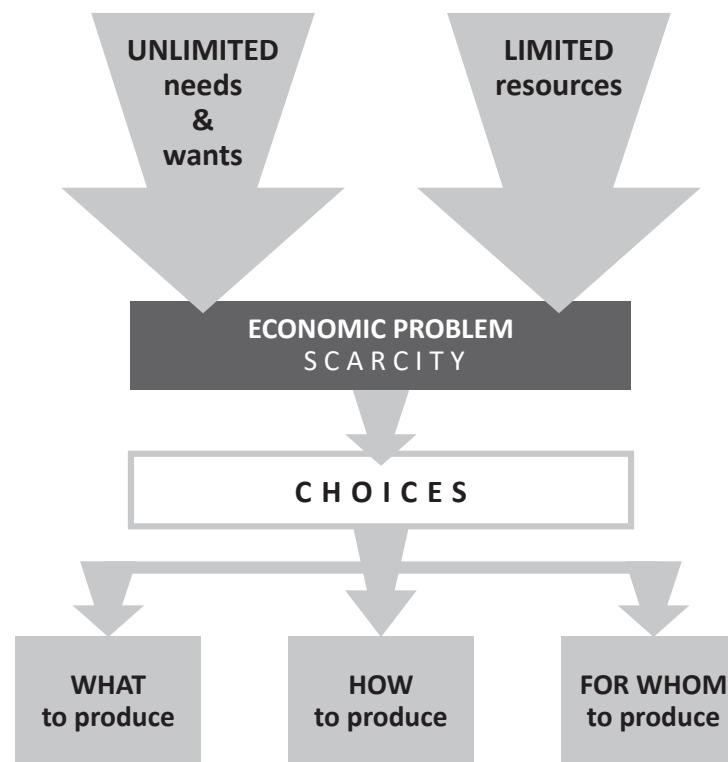


Households, businesses and governments all have needs to fulfil but the means with which to fulfil those needs are restricted due to limited (scarce) resources. This will result in economic participants constantly having to make choices, e.g. the South African government might need R3 trillion to provide public goods and services for a particular year but if it only has R2 trillion at its disposal, it will need to make certain choices about which public goods and services to prioritise.

The central economic problem of scarcity is posed to all societies and three central decisions will need to be addressed:

- 1 **WHAT** to produce?
- 2 **HOW** to produce?
- 3 **FOR WHOM** to produce?

Economists therefore consider **scarcity** as a **central economic problem**.



ABSOLUTE AND RELATIVE SCARCITY



Absolute scarcity exists when consumers have the resources to buy goods and services, but they are not available. For example, avian influenza breaks out in a country causing the entire chicken population to be infected and unsafe for consumption. This will result in absolute scarcity of chickens in the country as consumers can afford to purchase it, but there is no availability.

All economic participants base their **choices** on the alternatives that are made available to them. Alternatively, they will need to implement trade-offs. Trade-offs occur when various options are available but only one option can be chosen, e.g. a Grade 10 learner has to choose between studying for a Mathematics test the following day or watching a soccer match – if the learner chooses to watch the soccer match, not studying for the Mathematics test is known as the trade-off or opportunity cost.



Relative scarcity exists when goods and services are available, but consumers do not have the available resources to purchase it, e.g. due to the rapid increase in the price of petrol many consumers may not be able to afford the rising costs and will find alternative transport.

OPPORTUNITY COST

The opportunity cost is the real cost of one choice by sacrificing the other. Choices are made according to the importance attached to them and will result in more essential needs being prioritised over less important ones. Opportunity cost therefore exists because resources are available in limited quantities.

E.g. Mr Abrams only has R20 and he has to choose between buying a sandwich or coffee. He chooses the coffee, so the sandwich is the opportunity cost.

An **opportunity cost** refers to the value of the alternative that has been sacrificed.



ECONOMIC AND FREE GOODS



Economic goods are scarce goods that have a price attached to them while **free goods** are available in abundance as they are supplied by nature and have no price attached to them.

There are four main differences between economic and free goods.

ECONOMIC GOODS	FREE GOODS
Are available in limited quantities, e.g. cement sand	Are available in unlimited quantities, e.g. sea sand
Possession of economic goods does reflect wealth	Possession of free goods does not reflect wealth
Has utility (value in use) and exchange value (price)	Has utility (value in use) but no exchange value (price)
Can be made available by nature or manmade and are owned by any individual	Can only be made available by nature and is not owned by any individual



Utility refers to the satisfaction that a consumer gains from the consumption of goods and services.



THE BASIC ECONOMIC PROCESS

There are **three** basic economic processes:

- **Production**
- **Exchange**
- **Consumption**



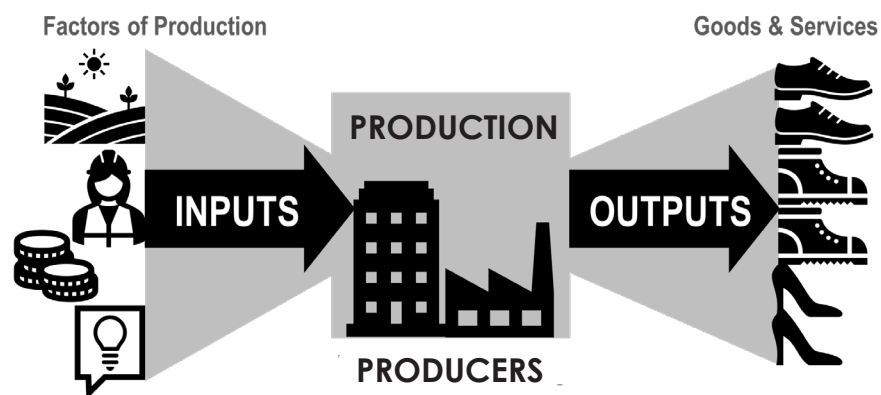
PRODUCTION

Production refers to the process of converting inputs (factors of production) into outputs (goods and services) that can be used by consumers, businesses and governments to satisfy their needs and wants.



Producers are the businesses that make goods and supply services. They decide what to produce, how to produce it, and for whom to produce it.

THE PRODUCTION PROCESS



FACTORS OF PRODUCTION

The **factors of production** refers to the inputs (natural resources, labour, capital and entrepreneurship) that are needed by businesses to create goods and services. They are remunerated with rent, wages/salaries, interest and profit.



Input	Remuneration
Natural resources (land)	Rent
Labour	Wages/salaries
Capital	Interest
Entrepreneurship	Profit

Natural resources (land)

Natural resources refer to all inputs that originate and are sourced from nature. They are available in limited supply, e.g. water and gold.



Labour

Labour refers to all the mental and physical effort that have been used within the production process, e.g. a farmworker (physical) and computer programmer (mental).



Capital

Money capital refers to the money that has been used to purchase machinery, tools and equipment, whereas real capital refers to the actual machinery, tools and equipment that have been used within the production process.



Entrepreneurship

The entrepreneur refers to the person who has taken the initiative to start up a business and co-ordinate the other factors of production, e.g. Jack Goldin – Pick n Pay and Herman Mashaba – Black Like Me hair products.



The aim of all production is to produce **goods** or to provide **services** – we need to distinguish between them.



Goods refer to all tangible items that are used to satisfy needs and wants of consumers, e.g. cars and shoes, while **services** refer to all intangible actions which are used to satisfy needs and wants of consumers, e.g. medical and financial services.