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## Economics and Management Sciences: EMSC4 LESSON 9

**Unit Standard: 13996 – The South African Economy System (Mixed economic system)**

**At the end of lesson, learners should be able to:**

- **Explain the elements of a mixed Economic System.**
- **Discuss the main features of the South African Economic System.**
- **Explain and explore the involvement of the government on the South African Economy.**
- **Discuss the role of the informal sector on the South African Economy.**
- **Identify and discuss the factors impacting on the South African Economy**

### **1. THE ELEMENTS OF A MIXED ECONOMIC SYSTEM ARE EXPLAINED**

There are 4 major economic systems that countries use. In South Africa the mixed economy system is used. In this system **capitalism** and **socialism** economic systems are combined and some of the features includes, **coexistence of private and public sector, personal freedom, private property ownership, profit motive and social welfare etc.**

**Government intervention - means the actions that government take to by doing the following in the economy:**

- **Import control - the government charges import duties to control the volume (quantity) of goods and services from foreign countries to our country (South Africa).**
- **Export control - the government charges local businesses export duties to control the volume of goods and services leaving South Africa for foreign countries.**
- **Labour laws - government pass laws to protect the interest of the employers and employees e.g. UIF, minimum wages, Workman's compensation by using the Department of Labour.**

## **DEFINITION OF TERMS:**

Imports - are goods and services produced from other countries and brought into our country.

Exports - are goods and services produced within the borders of our country and sold to the foreign countries.

Import duties - is the levy (fee) that is charged by the government on goods and services that are imported into the country.

Export duties - is the levy (fee) that is charged by the government on goods and services that exported from the country.

## **2. THE MAIN FEATURES OF THE SOUTH AFRICAN ECONOMIC SYSTEM ARE DISCUSSED**

- In the past the economy of the country relied heavily on migrant labour (workers who moves within their home country or to other countries to pursue work) and exporting raw materials and mineral resources (gold, diamond, platinum, iron ore etc.).
- Now we moved away from migrant labour, and moved towards more production (producing more goods and services in our own country) in our market system, we are still flooded by cheap imports from Asia leading to the closing down of our own factories.
- When we import more it means we produce less and local people will lose their jobs because production is limited or it stops. It is always good to produce locally as it is a positive major for job creation.

## **THERE ARE 3 MAIN INDUSTRIES THAT ARE INVOLVED IN THE PRODUCTION CHANNEL, THEY ARE:**

- Primary industries (mining, forestry, agriculture),
- Secondary industries (Eskom, Milling etc.) and
- Tertiary industries (Retailers, wholesalers etc.).

### **3. THE INFLUENCE OF THE GOVERNMENT ON THE SOUTH AFRICAN ECONOMY IS DISCUSSED**

- Diminishing role - (the government allows privatization of state owned entities)-entities like Iscor, Sasol etc. were privatized and these led to massive job losses.
- Welfare services - the government has improved this services, by creating social grants, old age pensions etc., although the government needs to do much more than it has done.
- Development - (Reconstruction and Development programme) RDP programme was formed by the government to redress the past imbalances in South Africa and through this programme houses were built, access to basic needs was improved etc. Although much needs to be done like more care for orphans is needed.
- Local government - some local governments are plagued by a lack of human and financial resources.

### **4. THE ROLE OF INFORMAL SECTOR ON THE SOUTH AFRICAN ECONOMY**

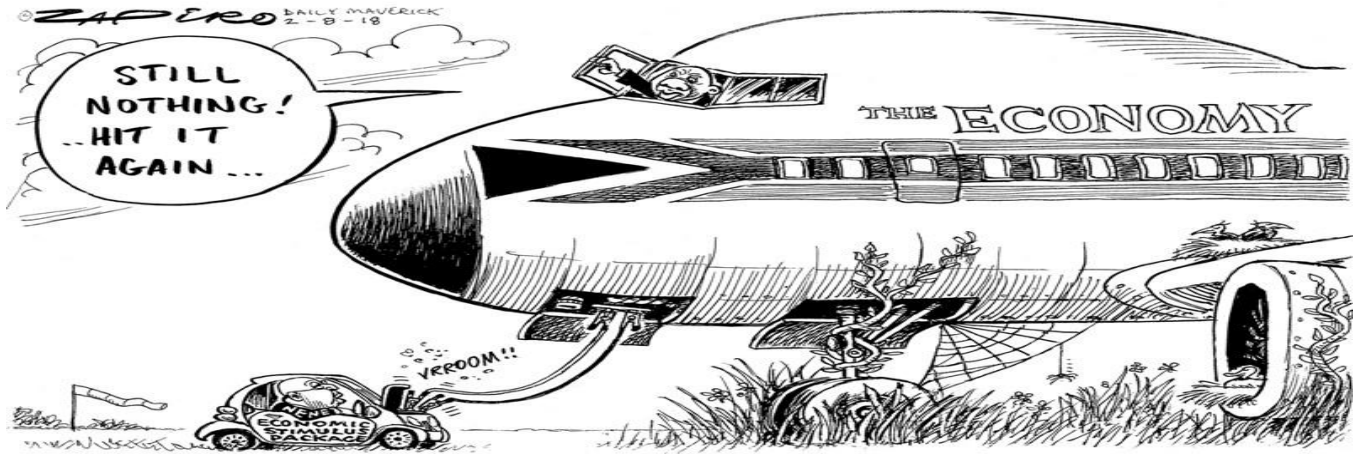
- Job creation-more jobs are created in this sector due to few legal requirements.
- Taxation- as they are not registered they contribute indirectly to taxation by paying value added tax (15% levy on certain goods and services).

### **5. FACTORS IMPACTING ON THE SOUTH AFRICAN ECONOMY**

- Reliance on foreign investments - South Africa relies heavily on foreign investment. This means that when foreign economies suffer we also suffer.
- Emerging markets - We must build a culture of saving money to invest in businesses to move away from a culture of being only consumers but not producers.

## Activity 9

Study the picture below and answer the questions below.



1.1 Name the country that is depicted in this picture and the economic system used by this country (2)

1.2 Name 3 types of economic systems that are used around the world. (3)

1.3 Define the word export and import (4)

1.4 Name and explain one role of the informal sector in the South African economy (3)

**Total (12)**