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The flow of money, production factors and goods (revised)*

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- 1 ECONOMIC AND MANAGEMENT SCIENCES
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- 5.1 ASSESSMENT STANDARD 1.1:
- 5.2 THE FLOW OF MONEY, PRODUCTION FACTORS AND GOODS

ON COMPLETING THIS SECTION YOU WILL BE ABLE TO DESCRIBE THE FLOW OF MONEY, PRODUCTION FACTORS AND GOODS AND SERVICES IN THE ECONOMIC CYCLE OF THE SOUTH AFRICAN ECONOMY.

In order for us to understand the economic cycle, we need to analyse the participants in the economy, who are naturally also the participants in the cycle:

The first participants are the CONSUMERS or the HOUSEHOLDS.

Consumers have certain NEEDS that have to be met in order for them to survive, namely the need for FOOD, CLOTHING, HOUSING and SAFETY. In order to satisfy these basic needs, the consumers or households will have to use or apply their means or FACTORS OF PRODUCTION. In other words, they must use / apply their LABOUR, CAPITAL, LAND and ENTREPRENEURIAL TALENT in order to produce the necessary products.

Activity 1: HUMAN NEEDS

SELF:

Make a list of human needs and give good examples in each case. (Hint: Start off by making a list of your own needs.)

- 1. 2.
- 2
- 3.
- 4.
- 4. 5

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Activity 2: HUMAN NEEDS

GROUP:

Which of the previously mentioned needs are the most compelling ones?

- 1.
- 2.
- 3.
- 4. 5.

The consumers will thus have to "sell" their factor of production to the second participant in the cycle, the PRODUCER or the BUSINESS ENTERPRISE, who will then organise and arrange to produce products that will meet the needs of the consumers. The producer will "remunerate" the consumer for the use of his / her factors of production (in the following way):

- A WAGE is paid for the use of LABOUR;
- INTEREST is paid for the use of CAPITAL;
- RENT is paid for the use of LAND; and
- The consumer is paid a share of the profit for the use of his / her ENTREPRENEURIAL TALENT.
- This compensation is used by the consumer to purchase products from the producer (his supply of goods and services) in order to satisfy his needs.

6 Assessment

Learning Outcomes (LUs)

LO 1

the economic cycle

The learner will be able to demonstrate knowledge and understanding of the economic cycle within the context of "the economic problem."

Assessment Standards(ASs)

We know this when the learner:

- 1.5 explains the different flows of money, factors of production, goods and services in the economic cycle within the South African economy;
 - 1.6 discusses the role of the foreign sector in the economic cycle;
 - 1.7 illustrates by means of a graph and discusses how demand and supply influence prices;
- 1.8 critically assesses the influence and actions (strikes and stayaways) of trade unions in general and during the apartheid era on:
 - the South African economy;
 - political, economic and social transformation;
 - labour issues;
- 1.9 discusses the effect of the national budget on the economy (e.g. taxation and expenditure on education, social welfare, health and security.)

7 Memorandum

ACTIVITY 1: Human needs

SELF:

A list of the needs of people:

Food, clothing, housing, protection, recreation, music, love, power, etc.

ACTIVITY 2: Human needs

GROUP:

The most urgent needs:

Food, clothing, housing, protection, recreation