

EXAMINATIONS COUNCIL OF ESWATINI

EGCSE

EXAMINATION REPORT

FOR

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EGCSE ECONOMICS

Paper 6899/01

General Comments

The paper was accessible though some candidates seem to be ill prepared for it. Most candidates lacked content which was evident in some of the responses, for instance some candidates would give responses that were unrelated to the concept. Such as question 2 (e) where candidates were required to discuss whether a balance of payment deficit is harmful in an economy. They discussed advantages and disadvantages of conserving resources; others discussed the effects of currency depreciation. There were a number of candidates who were scoring very low marks overall, which was an indication that candidates were inadequately prepared for the examination. Generally, the overall performance of candidates was below average.

SECTION A

In this part of the paper candidates were scoring 50% on average. The correct responses were mainly in question 2,4,5,6 and 9 with A, B, B, C and D respectively.

Question 1 candidates were required to state what could be a drawback of specialisation at regional level. The correct response was D. Question 3 required candidates identify the possible cause of an upward shift of the PPC, the answer was **A** which is the discovery of new sources of oil, however, most candidates chose D, which was using neglected land to grow crops. Question 7 required candidates to identify the function of money most relevant when a cell-phone is expensive than a bicycle, the answer was **A**. question 8 required candidates to identify goods that are most likely to be produced in a market economy, the answer was **A** which are demerit goods. Question 10 required candidates to choose an option that is most likely to cause a fall in the standard of living of a country, Candidates chose random answers though the answer was **C**.

SECTION B

Question 1

The question required candidates to explain what is meant by recession in an economic cycle. A majority of candidates scored up to 1 mark. They failed to mention that it is a fall in real GDP instead they explained as a fall in GDP or a fall in output instead of a fall in total output. Other candidates failed to cover the second part of the answer, which is over a period of time.

Question 2

This question was averagely done by most candidates, they were able to identify the points but failed to explain them. The question required the candidates to explain three advantages of small firms. Possible answers included the fact that it is easy to manage and control since decision making does not involve a tall hierarchy but a flat one.

Question 3

Candidates were required to describe a firm's profit maximization rule, which is the highest or greatest difference between total revenue and total costs. Unfortunately, most candidates described as just the difference between the two.

Question 4

Candidates were required to describe with an example of each the difference between fixed and variable costs. Most candidates were able to explain that variable costs change, and fixed cost do not change but they failed to ascertain that it changes with the level of output instead they were saying it changes with sales or profit and ended up scoring zero. However, most candidates gave correct examples.

Question 5

This question was poorly done. Candidates were to explain why weights are used when calculating inflation. Most candidates responded by saying that so that people know how much they are going to pay instead of explaining that weights makes it possible to take into account the relative importance of spending on different items when measuring average price changes.

Question 6

This question required candidates to calculate missing figures. Most candidates answered the question perfectly saved for the ones who wrote (-) dash instead of zero (0).

Question 7

Most candidates were not able to explain the meaning of absolute advantage of a country. Most candidate's responses were that of comparative advantage and absolute poverty. Candidates were expected to explain that absolute advantage means that a country can produce using fewer resources than other countries or this is when a country can produce more products with a given amount of resources than another country can.

Question 8

Candidates were required to explain why real GDP is preferred to nominal GDP. Candidates failed to explain that real GDP take into account inflation yet nominal GDP does not or rather real GDP is calculated on constant prices while nominal GDP is based on current prices.

Question 9

A majority of candidates were able to explain three aims of taxation which included to increase government revenue, to redistribute income from the rich to the poor, to discourage the consumption of demerit goods, etc. A few were giving characteristics of a good tax.

SECTION C

Question 1

- (a)** The question required candidates to identify two statements from the extract which show that there is excess demand. Most candidates were able to extract statements from the case which showed excess demand. However, others extracted wrong statements which showed an increase in sales. Correct answers included supermarkets are struggling to keep pace with demand, there is not enough grown in Mutapaland, etc.
- (b)** This question was well done. Candidates were required to identify two products that are imported by Mutapaland. Responses included organic food, dairy products and cars.
- (c)** A majority of candidates managed to define demand as applied in the extract. Only a few just wrote the definition of demand without an application to the case. Candidates were expected to define demand as the total quantities of citrus or cars or organic food that people from Mutapaland are willing and able to buy at a given price in a given period.

- (d) Fairly done. Candidates were required to use a demand and supply diagram to explain the changes in the market for organic food as discussed in the extract. The diagram had 3 marks, 1 for labels, another for an upward shift in demand and another for an increase in the equilibrium point. Some candidates failed to label 'price' and 'quantity', others were shifting the supply curve. In some instances there was no diagram.
- (e) The question required candidates to discuss whether it is wise for the supermarket to grow in size. Most candidates performed poorly because they discussed advantages and disadvantages of economic growth instead of internal economies and diseconomies of scale. Candidates were explaining without identifying points first, some were one sided which gave them a maximum of 3 marks.

Question 2

- (a) This question proved to be difficult to most candidates. Candidates were required to give two examples of possible service transactions in Swayland. Most candidates failed to give examples of business-related examples instead gave examples of qualifications in the service sector such as teaching, dentists, etc. instead of tourism, insurance and banking.
- (b) Candidates were required to explain what is meant by international trade and a current account deficit on the balance of payments. Most candidates performed well in this question. They were able to explain international trade as an exchange of goods and services between countries, though some were saying it is trade between countries and were penalized a mark. A current account deficit was explained as imports being greater than exports.
- (c) This question was averagely performed as some candidates omitted the currency or to indicate that figures were in millions, which led to them losing a mark. The question required candidates to calculate the deficit in the trade in goods, showing their working.
- (d) This question proved to be difficult to candidates. Candidates were required to explain how the depreciation of the Swayland currency would lead to a recovery of non-oil exports. Most candidates did not understand how they were supposed to answer this question. The correct response was to

explain that the depreciation of the currency will lower export prices, increase the country's non-oil exports thus improve the balance of payment position because Swayland's products will be internationally competitive.

- (e)** Most candidates struggled with this question. Candidates were required to discuss whether a balance of payment deficit is harmful in an economy. They discussed advantages and disadvantages of conserving resources; others discussed the effects of currency depreciation. Effects of a balance of payment deficit include: a decrease in inflationary pressure increase in choice, decrease in output and employment, reduced confidence, etc.

EGCSE ECONOMICS

Paper 6899/02

General Comments

The total number of candidates who sat for 2021 EGCSE Economics was 4895 which showed a significant increase compared to 3558 candidates in 2020. The paper was marked out of 80 marks; 35% assessed knowledge and understanding, 35% analysis and 30% evaluation. It comprised of four compulsory structured questions. The duration was two hours, which was sufficient since all candidates managed to answer all the four questions within the allocated time for this component.

Generally, the overall performance in this paper was slightly below average compared to the good performance which was shown by the previous year's candidates. It is worth mentioning that the cohort was not bad, but there were a lot of centres where candidates left blank spaces in most parts of the paper. This could have been a result of failing to cover most of the topics in class. Most centres showed signs of lacking even the content, let alone the style or skill of answering evaluative questions. Nevertheless, there were some centres who had excellent scripts, in which candidates demonstrated concise but comprehensive understanding ability to apply and evaluate economic concepts.

Questions 1, 2 and 4 were in generally well attempted by the candidates. Question 3 proved to be challenging to candidates which negatively contributed to their overall performance in this paper.

Question 1

(a) Explain what is meant by Scarcity

Quite a significant number of candidates managed to explain what is meant by scarcity even though some candidates left out the part about satisfaction of wants. Scarcity is a situation where there is not enough to satisfy everyone's wants or limited resources versus unlimited wants.

(b) State any two ways of financing public expenditure

The majority of the candidates found this question easy. Ways of financing public expenditure include: privatisation, taxation, borrowing, from the profits of state-owned enterprises, donations from other countries, sale of government assets, charges for services/fines, etc.

(c) Describe an extension in supply

The performance in this question was not good. Most candidates' descriptions lacked the element of the increase in price. Others just described supply. An extension in supply is a rise in the quantity supplied caused by a rise in the price of the product itself.

(d) Demand for a luxury product falls from 500 to 200 when price rises from E2000 to E2200. Calculate Price Elasticity of Demand. Show your working.

This question was fairly done. Most candidates did not write the formula, hence losing a mark.

Otherwise, the expected answer was as follows:

$$\begin{array}{r}
 \text{Percentage change in quantity demanded} \\
 \hline
 \text{PED= } \frac{\text{Percentage change in price}}{\text{Percentage change in price}} \\
 \hline
 \frac{-60\%}{10\%} \\
 \hline
 -6 \\
 \hline
 \text{=====}
 \end{array}$$

(e) State three indications that Eswatini is a mixed economy.

This question was not performed well by most candidates. A majority of responses were stating one aspect, that is, either a planned or a market economy. Each point was expected to contrast both elements of a mixed economy. Expected responses included: there is a combination of both the private and the public sector, productive resources are owned by the private individuals and the government, prices are set by the price mechanism and the government, etc.

- (f) In a planned economy the main influence is government action. Discuss whether the advantages of the planned system are greater than its disadvantages.**

A fairly answered question. It was noted though that some candidates discussed benefits and drawbacks of a market economy. Candidates were expected to give a two-sided answer with a reasoned conclusion. Benefits of a planned system include: it considers external cost and benefits as government does not aim at making profits, there is equal distribution of income and wealth so the gap between the poor and the rich is narrowed, price control as government sets prices in consideration of the poor, etc. Drawbacks include: limited choice for consumers (which firm to buy from)/ for firms (what to produce)/ and workers (who to work for), lack of competition compromises quality and efficiency, less responsiveness to customers' preferences leading to lack of innovativeness, etc.

Question 2

- (a) Define a Trade Union**

This question was accessible for most candidates. However, there is still a need to emphasise that a trade union is formed by a group of workers not a group of people. A trade union is an association of workers which represents the interest of its members.

- (b) Give one main function of a Commercial Bank**

A Fairly attempted question by candidates even though some overlooked the word 'main' hence they gave any other functions of a Commercial bank. Main functions of a commercial bank are accepting deposits, enabling customers to make payments and lending to customers.

- (c) Explain any two characteristics of money**

A majority of candidates were able to explain the characteristics of money. It was noted though that some candidates explained functions of money instead. Characteristics of money include: scarcity - should not be easy to get, durability-should last long, uniformity-every note or coin of the same value should be the same, portability-can be carried around easily, acceptability-should be generally acceptable for the exchange of goods and services, etc.

(d) Analyse why labour may find it difficult to be geographically mobile.

This part of the question was well attempted by a majority of candidates. It is worth mentioning though that there were some centres who had no clue on this question hence candidates left blank spaces. Moreover, some candidates confused geographical immobility with occupational immobility. Factors that cause labour to find it difficult to be geographically mobile include: differences in the price and availability of housing in different areas and countries -workers who lose their jobs in poor areas may not be able to take up jobs in rich areas because they cannot afford or find housing there, family ties -people may be reluctant to leave the country they are currently living in because they do not want to live away from friends and relatives, differences in educational systems in different areas and countries -people may not be willing to move to a job elsewhere it disrupts their children's education, lack of information -people without jobs or those in poorly paid jobs may stay where they are because they are unaware of job opportunities elsewhere, restrictions on the movement of workers -it is often necessary to obtain a work visa to work in another country and these can be limited in supply, etc.

(e) Do you think it is wise for a country to reduce its interest rates? Discuss.

This question was fairly answered by a majority of candidates even though some confused interest rates with taxation. Candidates were able to give accurate points for a reduction in interest rates such as employment is increased as more people will be encouraged to borrow and invest, enhance economic growth due to increase in production, improvement in the Balance of Payments due to improvements in exports, increase in government revenue through taxes as consumer borrow money to increase expenditure, improves living standards as people will have more access to funds, etc. Points against a reduction in interest rates include: increase in Inflation as consumers spending increase, reduces savings as customers will receive less returns, discourages foreign investment since they will be getting less returns for their investments, increase in unnecessary borrowing since it will be cheaper to borrow, etc. A reasoned conclusion was required.

Question 3**(a) State any three types of unemployment**

This question was accessible for most candidates. Candidates were able to state the types of unemployment such as frictional unemployment (search, casual), seasonal unemployment, structural unemployment (technological, regional), cyclical unemployment, etc.

(b) Explain any two reasons for nationalisation

This part of the question was not performed well. Most candidates seemed not to understand the term 'nationalisation', hence it was not possible to explain the reasons for nationalisation. Some of the candidates just listed the reasons without correct explanations.

Expected responses include: fair distribution of income from national resources- profits from nationalized industries will benefit every citizen, to prevent unfair exploitation of workers such as paying them below the minimum wage, to avoid layoffs -this might be possible when private companies are not doing well, to give control of economy with more ability to react to harmful economic changes, etc.

(c) Discuss how the following aims of government might conflict with each other

Most candidates struggled in this question. Candidates failed to discuss the cause of conflict in terms of how government intervenes to achieve one aim which results in worsening the other aim. Most candidates were just defining the aims in general.

(i) Inflation and Unemployment

To control Inflation, government may have to increase taxes, increase interest rates, etc., to reduce aggregate demand, which in turn will discourage people to work and firms to invest as it will lower profits thus increasing unemployment.

(ii) More even income distribution and satisfactory balance of payments

To redistribute income more equally by taxing the rich, will increase spending power of those on lower incomes. This may increase spending on foreign goods and services so more imports will worsen the balance of payments.

(d) Analyse the effects of Economic Growth

Generally, this part of the question was well answered, though there were a few candidates who were one sided. An analysis of effects must show both the positive aspect and the negative aspect. Positive effects of economic growth include: improvements in living standards -access to more goods and services can improve living conditions and increase life expectancy, increase in governments revenue -due to an increase in income, more consumer choice -due to the variety of goods produced, increase in political and economic standing and influence in organisations such as IMF -countries which experience economic growth have power in decision making when with other countries, etc. Negative effects of economic growth include: increases pollution -more factories and cars may increase carbon dioxide emission, depletion of non- renewable resources and damage of

the natural environment -rapid expansion of the furniture and fishing industries for example may result in deforestation and depletion of fishing stocks respectively, greater stress on workers may require some people to work for longer hours to meet demand, etc.

(e) Discuss whether it is wise to use HDI as a measure of living standards between countries?

This is another question which proved to be challenging to the candidates. It was noted that most centres did not have a clue of what HDI is all about, hence candidates did not attempt answering this question leaving blank spaces. Candidates were expected to discuss both the advantages and disadvantages of using HDI as a measure of living standards between countries then give a conclusion. Possible benefits include: provides a much broader comparison between countries than GDP does, acts as a measure to show a country's development and whether there are improvements in its level and rate of development, helps a country to set targets that can lead to improvement in quality of life of its citizens, etc. The disadvantages include: it does not consider the people who have access to education but do not contribute to the economic development of their countries e.g. educated prisoners, it does not consider political freedom their human rights, gender equality or people's cultural identity, it does not take the environment into account - it could be argued that this should be included to focus on human development more, etc.

Question 4

(a) Identify any three characteristics of a developed economy

Quite a significant number of candidates succeeded to identify characteristics of a developed economy which include: high income per head, high levels of saving, low rates of population growth, low birth rate/low fertility rate, low death rate/high life expectancy/low infant mortality rate, etc.

(b) Explain any two methods of trade protection

A well attempted question even though some candidates failed to give correct explanations for the methods of trade protection. Methods of trade protection include: import tariffs -tax on imported products, quota -a limit placed on the quantity of a good that can be imported, embargo -a complete ban on the import of a product, expensive paperwork -requiring foreign firms who wish to sell to the country, to fill out a considerable amount of time-consuming paperwork, etc.

(c) Analyse the impact of an increasing population in an economy

Again, this was another question which was fairly answered. Most candidates were analysing the causes of population growth instead of consequences of an increasing population. In addition, some candidates were one sided yet an analysis of an impact/consequences/effects requires both positive and negative aspects. Positive impact of an increasing population include: better use of resources -if the population is below the optimum size, the country will be able to make better use of resources, the size of markets will increase -this should enable firms to take greater advantage of economies of scale, increase of factor mobility -expanding industries can recruit new workers to the labour force, extra demand will be generated -will stimulate investment and this may lead to introduction of new technology, etc. Negative impact include: concerns about famine -if a country is currently overpopulated and agricultural productivity is low there is a risk that the country may not be able to feed more dependents, overcrowding -increases in population may put pressure on housing and social capital and cause traffic congestion, environmental pressure -more people in a country may result in a damage to wildlife habitats and the depletion of non-renewable resources, balance of payments pressures -more dependants in the population may result in a rise in imports and some may need to be diverted from the export to the home market, etc.

(d) Discuss whether it is better for a country to have an appreciating currency rather than a depreciating currency.

Most candidates struggled in this question. A majority of the candidates did not answer this question at all. Those who attempted to answer this question discussed either floating exchange rates, fluctuating exchange rates or pegging of currency instead of what was required by the question. Candidates were expected to discuss either advantages of an appreciating currency and disadvantages of an appreciating currency or advantages of a depreciating and disadvantages of a depreciating currency or advantages of an appreciating currency and disadvantages of a depreciating currency or advantages of a depreciating currency and disadvantages then provide a reasoned conclusion. **Points for an appreciating currency;** Imports will be cheaper which may improve standards of living of the local people, it may attract foreign direct investment and this will enhance economic growth, etc. **Points against an appreciating currency:** may harm the balance of payments position as there will be more imports than exports, increase in unemployment - reduced aggregate demand of local products may force domestic businesses to reduce production hence retrenchments, etc. **Points for a depreciating currency:** it improves the current account position as more exports will be demanded, it increases employment since more people will be

employed to meet the increased demand for domestic products, etc. **Points against a depreciating currency:** it will increase inflationary pressure- cost push since prices for imported raw materials will be expensive /demand pull- because of an increase in employment, finished imported products will also be expensive since the local currency has a lower value in terms of exchange rates, etc.