



EXAMINATIONS COUNCIL OF ESWATINI  
Eswatini General Certificate of Secondary Education

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**ECONOMICS**

**6899/02**

Paper 2

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***Confidential***

***MARK SCHEME***

***{6899/02}***

***MARKS: 80***

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This document consists of 7 printed pages.

**Question 1****(a) Explain what is meant by the following terms:****(i) Price inelastic demand**

When a change in price (1) cause an insignificant change in quantity demanded (1)  
[2]

**(ii) Economic good**

A product which requires resources to produce (1) and therefore has opportunity cost (1)  
[2]

**(b) Describe two ways in which land is different from labour.**

- Land is a natural resource (1) while labour is a human resource (1)
- Payment for land is rent (1) while payment for labour is wages and salaries (1)
- Land is geographically immobile (1) while labour is geographically mobile (1)

**(Any two points well contrasted)** [4]

**(c) (i) Explain what is shown by a production possibility curve.**

It is the maximum output of two products and combinations of these products (1) that can be produced with existing resources and technology(1) [2]

**(ii) Explain the significance of opportunity cost for a government when making its spending decisions**

Recognise that a country has limited resources (1) and if so resources are devoted in one area (1), less can be devoted to the other areas (1) [3]

**(d) Discuss whether the market system is the best way to organise an economy? Support your answer.**

Points for

- efficiency
- there is choice
- consumer sovereignty
- lower prices

Points against

- Lack of other goods such as public and merit goods
- Production of demerit goods

**1 point for developed and 1 point for identified – 3 marks,  
1 point against developed – 2 marks, or vice versa  
Take a stand and give a supporting point-2marks**

[7]

## Question 2

- (a) (i) **Explain any two non-wage factors that might influence a worker's choice of occupation.**

Job satisfaction, type of work, working conditions, working hours, holidays, fringe benefits, job security, career prospects, size of firm, location.

**(Any two factors explained)** [4]

- (ii) **Define the term 'bear' in relation to Stock Exchange trading.**

Someone who sells shares (1) expecting their price to fall (1) [2]

- (b) **Explain why the Central Bank is considered as a lender of the last resort.**

If one of the commercial banks runs short of money then the central bank can lend them money(1) to prevent them going bankrupt (1) [2]

- (c) **Explain why individuals' borrowing may decrease.**

- a rise in interest rates(1)will increase the cost of borrowing
- a reduction in the availability of loans(1) will make it more difficult(1)
- a rise in income(1)may reduce the need to borrow(1)
- an increase in government subsidies to firms(1)may reduce the need for firms to borrow from banks(1)
- a reduction in confidence about the future(1)may mean that people will be afraid they will not be to repay loans(1)
- an increase in an ageing population (1) old people usually borrow less (1) [5]

**(Any 2 points developed-4marks and 1 identified-1mark)**

- (d) **Do you think that airline pilots should be paid more than cleaners? Justify your answer.**

Candidates should argue their side based on the following factors:

- demand and supply
- skilled versus unskilled workers
- relative strength of trade union
- government policies
- public opinion

**1 point for developed and 1 point for identified – 3 marks,**

**1 point against developed – 2 marks, or vice versa**

**Take a stand and give a supporting point-2marks**

[7]

### Question 3

(a) State any three characteristics of a perfect competition.

- There must be many buyers and sellers
- there must be a low degree of market concentration
- There must be free entry into and exit from the industry
- The product must be identical
- Buyers and sellers must be perfectly informed
- Producers and buyers are price takers

**(Any three characteristics outlined)**

[3]

(b) Explain what is meant by the term 'external economies of scale'. Give one example.

Lower long run average costs (1) resulting from an industry growing in size (1)  
 e.g. .a skilled labour force, a good reputation, specialist suppliers of raw materials capital goods, specialist services, specialist markets, improved infrastructure, etc. [3]

**(1 mark for the example)**

(c) Analyse why some firms are larger than others.

- The size of the market (1) if there is large demand for the product it is likely for the size of the firm to be large (1)
- The age of the firm (1) firms that have operated for a long time are likely to be large (1)
- Availability of capital (1) the more capital a firm has the higher the chances of expansion (1)
- Type of organisation (1) some types of organisations are larger in nature .e.g. public limited companies (1)

**(Any 3 points developed – 6 marks and 1 point identified – 1 mark)**

[7]

(d) Do you think that it beneficial for a country to have monopolies in some industries? Justify your answer.

#### Points for monopolies

- Avoid the duplication of resources(1)especially non-renewable resources(1)
- It could be efficient(1) especially if it produces on large scale, its unit cost and price may be lower than that in a more competitive market(1)
- High profits may enable it to spend on research and development(1) thus it may introduce new improved variations(1)

#### Points against monopolies

- Inefficiency (1) this may be because of absence of competition(1)
- Exploitation of consumers(1) in terms of high price because they know that may not switch to rival products(1)
- Lack of choice for consumers(1)leading to lack of innovation(1)

**1 point for developed and 1 point for identified – 3 marks,**

**1 point against developed – 2 marks, or vice versa**

**Take a stand and give a supporting point-2marks**

[7]

**Question 4****(a) State any two types of inflation.**Cost push, demand pull, monetary, imported **[Any two stated]** [2]**(b) Define the following terms:****(i) full employment:** this is when people who are willing and able to work (1) can find employment (1) [2]**(ii) privatisation:** it is the sale of public sector assets (1) to the private sector (1) [2]**(c) Analyse how the fiscal policy can result in a more even distribution of income.**

- An increase in progressive tax (1) taking a larger percentage of income from the rich(1)
- A decrease in regressive tax (1) reducing the percentage of tax taken from the poor (1)
- Government spending on grants (1) to the unemployed/pensioners (1)
- Government spending on subsidies (1) to low income earners (1) e.g. provision of farming inputs

**Candidates should discuss both aspects (taxation and government spending) to get maximum marks.****(3points developed and 1 point identified)** [7]**(d) Discuss whether businesses should be state-owned.****Points for state-owned businesses**

- Government will base decisions on social costs and benefits (1) may carry our cost benefit analysis e.g. may try to cut down on pollution (1)
- Prices may be low(1) to ensure everyone have access (1)
- If profitable, can provide funds for the government (1) increase the ability of government to spend e.g. on education (1)
- Fair distribution of income and wealth(1)every citizen benefits from the state owned businesses(1)
- Allows production of merit and public goods(1)goods that may not be produced by the private sector(1)
- For employment (1) as government is the largest employer (1)

**Points against state-owned businesses**

- Inefficiency due to lack of competition (1) provision of poor quality goods and services (1)
- Lack of innovativeness(1)as there is no profit motive(1)
- They take a long time in decision making which may sometimes be political (1) and such decision may not benefit everyone (1)

**1 point for state-owned developed and 1 point for state-owned identified-3marks,****1 point against developed-2marks, or vice versa****Take a stand and give a supporting point-2marks**

[7]

**Question 5**

- (a) **State the other two components of Human Development Index other than Gross National Income per head.**

Life expectancy at birth (1)

Education/literacy rate (1)

[2]

- (b) **Define the following terms:**

(i) **economic cycle:** natural fluctuations of the economy (1) between periods of expansion (growth) and contractions (recession) (1)

[2]

(ii) **self-employment:** workers work for themselves (1) and they earn profit as income (1)

[2]

- (c) **Analyse the Impact of unemployment in an economy.**

**Positive impact**

- It makes it easier for firms wishing to expand to recruit new workers
- It lowers inflationary pressure

**Negative impact**

- It imposes opportunity cost on an economy
- Reduces tax revenue for the country
- Increases government expenditure

**Discussion must involve both positive and negative impacts to get maximum marks**

**3 points developed-6marks and 1 point identified-1mark**

[7]

- (d) **Would you advise a government to use trade protection against international competitors? Discuss.**

**Points for**

- Protects infant industries
- Protects strategic industries
- Protects declining industries
- Protection from unfair international competition

**Points against**

- Results to lower choice for consumers
- Results to higher prices
- Inefficiency
- retaliation

**1 point for developed and 1 point for identified-3marks,**

**1 point against developed-2marks, or vice versa**

**Take a stand and give a supporting point-2marks**

[7]

**Question 6**

- (a) List any two sections of the balance of payments current account.

Trade in goods, trade in services, income or primary income, current transfers or secondary income

Any two parts mentioned [2]

- (b) Explain the following terms:

(i) **Exchange rates:** it is the price of one currency (1) in terms of another currency (1) [2]

(ii) **Embargo:** this is a complete ban (1) on imports of a product or trade with another Country (1) [2]

- (c) Discuss how governments might deal with the difficulties resulting from a large increase in the number of elderly citizens.

- Raise the retirement age (1) this will reduce the cost of pensions and increase tax revenue (1)
- Making it compulsory for workers to save for retirement (1)
- raise productivity of workers (1) this can be done through education and training
- Encourage immigration of younger skilled (1) by issuing more work permits (1)

2 points developed-6marks and 1 point identified-1mark [7]

- (d) Discuss whether a reduction in imports will always benefit an economy.

**Points for reduction of imports**

- May improve the trade in goods/trade in service balance (1) this will improve the balance of payments position (1)
- May be replaced by spending on domestically produced products (1) this will increase the country's output/GDP (1)
- May prevent dumping (1) whereby foreign countries will sell their products at a price below in their home countries (1)

**Points against reduction of imports**

- Fewer imports may reduce choice to consumers (1) this may reduce living standards (1)
- Imports of cheaper raw materials (1) this will raise the costs of production (1)
- Might lead to high prices (1) as a result of reduced competition (1)

1 point for developed and

1 point for identified-3marks,

1 point for developed-2marks, or vice versa

Take a stand and give a supporting point-2marks

[7]