

# CHAPTER 5

## ECONOMICS

The following report should be read in conjunction with the Economics question papers 1 and 2 of the November 2017 Examination.

### 5.1 PERFORMANCE TRENDS (2014–2017)

The number of candidates who wrote the Economics examination in 2017 decreased by 27 112 candidates in comparison to that of 2016. The 2017 performance is the best performance since 2014. Seventy one percent (71%) candidates achieved at the 30% level and 42.7% achieved at the 40% level.

**Table 5.1.1: Overall achievement rates in Economics Papers 1 & 2**

Year	No. wrote	No. achieved at 30% and above	% achieved at 30% and above	No. achieved at 40% and above	% achieved at 40% and above
2014	137 478	94 779	68,9	53 294	38,8
2015	165 642	112 922	68,2	64 780	39,1
2016	155 908	101 787	65,3	56 794	36,4
2017	128 796	91 488	71,0	55014	42,7

Over the years there has been an improvement in the writing of essays, the open-ended questions that involved the application of knowledge and in the drawing of graphs. However, there are certain areas that require more attention for the results to improve in a meaningful way.

A thorough understanding of all concepts in all topics will greatly enhance performance in both papers, as they form the basis of understanding questions in the various cognitive levels. This has a direct impact on Section A, Section B where concepts are tested as definitions and in Section C where concepts form part of the introduction of the essay. An excellent knowledge of economic terminology results in correct interpretation and answering of indirect questions in Section B and C. One of the challenges in achieving this is that teachers need to reinforce concepts through regular testing in class.

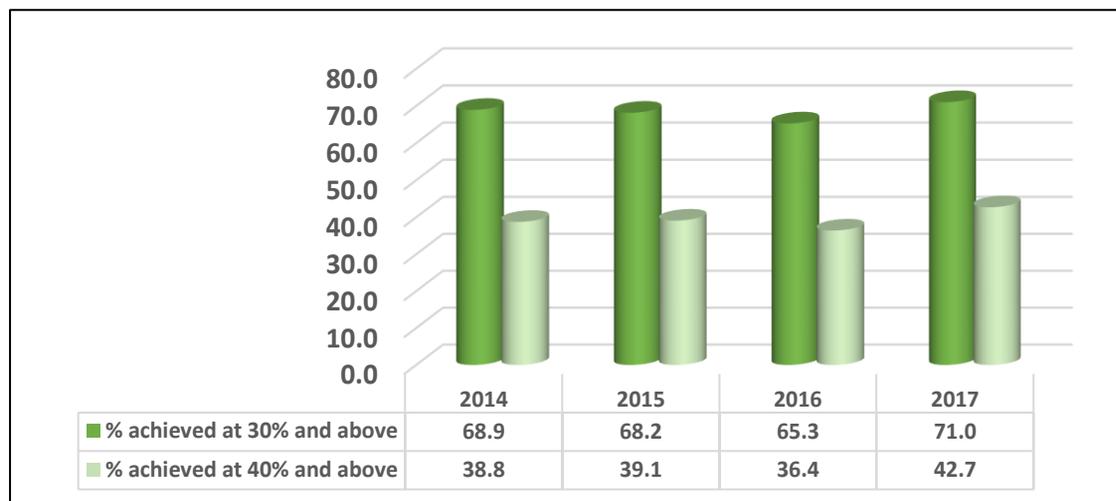
It is imperative that the content of all topics are covered adequately and timeously to ensure sufficient time for revision. It has been found that where most teachers who lag behind in content coverage in topics under economic pursuits and/or contemporary economic issues are not taught thoroughly. Candidates who attempt questions on these topics perform poorly in comparison to other topics. Teachers should structure assignments, projects and case studies in Grades 10 and 11 on difficult topics of Grade 12, e.g. competition and collusion, tourism, economic and social indicators, to promote acquisition of some basic knowledge when these topics are discussed in Grade 12. This is also an area in which teachers must be supported first.

While there has been an improvement in the drawing of graphs, the technical aspects need to be reinforced, for example the correct shape, positioning and labelling of cost and revenue curves in

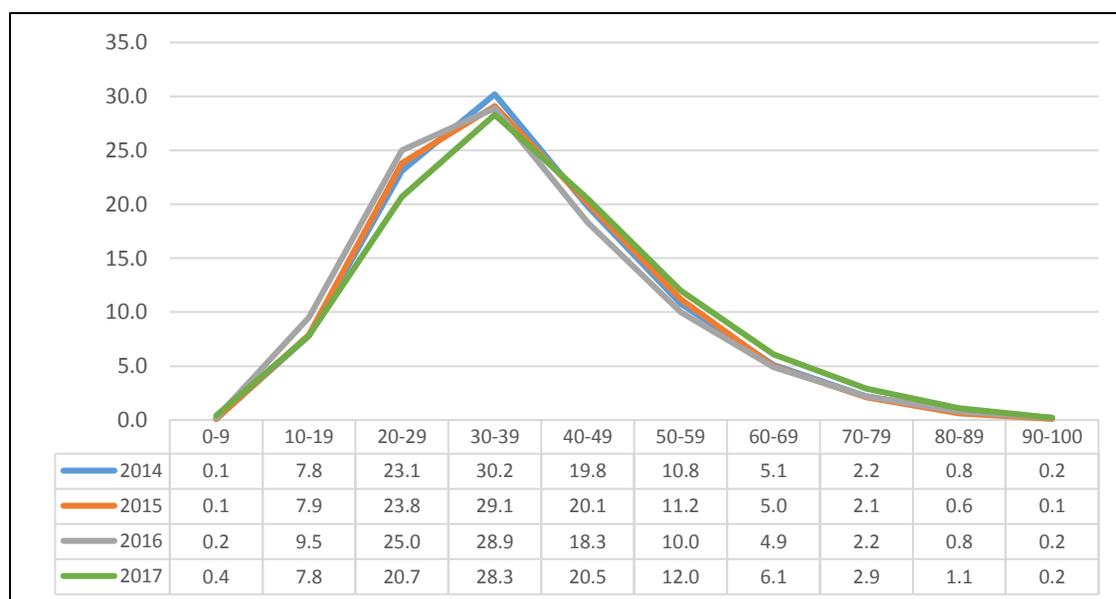
the perfect and imperfect markets. Teachers need to teach graphs by drawing the cost and revenue curves step by step. As each step is done it needs to be explained. While the teacher draws it first, learners draw step by step in their work books. Emphasis must be placed on the average cost curve (i.e. 'smile') which must always be drawn before the marginal cost curve (i.e. 'tick'). This will ensure that the MC always intersects the AC at its minimum point. It is extremely important that teachers realize that there is an integration of topics from Grade 10 to 12. Graphs should already have been discussed in the necessary detail in Grades 10 and 11 to ensure a full understanding thereof in Grade 12.

Simple calculations and formulae need to be reinforced and assessed regularly as these skills are tested frequently in the NSC examination papers, for example national account aggregates, moving averages, tax burden, the multiplier, BoP, exchange rates, profit and loss, production cost, CBA, percentage changes and inflation rate.

**Graph 5.1.1: Overall achievement rates in Economics Papers 1 & 2 (percentage)**



**Graph 5.1.1: Performance distribution curves in Economics (percentage)**



## 5.2 OVERVIEW OF LEARNER PERFORMANCE: PAPERS 1 & 2

### General Comments

- (a) A good understanding of tables, extracts, news articles, figures and graphs assisted with the improvement in the performance of many candidates. Candidates were able to complete each paper within the allocated time.
- (b) The main reasons for underperformance were the following:
- Poor language skills made it difficult for candidates to express themselves, especially in paragraph-type questions which formed a large part of the question paper.
  - Most candidates were not able to solve problems, give their own opinions or evaluate data connected to their study material.
  - Candidates lacked basic knowledge of the general economic issues of the day.
- (c) General reasons for poor performance could be attributed to the following:
- **Content coverage:** It is evident from the poor performance of many candidates that many teachers did not cover some of the topics. Basic economic concepts/terminology seemed to be lacking among many candidates and there was a lack of knowledge on current economic topics. For example:
    - Paper 1: Q1.3.6: Return of land to those who have lost it due to discriminatory laws of the past; Q3.2.3: Briefly explain urbanisation as a social indicator.
    - Paper 2: Q3.3.3: Briefly describe the term indigenous knowledge system; Q4.2.4: What does interdependency of businesses in this market structure imply?
  - **Exposure to different types of questions:** Skilled learners can write essays and paragraphs and offer their opinions with confidence. These learners have the ability to focus on the information that is relevant to the answering of each question. Teachers play a crucial role in the moulding of their learners to deal with a variety of questions with different cognitive verbs, such as *why*, *how* and *what* and the unlocking of knowledge in a variety of ways. A variety of higher-order thinking skills should be developed in the context of the subject content being taught. Learners should be challenged to solve everyday problems experienced in their own communities. For example:
    - Paper 1. Q3.5: How can the implementation of regional development policies improve the standard of living in South Africa? Q4.5: How can productivity be used more effectively to benefit the South African economy?
    - Paper 2. Q3.5 How effective has inflation targeting in South Africa been to ensure price stability? Q4.5: Explain, by means of a neatly labelled graph, the impact of maximum prices on the market.

- **Language ability:** Although language deficiency is still a drawback for many second-language candidates, many centres in deep rural areas have excellent results compared to others experiencing similar circumstances. Teaching should take place in such a way that learners understand the content.

### General Suggestions for Improvement

Teachers are advised to build the following practices into the work plan for the year:

- (a) **Use of past NSC and CAPS exemplar papers:** In preparation for the 2018 year-end papers, all learners should use past papers for the final examinations (2014–2017) and supplementary examinations (2015–2018) for clear guidance. Teachers should build their own confidence in their ability to deal with each topic in the classroom situation and to assist learners through their teaching. Furthermore, teachers should use the *Examination Guidelines* and *Mind the Gap* as support material when it comes to the scope and depth of content and how to assess learners' understanding of the specific content matter. In cases where old question papers are used for teaching and learning, these should be CAPS compliant and aligned to the changes made in the latest *Examination Guidelines*. Using previous marking guidelines is good as a revision tool but not as a teaching tool. Interpretation of questions is critical; content should be assessed in line with the *Examination Guidelines* continually.
- (b) **Basic concepts:** Teachers should ensure that learners understand basic concepts and terminology before engaging in their applications. More time should be spent to improve the reading skills of second-language learners. Learners' understanding of terminology should be assessed on a continuous basis. *Mind the Gap* explains all relevant concepts in detail. A quiz bowl, crosswords or team challenges may be interesting tools to assess knowledge of economic concepts. Classwork or homework on definitions will ensure that learners stay familiar with these basic concepts.
- (c) **Requirements of questions:** Teachers should ensure that learners understand the requirements of common questions in future NSC examination papers. For example, if a question requires the drawing or analysis of a well-labelled graph, this must be done to earn the relevant marks for example:
  - Paper 1: Explain, by means of a neatly labelled graph, the effect on the value of the rand if there is a sharp increase in the number of South African tourists visiting the USA.
  - Paper 2: Explain, with the aid of graphs, the short-run equilibrium positions in the perfect market.

Teachers should familiarise their learners with the new phrasing of questions, e.g. the *what*, *why* and *how* type of higher-order questions. Learners should be guided by the mark allocation in terms of the depth of the answer required. With regard to higher-order questions (especially questions 2.5, 3.5, 4.5 and the additional part of the essay questions), a candidate needs to read the question carefully and highlight the key issues required. Reading the question again will ensure greater accuracy in the candidates' response. Responses need to be formulated and the question should be checked again constantly to ensure the response logically suits it. It is

not wise to respond immediately after the initial reading of the question. Time must be taken to understand the question clearly, for example:

- Paper 1: Most candidates explained productivity as an economic indicator instead of AA, as requested in the question paper.
  - Paper 2: Learners had to calculate the percentage change in the inflation rate, but instead calculated the change only.
- (d) **Comments and explanations:** Teachers should equip learners with the relevant skills needed to express themselves clearly where comments or explanations are required. Learners need guidance on how to express the opinions that are relevant to the context. Refer to the *Examination Guidelines* where typical higher-order questions are provided for example:
- Paper 1: Discuss in detail the New Economic Paradigm.
  - Paper 2: How does South Africa use conservation to ensure a sustainable environment?
- (e) **The importance of formative testing:** Teachers should build the confidence of learners through the use of short informal formative tests and tasks. Small formative assessment tasks should be used to ascertain whether candidates are able to apply their knowledge, placing emphasis on their own opinion and understanding. This will force learners to take ownership of the learning process (see *Examination Guidelines: Use of a diagram and discuss the cycle length, amplitude and the trend line as features underpinning forecasting*).
- (f) **The structure of the paper**
- **SECTION A & B:** These sections should be explained to learners to enable them to organise their answers properly. Leaving lines between subsections, using the correct numbering system, and not omitting question numbers are examples of issues that make assessment more effective.
  - **SECTION C (Essay):** Teachers must stress the importance of the layout of the essay: introduction, body (main and additional part) and a conclusion. There should be a clear distinction between the various aspects with line spacing between them. Using subheadings is crucial as this earns marks. Learners should structure the essay according to the outline provided in the question paper.
  - Learners must be made aware that no marks will be earned if any part of the introduction or body is included in the conclusion. It should include the learner's own opinion, an alternative viewpoint, any fact to support the body or a summary of the discussion.
  - Teachers must allow learners the opportunity to practise the answering of essay questions. When a topic or chapter is finished, an essay question should be given as a test or homework. If given as homework, the essay can be assessed in terms of the following important aspects (detailed assessment is not necessary):
- Relevant Introduction

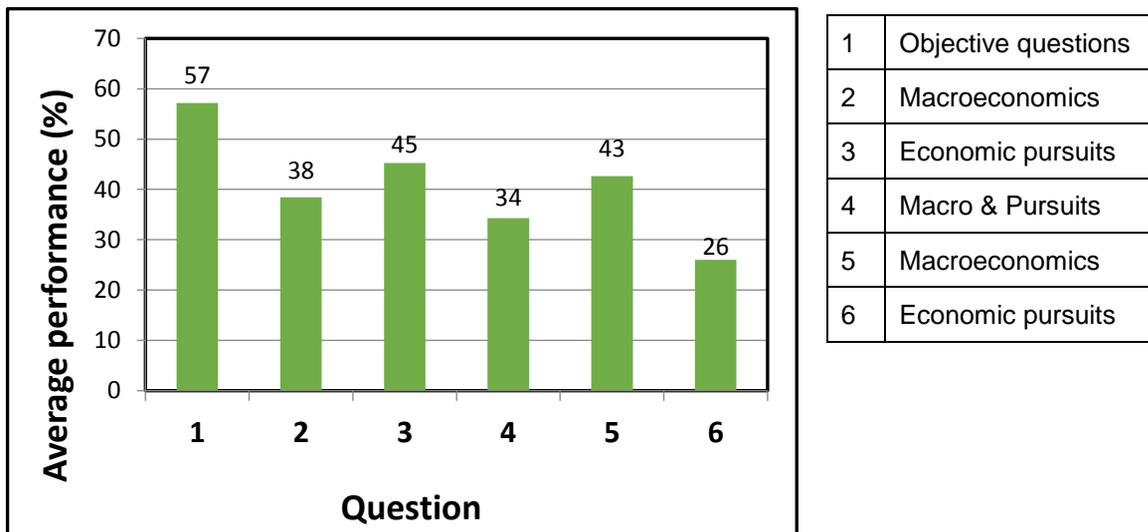
- Subheadings in the main part
- The appropriateness of the additional part
- Relevant conclusion
- Teachers are advised to use a variety of textbooks to prepare notes that supplement material available to learners.

### 5.3 DIAGNOSTIC QUESTION ANALYSIS FOR PAPER 1

The following graph is based on data from a random sample of candidates. While this graph may not reflect national averages accurately, it is useful to assess the relative degrees of challenge of each question as experienced by candidates.

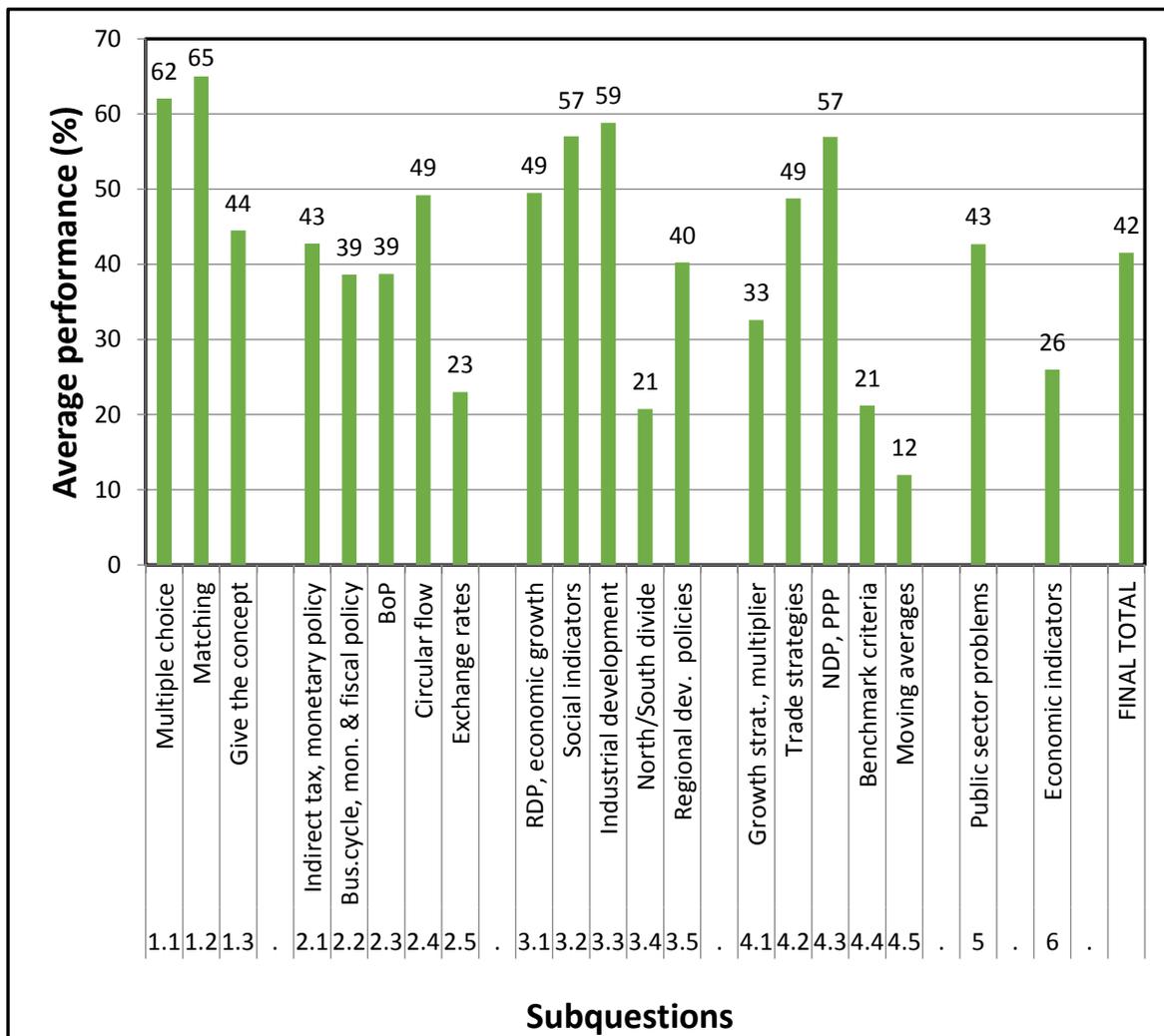
The average performance in question 2, 4 and 6 was very poor. Compared to 2016, the average performance in question 1(section A) was lower. Most candidates answered Questions 3 and 5, where there was an increase in the performance of candidates compared to 2016.

**Figure 5.3.1: Average marks per question expressed as a percentage**



1	Objective questions
2	Macroeconomics
3	Economic pursuits
4	Macro & Pursuits
5	Macroeconomics
6	Economic pursuits

Figure 5.3.2: Average marks per subquestion expressed as a percentage



## 5.4 ANALYSIS OF LEARNER PERFORMANCE IN EACH QUESTION IN PAPER 1

### QUESTION 1: MACROECONOMICS AND ECONOMIC PURSUITS

Most candidates performed well in Q1. The performance of learners ranged from excellent to poor. Some candidates attained full marks and others did not even attempt to answer some of the questions. This question was compulsory.

#### Common errors and misconceptions

- Many candidates used the answer sheet for Q1.
- In Q1.2, candidates had to match an Economics term with given statements. In some cases they left out certain answers by mistake or changed their original answers without cancelling the first one. Generally, a lack of content knowledge impaired candidates' performance. Candidates

could not match the correct answers for *free-floating*, *World Bank* and *repo rate*. Poor performances were recorded for Q1.2.2, Q1.2.3 and Q1.2.4.

- (c) In Q1.3, candidates had to give an Economics term for a given statement but they provided an abbreviation instead. Overall the performance was very poor and the marking guidelines accepted only the correct answer with no abbreviations or examples. When candidates provided more than ONE answer they were subsequently awarded no marks.
- (d) In Q1.3.2 candidates confused Laffer and Lorenz curves and Q1.3.4 was a good example of typical answers from candidates reflecting broad knowledge, and not in-depth knowledge, of the subject matter. In Q1.3.6, candidates did not know the difference between land restitution and land redistribution.

### **Suggestions for improvement**

- (a) Q1 assesses both *Macroeconomics* and *Economic Pursuits*. Candidates' performance in this question gives a clear indication of their subject knowledge. It is imperative that learners first attempt to determine the correct answer to multiple-choice questions before considering the given options. Furthermore, the format of Section A should be explained to learners to enable them to organise their answers correctly. In the light of this, candidates need to follow instructions like answering Q1 in the answer book and leaving lines between subsections, using the correct numbering system, and not omitting question numbers. This would facilitate the marking of scripts. The confidence of learners should be built by spending more time on the understanding of economic terminology, definitions and concepts to ensure expanded knowledge over the broad spectrum of the subject.
- (b) Teachers should expose learners to basic economic concepts through short formative tests on basic concepts. Candidates should answer all items in Q1.1 and Q1.2 where the options are provided. Learners should also concentrate on more detailed preparation in respect of concepts and terminology to ensure that they attain higher marks for Q1.3. Teachers should start lessons by testing the previous day's concepts.
- (c) Although multiple-choice questions provide possible answers, they require full content knowledge. Constant revision of terminology is strongly advised.
- (d) Difficult topics should be the centre of discussions, e.g. graphs reflecting movement on foreign exchange markets and different strategies and policies.

## **QUESTION 2: MACROECONOMICS**

### **Common errors and Misconceptions**

- (a) Candidates could not give two examples of indirect taxes in Q2.1.1 and wrote taxes on income instead. In Q2.1.2, candidates focused on cash reserve requirements rather than aggregate money supply.
- (b) Many candidates could not describe open-market transactions as a monetary policy instrument in Q2.2.3 correctly and failed to understand the mechanism of open-market transactions, which is critically important in understanding how monetary policy influences the entire economy.

- (c) In Q2.3.3, candidates were not able to explain how South Africa can ensure a net inflow of capital. This question reflects on the movement of capital flow in the financial account of the BoP.
- (d) Candidates performed poorly in Q2.3.4 where they were expected to calculate the trade balance. Many candidates were awarded no marks because they just copied the data given in the question paper. This was also true for Q2.4.
- (e) Candidates failed to present the correct graph in Q2.5 and give a brief explanation thereof.

### **Suggestions for improvement**

- (a) It is extremely important that learners should be prepared on the whole syllabus and not only parts thereof. Knowledge of the *latest* statistical data made available by SARB (on BoP) and Stats SA, should be studied in detail to ensure that learners know exactly how to prepare themselves thoroughly for the final examination. Candidates should be able to use the information provided to answer questions appropriately (see Q2.3.4 in the calculation of the trade balance). Teachers should provide learners with additional notes on the financial account of the BoP. Learners should note that SDR payments still form part of reserve assets under the financial account.
- (b) There is a clear shift towards the candidate's own opinion, interpretation and problem-solving skills as part of data response questions (Q2.2.3, Q2.2.4, 2.3.3 and Q2.3.4). A variety of cartoons, extracts from newspapers and magazines and graphs/tables should be discussed in class. Learners should be exposed to current economic issues and they should be guided in their answers. Learners should be encouraged and taught how to apply and contextualise their theoretical knowledge, general observation and critical thinking into real-life economic situations, e.g. the reaction of the South African rand to the US\$ and other stable currencies of the world (see Q2.5).
- (c) Learners should be exposed to advanced paragraph-type questions (see Q2.5) and guided on how to express their opinions and to support their responses if required to do so. Full exposure to all the required content is essential. The importance of monetary and fiscal policy in stimulating or dampening the economy must be clearly explained during the teaching and learning process (see Q2.1.2, Q2.2.3 and Q2.2.4). Small formative assessment tasks should be used to ascertain whether candidates are able to apply their knowledge, place emphasis on their own opinions and understanding.
- (d) Candidates should read questions carefully to determine what is expected from them (refer to Q2.4 where candidates repeated the question as part of the answer).

## **QUESTION 3: ECONOMIC PURSUITS**

### **Common Errors and Misconceptions**

- (a) Many candidates misinterpreted the data-response questions. Most questions demanded thorough reading and interpretation. Candidates found opinion-based questions challenging. They could not list the areas addressed by the RDP (Q3.1.1) and placed the focus on the word areas (in context meaning a range of activity RDP got engaged in). Instead they related to

geographical areas, totally out of context. Language still seems to be a barrier and candidates lose marks due to a poor command of the language and not explaining concepts fully. Many responses are mainly generic and absolutely void of Economics.

- (b) Weaker candidates could not explain *urbanisation* as a social indicator (see Q3.2.3) and failed to associate content learnt and its contextualisation. This indicated a lack of general knowledge and interpretation skills (see Q3.2.4, Q3.3.3 and Q3.3.4).
- (c) It could be assumed that current economic issues are not discussed in many classes. Candidates' responses were too generic and lacked factual knowledge (see Q3.4). Candidates could not briefly discuss *poverty*, *growth* and *trade* as globalisation challenges that face developing countries (North/South divide). The same question was asked in 2016 and it got the same poor responses.
- (d) Candidates were unable to describe topics in sufficient detail to earn marks and gave generic information with no relevance to the implementation of regional development policies used to improve the standard of living in South Africa (see Q3.5).

### Suggestions for Improvement

- (a) The main problem seems to be a lack of applying factual knowledge to solve typical day-to-day problems experienced in economies worldwide. The reason might be an insufficient variety of classroom assessment forms.
- (b) Formative tests should be used to ensure that learners are able to understand and define what is meant by *social indicators*, *economic growth*, the *IDC*, *globalisation* and how regional development policies are used to improve the standard of living.
- (c) Additional learning material should be given to learners during the academic year. Data provided in data-response questions should be read thoroughly before candidates attempt to answer any questions. A general complaint is that candidates do not know whether the answer appears in the extract or whether they should give their own opinions. If candidates had studied the extracts in Q3.2 and Q3.3, they would have been able to find possible answers to questions Q3.2.1, Q3.2.2, Q3.3.1 and Q3.3.2.
- (d) More case-study questions should be discussed in class and given as homework activities. Debates and presentations of certain topics should be conducted regularly. Teachers ought to include the why, which, how, when, whom types of questions to teach learners to think beyond typical textbook knowledge.
- (e) In Q4.5, most candidates merely listed facts to be implemented by regional development policies to improve the standard of living in South Africa, but ignored how it should be done. They did not answer the 'how' part, they merely listed some facts irrespective of relevance and were awarded a maximum of 2 marks for listing of facts/examples. Deeper thinking skills should be developed during teaching and learning, encouraging learners to ask why and how something can be achieved.

## QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS

### Common Errors and Misconceptions

- (a) Most candidates performed poorly in Q4.1.1 where they listed international trade policies instead of growth strategies. Some candidates wrote the formula for determining the size of the multiplier instead of the mpc (see Q4.1.2).
- (b) Many candidates could not give the benefits of import substitution for developing countries (see Q4.2.3), and answered Q4.2.4 poorly, although some of the answers appeared in the extract.
- (c) Most candidates could not answer the database questions, Q4.3.3 and Q4.3.4, correctly. Interpretation of data seems to be a major stumbling block for learners. Learners lack insight into current economic affairs and questions on issues concerning everyday life (see Q4.3.4).
- (d) The responses to Q4.4 were poor mainly because candidates showed a general lack of content knowledge on *good governance* and *competitiveness* as appropriate regional development measures in terms of benchmark criteria. This middle-order question was cited in the *Examination Guidelines of 2017* as a possible essay.
- (e) In Q4.5, most candidates included only a brief description of moving averages in the forecasting of business cycles. This question is based on a possible essay mentioned in the *Examination Guidelines of 2017* and therefore candidates should have performed extremely well in Q4.4 and Q4.5.

### Suggestions for improvement

- (a) Learners need to be prepared to answer higher order questions. Teachers should ensure that learners know what is expected of them, based on the depth of knowledge explained in the *Examination Guidelines of 2017*.
- (b) Teachers should use a variety of resource materials to prepare learners adequately for the examination. Current economic issues should be used as examples to illustrate the subject in context. Economics in the classroom should be linked to Economics in real life by exposing learners to actual data, graphs and statistics. Teachers should ensure that learners know what is expected of them when a command verb (e.g. argue, analyse, differentiate) is part of a question. Learners lack insight into current economic affairs and should be guided to answer questions on issues concerning everyday life.
- (c) Learners should be prepared to select questions from both Section B and Section C. It happens too often that all of the questions in Section B are answered. Instructions need to be explained to learners.

## QUESTION 5: MACROECONOMICS

### Common errors and misconceptions

Most candidates could provide only general discussions of the problems experienced in the public sector provisioning in South Africa and failed to discuss the problematic nature of each of the

relevant problems (accountability, inefficiency, assessing needs, pricing policy, parastatals and privatisation) in sufficient detail to earn full marks. The additional part of the essay, where candidates had to present methods to resolve unfair distribution of income in South Africa, was not dealt with in sufficient detail.

### **Suggestions for improvement**

- (a) Teachers are urged to use the *Examination Guidelines* for 2017 which clearly indicated all possible essay questions for the next 3 years. These essays should be prepared in advance to ensure excellent marks in the introduction and main parts of the essays.
- (b) Teachers should encourage learners to read questions carefully before they respond in writing.
- (c) Teachers should expose learners to numerous question papers to enable wider awareness of different question types. Learners should be exposed to questions on all levels of difficulty during class activities, tests and internal examinations.
- (d) Over and above literal reading of texts, learners need to be guided to read between the lines, infer and evaluate texts, and use their own words to express their views.

## **QUESTION 6: ECONOMIC PURSUITS**

### **Common errors and misconceptions**

- (a) Many candidates focussed on foreign trade and money supply only, but even these topics were poorly discussed.
- (b) Production as economic indicator was discussed as productivity. Although production and its subheadings (GDP, real GDP and per capita real GDP) were given in the *Examination Guidelines* and discussed in enough detail in Macroeconomics Topic 1 (for the candidates to earn full marks), candidates could not supply these headings.
- (c) The additional part, which demanded higher cognitive thinking skills, was poorly answered by most candidates and referred to a more effective use of productivity to benefit the South African economy.

### **Suggestions for improvement**

- (a) Teaching should be done *holistically*. In *CAPS*, page 37, it is clearly stated that ‘...quantitative elements should be incorporated across all the topics’. Although production as an economic indicator was omitted from being listed as an economic indicator in *CAPS*, it was added to the *2017 Examination Guidelines* to be discussed under 3 subheadings: GDP, Real versus Nominal GDP and Per Capita Real GDP. Production and all levels of GDP was discussed in enough detail in Macroeconomics, Topic 1, to ensure a top score in this part of the question. Learners must know these concepts in Grade 10, topic 1 unit 3, Grade 11, topic 2 unit 2 and Grade 12 Topic 1, unit 1.

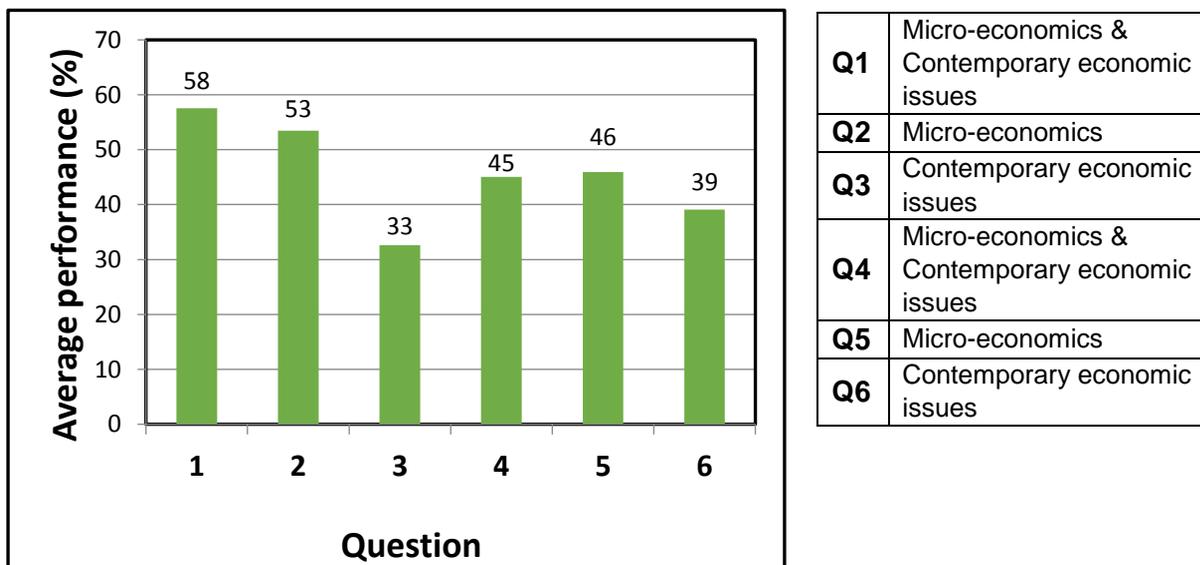
- (b) Learners should be guided to analyse the requirements of each question. This will ensure that they do not omit any crucial aspect of the answer. Focus should be on areas that can cause confusion.
- (c) Basic content should not only be covered, but should also be linked to the creativity of learners in the practical implementation of each topic. Case studies and class discussions can be used gainfully in this regard. Candidates need to improve their evaluation skills. Knowledge about recent developments can assist in making the module more interesting.
- (d) Formative tests should be used to ensure that learners are able to understand and discuss all relevant topics. All content for the year should be taught well in advance to ensure enough time for revision. Learners should keep abreast of current news pertinent to aspects of Economics and discuss these regularly in classes.

## 5.5 DIAGNOSTIC QUESTION ANALYSIS FOR PAPER 2

The following graph was based on data from a random sample of candidates. While this graph might not accurately reflect national averages, it is useful in assessing the relative degrees of challenge of each question as experienced by candidates.

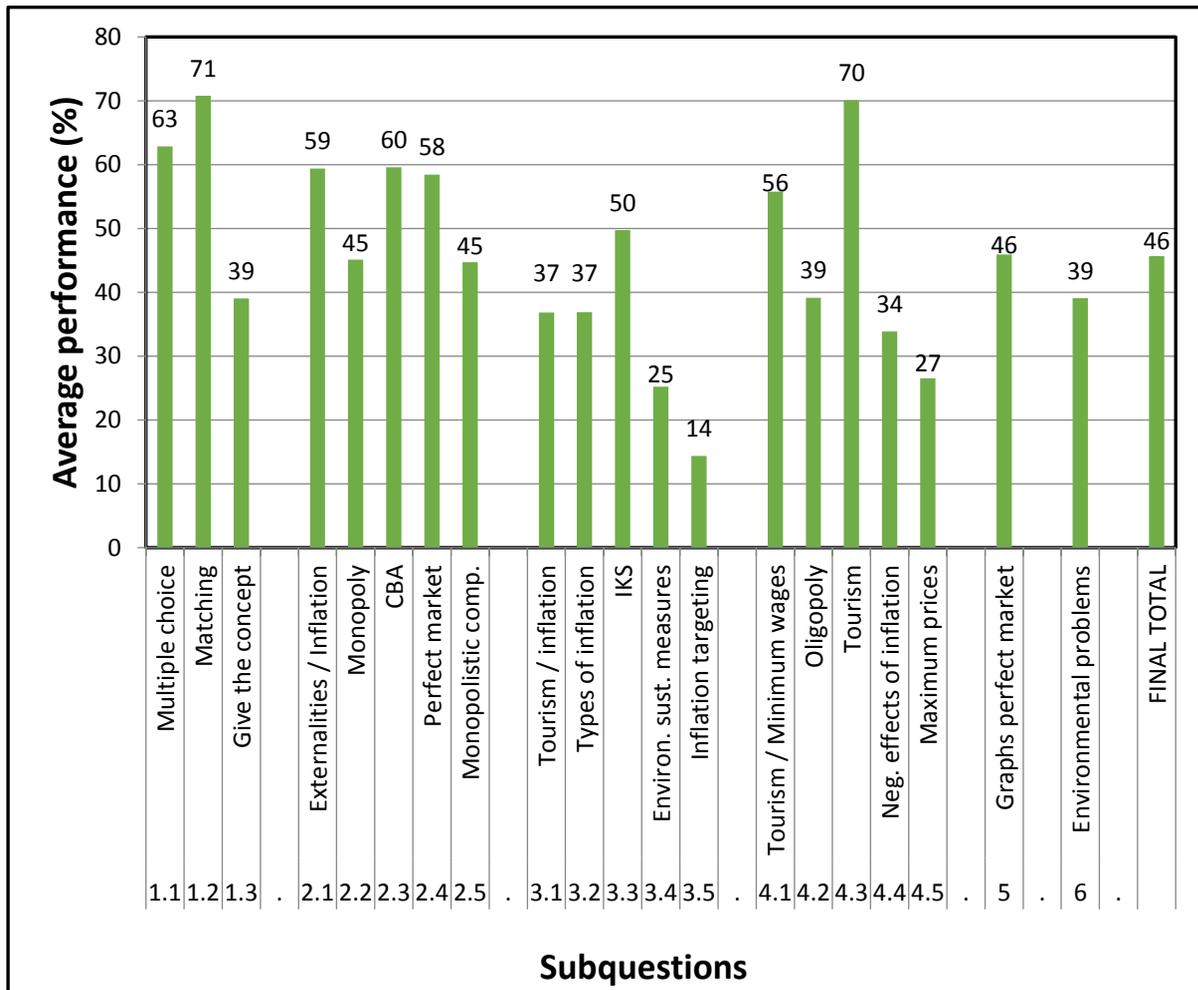
A decline in performance in Section A was noted compared to 2016. In Section B, candidates generally performed better in all questions in Sections B and C compared to 2016, except for question 6. Question 6, which was based on Contemporary Economic Issues, showed a marginal decrease in performance.

**Figure 5.5.1: Average marks per question expressed as a percentage**



<b>Q1</b>	Micro-economics & Contemporary economic issues
<b>Q2</b>	Micro-economics
<b>Q3</b>	Contemporary economic issues
<b>Q4</b>	Micro-economics & Contemporary economic issues
<b>Q5</b>	Micro-economics
<b>Q6</b>	Contemporary economic issues

Figure 5.5.2: Average marks per subquestion expressed as a percentage



## 5.6 ANALYSIS OF LEARNER PERFORMANCE IN EACH QUESTION IN PAPER 2

### QUESTION 1: MICRO-ECONOMICS & CONTEMPORARY ECONOMIC ISSUES

#### Common errors and misconceptions

- (a) In Q1.1, candidates omitted answers which resulted in incorrect numbering. In some instances more than one answer was provided. Some questions were poorly answered, for example:
- In Q1.1.1. Candidates were unable to link the average variable cost with the shutdown point.
  - In Q1.1.3 answers suggested a lack of understanding of the difference between allocative and productive efficiency.
  - In Q1.1.7 candidates failed to differentiate between conservation and preservation.

- (b) In Q1.3, candidates had to identify an economic term from a given statement. In Q1.3.2, many candidates confused *external cost* with *social cost*. Social cost is made up of external cost + private cost. The poor performance points to a lack of basic knowledge in subject terminology.

### Suggestions for improvement

- (a) In Q1.1, learners should write down only the letter (A, B, C or D) of their choice next to the question number. If they prefer to write the answer out in full, they should not omit any part of the response. It is imperative that learners first attempt to determine the correct answer to multiple-choice questions before considering the given options. Candidates must be made aware that no marks will be awarded when they provide more than one answer to a short question. It is important that candidates cancel an incorrect answer in Q1.1 and Q1.2 and write the correct one next to it, instead of writing over the incorrect answer.
- (b) Revision by means of short, regular formative tests on basic concepts is advised. Learners should be encouraged to make a list of the key concepts of each topic.
- (c) Definitions and concepts should be emphasised. Using a glossary should form the basis of teaching and learning in Economics.

## QUESTION 2: MICRO-ECONOMICS

### Common errors and misconceptions

- (a) In Q2.1.1 some candidates listed any public sector institution instead of the institutions regulating competition.
- (b) In Q2.2.3 some candidates described the product as differentiated instead of unique and confused this with monopolistic competition. In Q2.2.4 some candidates named curves directly from the graph, e.g. MR and AR Curves or MC and AC curves instead of pairing a cost curve with a revenue curve to determine profit, e.g. (MR /MC, AC/AR, TR/TC). In Q2.2.5 some responses included that 'consumers will be forced to buy the product as there are no close substitutes' instead of explaining why one would discourage a monopolist from increasing his/her prices. Candidates also confused *monopoly* with *monopolistic competition*.
- (c) In Q2.3.3 candidates were unable to link the mechanic to only private cost and private benefits whereas CBA takes into account the external cost and benefits too. This indicates a lack of a thorough understanding of the concept CBA and how it is used in practice. There were some candidates who could not identify an external cost from the data given, which demonstrates a lack of conceptual understanding.
- (d) In Q2.5 many candidates merely listed the various ways of non-price competition instead of relating them to competition in the fast-food chicken outlets. This is a higher-order question which required application within a certain context. Candidates lost 6 marks by merely listing non-price competition measures.

## Suggestions for improvement

- (a) Teachers should focus on the content and graphs in micro-economics in order to explain the various concepts covered. The various cost and revenue curves under the various market structures and the purpose and shape of the curves must be emphasised.
- (b) Teachers should develop confidence in the teaching of graphs. Regular practice and tests on the drawing of graphs is essential to understand the content of the topic.
- (c) Learners need to practice the drawing of graphs. Class and homework exercises could assist in this regard. In addition a spot test (formal/informal) on the drawing of graphs could be conducted to improve the understanding of graphs.
- (d) Teachers need to focus on the application of knowledge in their assessment tasks. Learners should not merely recall information but should be able to apply critical thinking skills.
- (e) Learners need to be aware of the specific requirements of a higher-order question. In addition teachers need to assess higher-order questions appropriately, so that learners clearly understand the mark allocation. A mere listing of facts without an explanation in context will earn only 2 marks.

## QUESTION 3: CONTEMPORARY ECONOMIC ISSUES

### Common errors and misconceptions

- (a) In Q3.1.1 some candidates confused transport infrastructure with the modes of transport. In Q3.1.2 candidates were not able to draw a relationship between a reduction of income tax and its effect on demand pull inflation. Instead they just explained demand pull inflation.
- (b) In Q3.2.3 candidates struggled to describe the concept core inflation. Instead they described CPI or headline inflation. In Q3.2.4 candidates were unable to link the monetary policy instruments as a means to maintain the 3-6% inflation rate. Some candidates confused the answer with fiscal policy over which the SARB has no influence. In Q3.2.5 it was evident that candidates have major challenges with percentage calculations. Instead of calculating the percentage change from one year to another, they merely calculated the change in inflation rates without expressing the change as a percentage.
- (c) In Q3.3.3 the concept Indigenous Knowledge Systems was poorly answered by a fair number of candidates. In Q3.3.4 the majority of responses addressed export earnings from the Aloe Ferox plant instead of the government earning tax from production and the sale the plants. In Q3.3.5 some candidates only focussed on employment reduction in only the urban or rural area instead of both as required by the question.
- (d) In Q3.4 candidates could not link subsidies and permits to environment sustainability. Instead, they referred to subsidies given to producers to lower the cost of production in general.
- (e) In Q3.5 candidates failed to explain inflation targeting and hence the difficulty in assessing its effectiveness in maintaining price stability. Candidates gave a general description of monetary policy instruments instead.

## Suggestions for improvement

- (a) The teaching of contemporary economic issues is imperative and basic concepts need to be emphasised.
- (b) Calculations, especially percentage calculations must be practiced regularly from various data sources as this skill is tested frequently.
- (c) Topics such as inflation, tourism and environmental sustainability relate to newspaper articles and statistics. Teachers are encouraged to make reference to this data when teaching the topics. Data response questions should not merely require learners to copy answers from the given data. Learners should be able to apply content in context.

## QUESTION 4: MICRO-ECONOMIC/CONTEMPORARY ECONOMIC ISSUES

### Common errors and misconceptions

- (a) In Q4.2.1 candidates interpreted minimum wages as being *low wages* and hence a decrease in the supply of labour was given as an answer. Some candidates described the supply of labour as being influenced by the producer instead of the workers. This was confused with the supply of goods and services which is influenced by the producers. The distinction between supply of goods and supply of labour needs to be stressed.
- (b) In Q4.2.2 candidates were not able to deduce the correct answer from the data provided. Many candidates gave *imperfect market* as the answer instead of *oligopoly*. This was due to a lack of understanding the distinction between a market and a market structure. Imperfect markets is a broad concept which involves three market structures, viz. monopolistic competition, oligopoly and monopoly. The phrase in the data response 'a few companies dominate ... relates only to one market structure, i.e. oligopoly. In Q4.2.4 candidates confused the word *interdependency* with *independence*, hence the poor response. Poor answers to Q4.2.3, Q4.2.4 and Q4.2.5 could be attributed in some cases to candidates giving *imperfect market* as an answer to Q4.2.2. Poor answers in Q4.2.5 were also due to poor question comprehension as responses were vague.
- (c) In Q4.4 many candidates' answers were vague and they did not fully answer the negative impact on investors and those with a fixed income.
- (d) In Q4.5 the drawing of the graph posed a major challenge to candidates. It is very evident that they do not understand the concept of maximum prices. Some candidates drew a graph showing shifts in the demand curve. Others indicated the *maximum price* above equilibrium instead of below.

## Suggestions for improvement

- (a) Teachers must emphasise the difference between types of markets and market structure together with examples of each market structure.

- (b) Teachers must continuously assess the drawing and interpretation of graphs via data response questions in order to improve understanding and performance of these challenging aspects of Micro-economics.

## QUESTION 5: MICRO-ECONOMICS

### Common errors and misconceptions

#### (a) Introduction

While candidates gave a good introduction by focusing on an explanation of a key concept within the question there were many instances where the introduction was vague or had little relevance to the specific topic.

#### (b) Main Part

- Many candidates did not present their answers in terms of the structure expected and therefore lost marks, i.e. a clear distinction was not made between the introduction, the main part of the body, the additional part and the conclusion.
- Many candidates could not draw graphs accurately. Cost and revenue curves were labelled incorrectly which resulted in incorrect explanations.
- A common error in the graphs was the drawing of the MC curve in relation to the AC Curve. Many graphs did not show the MC curve intersecting the AC curve at its minimum point. This can sometimes distort the interpretation of the graph.
- Some candidates drew correct graphs but either gave no explanations or gave explanations that did not correlate with the graph.
- In the explanation of graphs, a common starting point would be profit maximizing point ( $MR=MC$ ). Many candidates indicated the profit maximizing point as  $MC=AC$ . This resulted in the incorrect area of profit and loss being shaded.

#### (c) Additional Part

A solid interpretation of the question was a major challenge for most candidates as they merely discussed objectives of the competition policy without evaluating the success of the policy. They were unable to relate the role of the Competition Commission in investigating collusion to the success of the competition policy.

#### (d) Conclusion

Although guided in the question paper as to what a conclusion should entail, the writing of a relevant conclusion is challenge for most candidates. Most candidates could not give conclusions that reflected an opinion, a summary of the discussion or an alternative viewpoint to support the body. Most candidates repeated aspects of the body in the conclusion.

## Suggestions for improvement

- (a) Teachers must test learners regularly on essay questions by focusing more on the structure.
- (b) Teachers are encouraged to get learners to practice the drawing of graphs and assessing for accuracy in labelling of curves, profit maximising point and the shading of economic profit and economic loss. Learners must be reminded that there is no shading for normal profit.
- (c) In the drawing of the various equilibrium positions, irrespective of whether it is a perfect or imperfect market, the following steps must be emphasized and followed:
- Draw the revenue curves (demand, AR, MR)
  - Thereafter draw the cost curves. The AC curve must be drawn first followed by the MC curve. Thus it would be easier to ensure that the MC curve will cut the AC curve at its minimum point.
  - In the explanation of the graph the following key points should be focused on:
    - Profit maximizing point ( $MR=MC$ ). This is an important reference point as it influences the explanation of the graph.
    - The quantity produced and the price.
    - Compare AR to AC to work out the whether a profit or loss is being made.
    - Indicate this profit or loss in the graph by shading the area.
- (d) Subject Advisers/Cluster leaders must provide adequate support and materials that would help teachers to deal with challenging topics such as graphs.
- (e) Teachers must ensure that learners are able to interpret questions correctly to avoid irrelevant information in their responses. Teachers are encouraged to expose learners to different questions on the same topic and guide them on the interpretation of questions. In this regard, learners should practice how to structure responses to questions based on key issues.

## QUESTION 6: CONTEMPORARY ECONOMIC ISSUES

In general, the level of performance in response to the question was poor to satisfactory. This particular essay was identified in the new exam guideline and was the first time it was asked, hence the generic response from many candidates as it was not expected.

## Common errors and misconceptions

### (a) Main Part

- Many candidates did not present their answers in terms of the structure expected, i.e. a clear distinction between the Introduction, the main part of the body, the additional part and the conclusion. Candidates lost marks unnecessarily.
- Many candidates' answers related to the environmental problems only and not the international measures. This was evident where learners discussed other environmental problems outside the exam guideline. While they were credited for the other problems, information regarding international measures was limited or non-existent in textbooks.
- Some candidates discussed international agreements regarding sustainability without relating it to a specific environmental problem.

### (b) Additional Part

The interpretation of the question was a major challenge for most candidates as they explained the concept *conservation* only, and at times confused *conservation* with *preservation*. They were not able to explain how South Africa uses conservation to ensure a sustainable environment.

### (c) Conclusion

Most candidates could not come up with appropriate responses that reflected an opinion/a summary of the discussion or an alternative or additional viewpoint to support the body of the essay. Many candidates repeated aspects of the body.

## Suggestions for improvement

- (a) All content should be completed timeously so that there is time for revision. There is a tendency for teachers to rush through the last few chapters and not to spend as much time on contemporary economic topics. Teachers need to plan properly so that each topic is given adequate attention.
- (b) It is imperative that teachers consult the latest exam guidelines (2017) and familiarise themselves with Topic 14 where two possible essays have been identified. This particular identified essay was assessed for the first time. The guideline should inform teaching and learning with regard to environmental problems and the international measure taken to address them.
- (c) In the conclusion, learners should be taught how to structure a response in support of or against the facts mentioned in the main part.
- (d) Basic content should not only be covered, but also linked to the creativity of learners in the practical application of each topic.