



EXAMINATIONS COUNCIL OF ESWATINI
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Economics

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MARKS: 80

This document consist of **8** printed pages.

1 (a) Features of a market economy include the following:

- Strong competition
- Freedom of choice
- Price mechanism
- Minimum or no government intervention
- Profit motive
- Private ownership of resources

Any two stated

[2]

(b) Explanation of the following causes:

- failure to take into account all costs and benefits
- lack of information
- immobility of factors of production
- short termism
- imperfect distribution of income and wealth

Any two explained

[4]

(c) Effects of exploitation:

- increase in employment
- increase in GDP
- increase in income
- improvements in living standards
- might cause pollution
- depletion of resources

Any three explained and one identified

[7]

(d) Define price elasticity of demand: it is the responsiveness of quantity demanded due to a change in price (1). A car manufacturer is price elastic (1) therefore an increase in price will lead to decrease in revenue (1) yet a decrease in price will lead to a rise in revenue (1). A bakery is price inelastic(1)therefore an increase in price will lead to an increase in revenue(1)yet a decrease in price will lead to a decrease in revenue(1).

Candidates should discuss both for elastic and inelastic to gain maximum marks

[7]

2 (a) Money is anything that is generally acceptable (1) as a means of payment (1) [2]

(b) Explanation of the functions of the Stock Exchange may include the following:

- helps companies to raise capital(1)through selling of shares(1)
- helps the government to raise finance(1)through selling of bills and bonds(1)
- mobilises savings
- protects those who buy shares
- provides an indication of economic performance
- enables companies to grow externally

Any two described

[4]

(c) Influences of borrowing may include the following:

- availability of loans and overdrafts (1) - the easier it is to borrow the more likely people are to borrow(1).
- interest rates (1) - a rise in the rate of interest will increase the cost of borrowing which is likely to reduce borrowing (1).
- Confidence (1) - the more confident people are about the future the more they are likely to borrow as they will be able to repay their debts (1).
- social attitudes (1) – the higher the concern of certain countries and groups within the country on the risks involved when borrowing the less likely are the chances of people to borrow (1).
- income level (1) – the higher the income level rate the more likely it is for people to borrow (1).

Any three discussed and one identified

[7]

(d) Discussion of a worker belonging to a trade union

points for:

- Collective bargaining
- Improving wages/negotiations of wage disputes
- Better social conditions
- Workers welfare
- Legal representation

Points against

- It is costly(1) payment of subscriptions(1)
- Majority rules

[7]

**3 marks for points against, 2 marks for points for or vice versa,
2 marks for a stand and a new point either for or against**

3 (a) Nationalisation is when government takes over (1) the ownership or management of private enterprises (1) [2]

(b) Government aims may include the following:

- Full employment
- Price stability
- Economic growth
- Redistribution of income
- Balance of payment stability

Any two explained

[4]

(c) Consequences of an increase in income tax rates include the following:

- Reduce demand-pull inflation
- Funds collected may be used for other projects that stimulate economic growth
- May increase tax avoidance
- Reduce incentive to work
- It leads to unemployment from decreased demand

Any three discussed and one identified

[7]

(d) Discussion of the Balance of Payment Surplus

Points for:

- Involves a net injection of extra demand
- Taken as a sign of economic strength
- Strengthen foreign exchange reserves

Points against:

- involves an opportunity cost
- adds to inflationary pressure

[7]

**3 marks for points against, 2 marks for points for or vice versa,
2 marks for a stand and a new point either for or against**

4 (a) Economic indicators include the following:

- Prices
- Output

[2]

(b) Reasons for employment include the following:

- Improvement in economic growth
- Improvement in living standards
- Decrease of dependency ratio
- Increase in aggregate demand

Any two described

[4]

(c) Actions that might be taken by government to control inflation may include the following:

- Contractionary fiscal policy (1) – a government may cut government expenditure, e.g. on education would reduce aggregate demand which will then lower a rise in the general price level (1).
- Increases in taxes (1) - a government may increase taxes this would reduce disposable income and aggregate demand which will then lower a rise in the general price level (1).
- Deflationary monetary policy (1) – a decrease in money supply or increase in interest rates will reduce aggregate demand therefore lower a rise in the general price level (1).
- Holding down wages for workers (1) – a low disposable income for workers will reduce aggregate demand therefore lower a rise in the general price level (1).
- Using supply-side policies (1) – a government may set price controls and outlaw uncompetitive behaviour in an economy which will control the general price level (1).

Any three discussed and one identified

[7]

(d) GDP as a comparator for living standards between countries

Points for

- Considers total value of output against population
- Incorporates adjustment for inflation

Against

- GDP figures tend to understate the true level of output
- Some activities are not declared (hidden economy)
- Does not take into account inequality in society
- Does not make good comparisons between countries

[7]

**3 marks for points against, 2 marks for points for or vice versa,
2 marks for a stand and a new point either for or against**

5 (a) Characteristics of a developing economy

- low income per head
 - low life expectancy
 - high infant mortality rate
 - low level of education
 - low level of health
 - poor sanitation
 - poor housing
- standard of living should not be stated with any other indicator of living standards

Any two stated

[2]

(b) Description of factors affecting population growth

- birth rate
- death rate
- fertility rate
- net migration

Any two described

[4]

- (c)
- a rise in the dependency ratio (1) – if people are living longer and there are fewer workers because net emigration, there would be a greater proportion of consumers to workers (1).
 - a change in the labour force (1) – older workers may be geographically and occupationally less mobile (1).
 - Higher demand for health care (1) – the elderly place the greatest burden on a country's health service (1).
 - Change in the pattern of demand (1) – demand for housing for retired people will rise (1)

[7]

(d) population growth may have the following effects

Points for

- Better use of resources
- Increase in the size of the market
- Extra demand generated
- Increase in labour force

Points against

- Concerns about famine
- Overcrowding
- Environmental pressure
- Pressure on employment opportunities

[7]

**3 marks for points against, 2 marks for points for or vice versa,
2 marks for a stand and a new point either for or against**

6 (a) International trade is the exchange of products (1) across national boundaries (1) [2]

(b) Benefits may include the following:

- preferential market access for Swazi products
- elimination of trade barriers within the SADC region
- access to closed markets leading to economic growth
- enhance the economic development, diversification and industrialisation in the country
- Ensures efficient production of Swaziland which helps reflect current and dynamic comparative advantages of the country

Any two described

[4]

(c) Relative importance of the influences that cause the exchange rates to fluctuate.

- a change in exports and imports
- changes in interest rates
- changes in foreign direct investment
- speculation
- inflation

Any three discussed and one identified

[7]

(d) Swaziland currency being tied to the South African Rand

Benefits for

- It helps traders to maintain the same value for their money
- It frees Swaziland from the need to make decisions concerning monetary and exchange rate policies.
- When the Rand appreciates the Lilangeni follow suit.
- Swaziland is paid by South Africa for the circulation of the Rand in the country

Against

- It limits the country's ability to formulate or influence monetary policy.
- High proportion of South African imports results in imported inflation.
- Depreciation of the Rand exchange rate tend to put enormous pressure on the country's external debt obligation in Emalangeni terms.
- It increases mobility of labour which negatively affects the country's national income.

[7]

**3 marks for points against, 2 marks for points for or vice versa,
2 marks for a stand and a new point either for or against**

