

# CHAPTER 5

## ECONOMICS

The following report should be read in conjunction with the Economics question papers 1 and 2 of the November 2020 examination.

### 5.1 PERFORMANCE TRENDS (2016–2020)

The number of candidates who sat for the Economics examination in 2020 increased by 10 544 candidates in comparison to the number in 2019. This resulted in an increase of 6 904 candidates who passed at the 40% level, and an increase of 6 740 candidates at the 30% level. The percentage pass reflects a marginal improvement at the 40% level with 42,2% of candidates passing, and a slight decrease at the 30% level performance with 68,8% of candidates passing.

**Table 5.1.1 Overall achievement rates in Economics**

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
2016	155 908	101 787	65,3	56 794	36,4
2017	128 796	91 488	71,0	55 014	42,7
2018	115 169	84 395	73,3	51 609	44,8
2019	107 940	74 796	69,3	43 054	39,9
2020	118 484	81 536	68,8	49 958	42,2

Over the years there has been an improvement in the writing of essays, but the 8-mark higher-order questions and the drawing of graphs still present a challenge to learners. However, there are certain areas that require more attention for the results to improve in a meaningful and sustainable way.

A thorough understanding of concepts in all topics will greatly enhance performance in both papers, as they form the basis of understanding questions addressing the various cognitive levels. This has a direct impact on Section A, Section B where concepts are tested as definitions, and Section C where concepts form part of the introduction for 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 assessment in class.

It is imperative that the content of all topics is covered adequately and timeously to ensure sufficient opportunity for revision. When teachers fall behind in content coverage, topics under Economic Pursuits and/or Contemporary Economic Issues tend not to be taught thoroughly. Candidates who attempt questions on such topics perform poorly in comparison to other topics. Teachers should structure assignments, projects and case studies in Grades 10 and 11 on the challenging topics of Grade 12, e.g. competition and collusion, 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 by subject advisors.

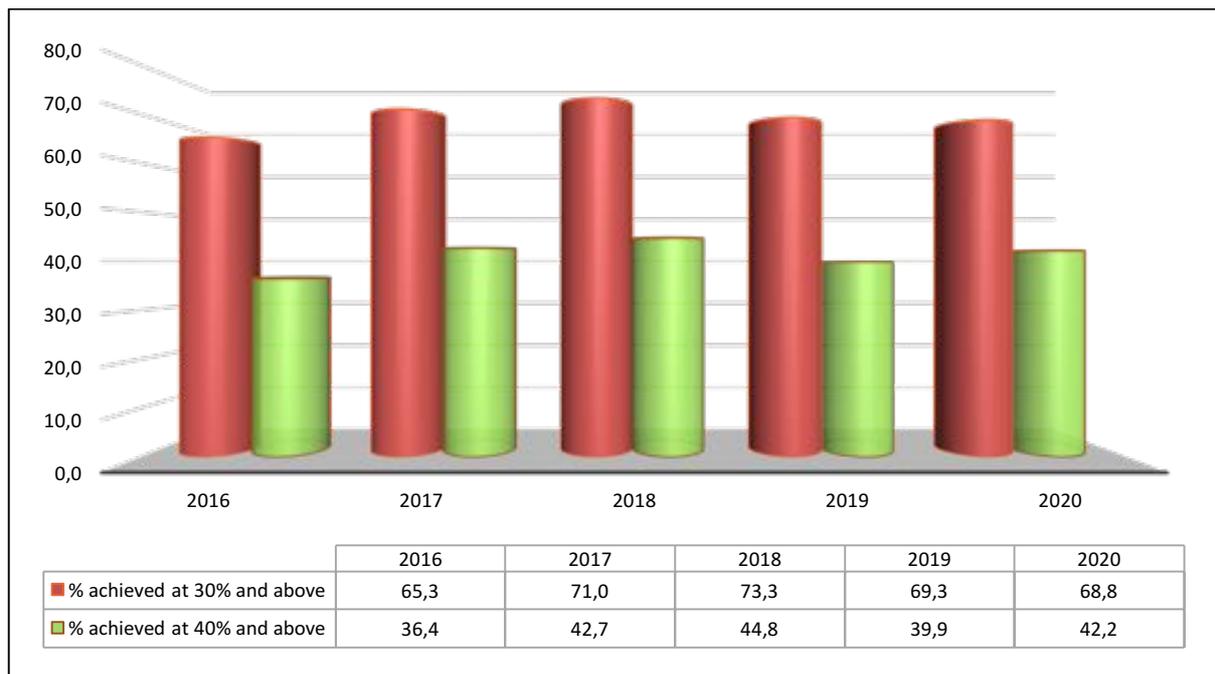
In Grade 10 and Grade 11, learners' knowledge should be extended where possible on topics/content so that a strong foundation is set to cope with the demands of the Grade 12 curriculum. In Grade 10 topics such as the Circular Flow, Budget, Government Intervention, Business Cycles, Quantitative Elements and Grade 11 topics such as Calculation of GDP,

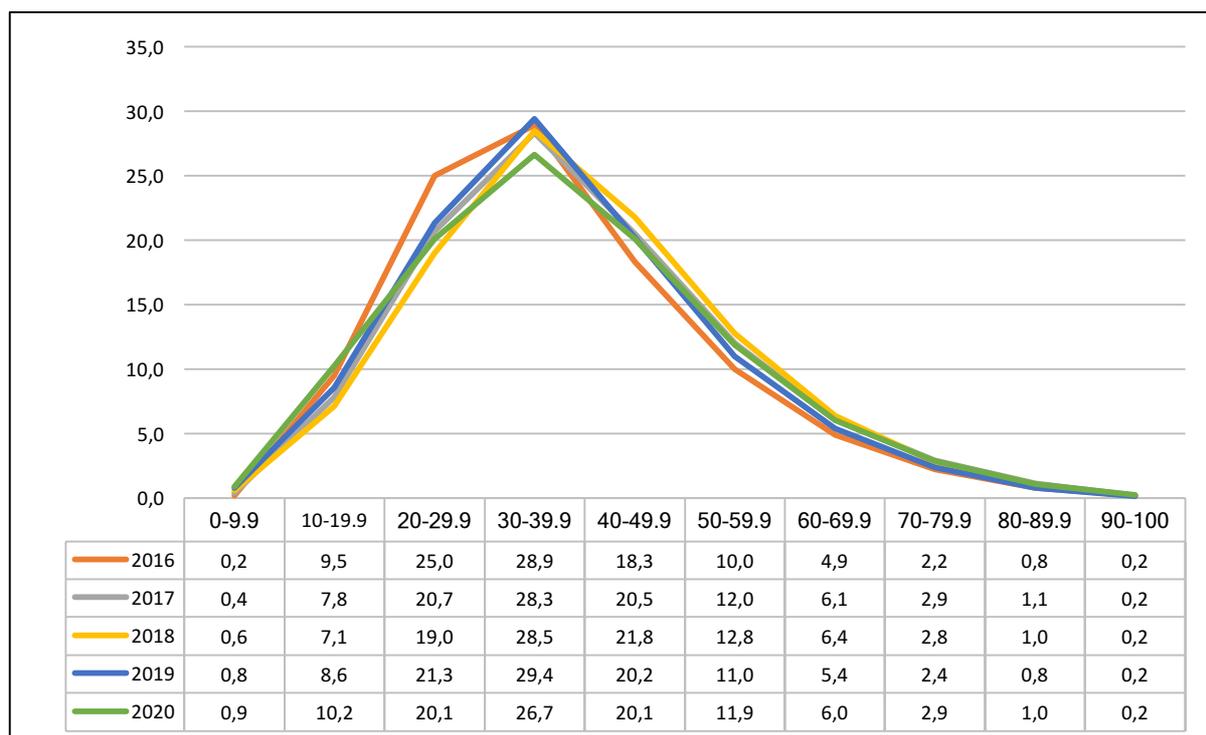
Market Structures, Cost and Revenue Curves, Income Inequalities, Indicators, North/South Divide, Globalisation and Environmental Sustainability have strong links to the Grade 12 topics and should be emphasised.

While there has been a general improvement in the drawing of graphs over the years, the technical aspects need to be reinforced, e.g. the correct shape, positioning and labelling of cost and revenue curves in the perfect and imperfect markets. Teachers need to address graphs with learners by drawing the cost and revenue curves step by step. As each step is done, it needs to be explained. After the teacher draws each step, learners should do likewise in their workbooks. 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 realise that there is an integration of topics from Grade 10 to 12. Graphs relating to cost and revenue curves must be dealt with thoroughly in Grade 11 as this is the foundation for the more complex graphs 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 e.g. national account aggregates, moving averages, tax burden, the multiplier, BoP, exchange rates, profit and loss, production cost, CBA, percentage changes and the inflation rate.

**Graph 5.1.1 Overall achievement rates in Economics (percentage)**



**Graph 5.1.2 Performance distribution curves in Economics (percentage)**

## 5.2 OVERVIEW OF LEARNER PERFORMANCE IN PAPERS 1 AND 2

### General comments

- (a) A good understanding of tables, extracts, news articles, figures and graphs enabled many candidates to perform well. Candidates were able to complete each paper within the allocated time.
- (b) The main reasons for underperformance were the following:
- **Skills:** Poor language skills made it difficult for candidates to understand questions and 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 also lacked basic knowledge of the general economic issues of the day.
  - **Content coverage:** It is evident from the poor performance of many candidates that their 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 issues.
    - Paper 1: Q1.3.3: A form of credit from the International Monetary Fund (IMF) which can be used when balance of payment difficulties are experienced. Q3.2.5: Why is it necessary for South Africa to standardise its economic indicators according to international requirements?

- Paper 2: Q2.3.5: Why does a negative externality result in the overproduction of goods and services? Q3.3.5: How can tourism have a negative impact on the economy?
- **Exposure to different types of questions:** Teachers play a crucial role in preparing their learners to deal with a variety of questions with different instruction verbs, such as *why*, *how* and *what* and the unlocking of knowledge in a variety of ways. This gives them the opportunity to develop a variety of higher-order thinking skills in the context of the subject content being taught. Skilled learners are able to write essays and paragraphs and offer their opinions with confidence. These learners can focus on the information that is relevant to the answering of each question.
- **Problem-solving skills:** Learners should be challenged to solve everyday problems experienced in their own communities, e.g.:
  - Paper 1: Q3.5: Evaluate the success of Broad-based Black Economic Empowerment in the South African economy. Q4.5: How would consumers benefit from a policy of free trade?
  - Paper 2: Q2.5: Evaluate the impact of producer subsidies by government on the business sector. Q3.5: Why is investment in tourism important for the economy?
- **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 2021 year-end examinations, all learners should use past papers for the final examinations (2016–2020) and supplementary examinations (2017–2021) 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 2021 *Examination Guidelines* 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 previous question papers are used for teaching and learning, these should be CAPS compliant and aligned to the changes made in the 2021 *Examination Guideline*. Previous question papers and marking guidelines should be used as revision tools but not as a teaching tool, as it encourages spotting of questions for the exams. Interpretation of questions is critical. Content should be continually assessed in line with the 2021 *Examination Guideline*.
- (b) **Basic concepts:** Teachers should ensure that learners understand basic concepts and terminology before engaging in their applications. More time should be spent on improving the reading skills of second-language learners. Learners' understanding of terminology should be assessed on a continuous basis. *Mind the Gap* explains 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 questions in 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, e.g. Paper 2: Q2.4: Draw a fully labelled graph to show economic loss in a monopoly market.

Teachers should familiarise their learners with the new phrasing of questions, e.g. the *what*, *why* and *how* type of higher-order questions. However, there is a misconception that if a question begins with *How* then it constitutes a higher-order question.

Consider this question: *How many units are demanded at a price of R10?* This is a cognitive middle-order and easy question. Learners should be guided by the mark allocation in terms of the depth of the answer required. With regard to higher-order questions (especially Q2.5, Q3.5, Q4.5 and the additional part of the essay questions), candidates need to read the question carefully and highlight the key issues required. Further, it must be noted that answers to these questions are not necessarily found in textbooks but will require an application of content studied within a particular context. Reading the question again will ensure greater accuracy in the candidates' response. Responses need to be formulated and the question should be checked constantly to ensure the response logically suits it. It is not wise to respond immediately after the initial reading of the question.

Higher-order questions put advanced cognitive demand on learners. It encourages learners to think beyond literal questions. Higher-order questions promote critical thinking skills because these types of questions expect learners to apply, analyse, synthesise, and evaluate information instead of simply recalling facts. Issues from the real world can be used to either support or refute a point of view.

Higher-order questions require learners to make inferences, draw relevant and insightful conclusions and use their knowledge in new situations. It also requires them to relate their thinking to other situations and to their own background knowledge.

Time must be devoted to understanding the question clearly, for example:

- Paper 1: In Q5 many candidates discussed the role of the business sector in a circular flow model, instead of critically analysing how the business sector can contribute more positively to the economy.
- Paper 2: In Q2.5 (additional part) candidates had to evaluate the competition policy in promoting a more competitive economy, but instead they described the aims and institutions of the competition policy without referring to the extent on its success or lack thereof.

Teachers need to realise that there are many more ways to teach than by rote learning. There is teaching for understanding, decision making, problem solving, connecting a part to a whole, detail to concept, and concept to concept. There also is inference, prediction, analysis for bias, and learning for transfer. Each of these processes requires some form of critical thinking.

Opportunities for learners to develop critical thinking processes are not found in classrooms dominated by the regurgitation of factual content. They are found in classrooms where active learning is an essential component.

**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 especially for higher-order questions, e.g.:

- Paper 1: Q6: Additional part: Why should government focus more on small, medium and micro-enterprises to drive the economy?
  - Paper 2: Q6: Evaluate the success of international measures adopted to address environmental problems.
- (d) **The importance of formative testing:** Teachers should build the confidence of learners through the use of short informal formative tests and tasks. These tasks should be used to ascertain whether learners 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.
- (e) **The structure of the paper:**
- **SECTIONS A AND B:** The demands of 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. In Section A, learners 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 they 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. There is a misconception that answers to 1-mark questions in the Data Response items, must come directly from the data. A question may require an application of knowledge when the answer appears in the data or it may be a simple question related to the data.
  - **SECTION C (Essay):** Teachers must stress the importance of the layout of the essay, i.e. introduction, body (main and additional part) and conclusion. There should be a clear distinction between the various aspects with line spacing between them. Using subheadings is crucial as this earns marks and provides structure to the response. 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. This is necessary where a textbook does not adequately cover aspects stipulated in the *Examination Guidelines*.

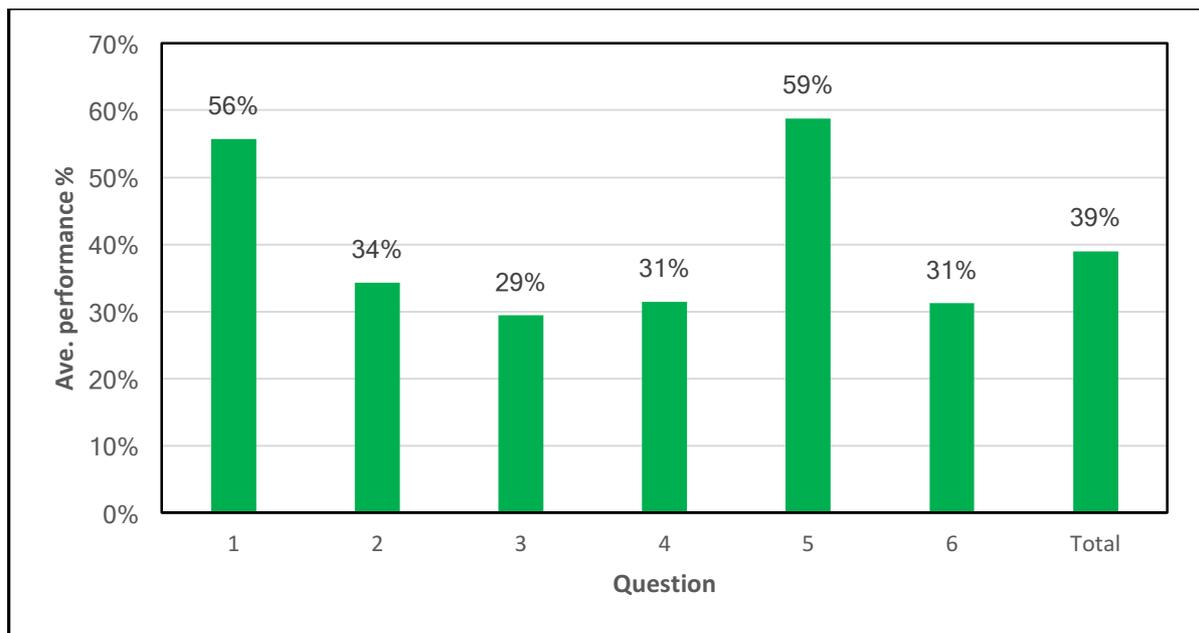
- Topics earmarked as possible essays in the *Examination Guidelines* should be thoroughly prepared for the examination. Spotting of questions underprepare candidates and lead to poor performance. In both Paper 1 and Paper 2, various essay topics were covered in lower- and middle-order questions. Paper 1 reflected a total of 64 marks on these questions (see Q2.2, Q2.4, Q3.1.1, Q3.2, Q3.3, Q3.4, Q4.4 and Q4.5) while Paper 2 reflected 46 marks on these questions (see Q2.2, Q2.3, Q2.4, Q2.5 and Q3.4).

### 5.3 DIAGNOSTIC QUESTION ANALYSIS FOR PAPER 1

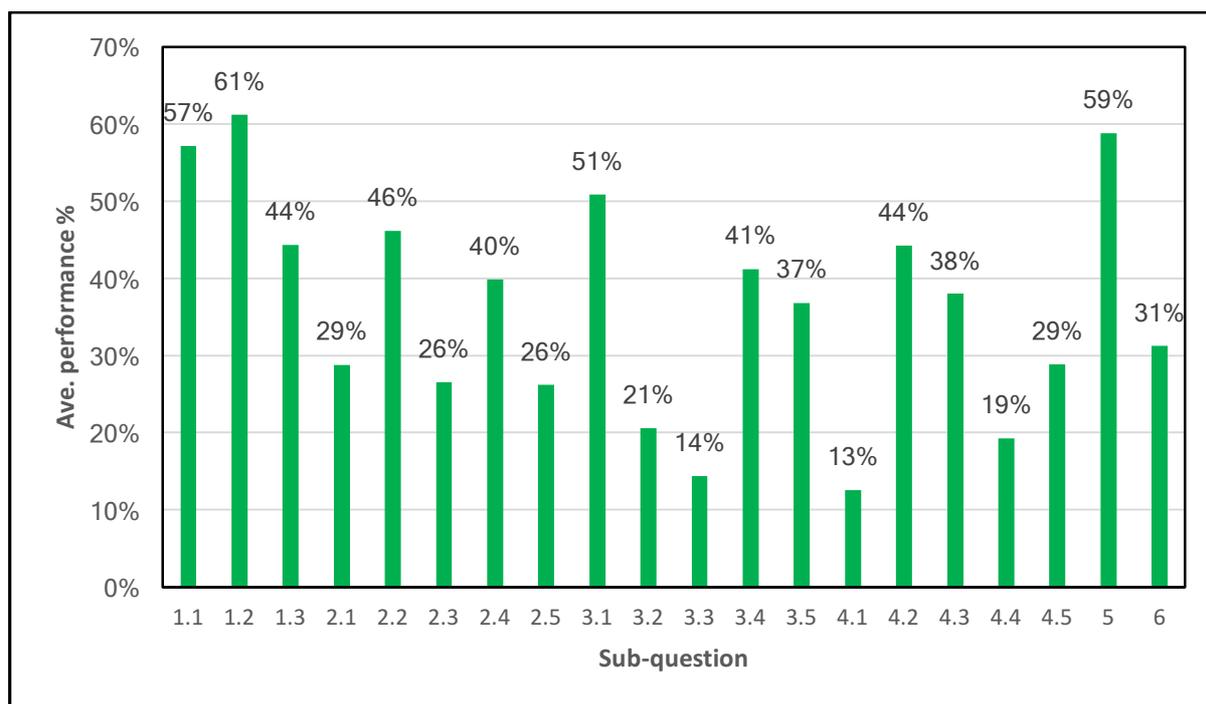
The following graph is based on data from a random sample of candidates. While this graph may not reflect national averages accurately, it is useful to assess the relative degrees of challenge of each question as experienced by candidates.

The average performance in Q1, Q2, Q3, Q4 and Q6 showed a decline from that in 2019. Candidates performed the worst in Q3 (Economic Pursuits) in 2018, 2019 and 2020. However, there was a considerable improvement in Q5 (Macroeconomics).

**Graph 5.3.1 Average performance per question in Paper 1**



Q	Topic/s
1	Objective questions
2	Macroeconomics
3	Economic pursuits
4	Macro and Pursuits
5	Macroeconomics
6	Economic pursuits

**Graph 5.3.2 Average performance per sub-question in Paper 1**

Sub-question	Topic
1.1	Multiple choice
1.2	Matching
1.3	Give a term
2.1	State revenue
2.2	Problems of public sector
2.3	Balance of Payments
2.4	Forecasting of business cycles
2.5	Devaluation
3.1	Foreign trade indicators
3.2	Economic Indicators
3.3	SEZs
3.4	Social indicators
3.5	BBBEE
4.1	Economic integration
4.2	Business cycles
4.3	Protectionism/Free trade
4.4	Regional development
4.5	Import substitution
5	Circular flow markets
6	Supply-side policy

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

### QUESTION 1: MACROECONOMICS AND ECONOMIC PURSUITS

Most candidates revealed a moderate performance in Q1. The performance of candidates 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

- (a) In Q1.1 candidates had to choose the answer from various options provided. Generally, the lack of content knowledge led to candidates being unable to choose the correct alternative. Poor performance was recorded in Q1.1.4 and Q1.1.7.
- (b) In Q1.2 candidates had to match an Economics term with given statements. In some cases, they changed their original answers without cancelling the first one, or left out certain answers by mistake. Generally, a lack of content knowledge impaired candidates' performance. They could not match the correct answers for autonomous consumption, JIPSA and Integrated Manufacturing Strategy. Poor performance was recorded for Q1.2.1, Q1.2.5 and Q1.2.8.
- (c) In Q1.3 candidates had to give an Economics term for a given statement, but they provided an abbreviation or acronym instead. Refer to 1.3.1 (EAP) and 1.3.3 (SDR). The marking guidelines accepted only the correct answer with no acronyms, abbreviations or examples. When candidates provided more than one answer, they were awarded no marks. This was a poor overall performance compared to that in 2019, especially in Q1.3.3, Q1.3.4 and Q1.3.5.
- (d) In Q1.3.3 candidates confused *loans* and *Special Drawing Rights*, and Q1.3.4 was a good example of typical answers from candidates reflecting broad knowledge rather than in-depth knowledge of the subject matter.

#### Suggestions for improvement

- (a) It is imperative that learners first attempt to determine the correct answer to a multiple-choice question 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 light of this, learners need to follow instructions such as answering Q1 in the answer book, leaving lines between subsections, using the correct numbering system, and not omitting question numbers. This would facilitate the marking of scripts.
- (b) 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.
- (c) Teachers should expose learners to all basic economic concepts covered in the various topics, e.g. Q1.3.3, where Special Drawing Rights still form part of the financial account (under Other Investments) in the Balance of Payments. Learners 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.
- (d) Although multiple-choice questions provide possible answers, they require full content knowledge. Constant revision of terminology is strongly advised.

**QUESTION 2: MACROECONOMICS****Common errors and misconceptions**

- (a) Candidates could not name two sources of state revenue in Q2.1.1 and gave *taxes* and *direct taxes* or *sin tax* as examples instead. In Q2.1.2 candidates responded poorly on the purpose of the residual item, where the expenditure method is used to calculate national income.
- (b) Many candidates could not briefly describe the term accountability (see 2.3.3) as a problem experienced by the public sector.
- (c) Candidates who performed poorly in Q2.3.5 lost marks in the calculation of the current account. Candidates rewrote all figures given in the question paper or supplied only the answer.
- (d) In Q2.4 candidates struggled to explain composite indicators as a feature underpinning forecasting of business cycles.
- (e) Candidates failed to analyse the impact of devaluation on the economy (see Q2.5).

**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 national account aggregates, Balance of Payments and foreign exchange markets) and Stats SA, should be studied in detail to ensure that learners know exactly how to prepare themselves thoroughly for the final examination. Learners should be able to use the information provided in these statistics, to answer questions appropriately (see Q2.1.2). Teachers should provide learners with additional notes on the five sub-accounts of the financial account in the Balance of Payments (BoP), to ensure that learners know that Special Drawing Rights form part of Other Investments in the BoP.
- (b) There is a clear shift towards the learners' interpretation and problem-solving skills as part of data-response questions (Q2.2.4, Q2.2.5 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. how will the government benefit from privatising state-owned enterprises? (see Q2.2.4).
- (c) Teachers need to ensure that learners know how to calculate and derive figures from data given (see Q2.3.5 where candidates had to determine the value of the trade balance by showing all calculations). Learners should know that no marks will be awarded where all figures provided in the question paper, are copied as an answer, although some of the figures might be relevant.
- (d) Teachers must ensure that the teaching of concepts, data response and correct economic terminology is adequately done. They should ensure that learners know what is expected of them, based on the various concepts and the depth of knowledge explained in the *Examination Guidelines* (EG) of 2017 (see translation of smoothing of cycles on p.11 in EG and accountability on p.12 in EG). The teachers must also make use of print media in the classroom to acquaint learners with contemporary economic

issues. Subject advisors need to support educators by developing content-based documents that address challenging topics in economics.

### QUESTION 3: ECONOMIC PURSUITS

#### Common errors and misconceptions

- (a) Many candidates misinterpreted the data-response questions (see Q3.2 and Q3.3). Most questions demanded thorough reading and interpretation.
- (b) Weaker candidates could not name the economic indicators related to foreign trade in Q3.1.1. Language still seems to be a barrier and candidates lost marks due to poor command of the language and not explaining concepts fully. Many responses were mainly generic and completely void of Economic reasoning.
- (c) Candidates found opinion-based questions challenging. In Q3.2.4 candidates could not explain how the unemployment rate is determined in the country. In Q3.2.5 candidates could not explain why it is necessary for South Africa to standardise its economic indicators according to international requirements and failed to associate content learnt and its contextualisation. This indicated a lack of general knowledge and interpretation skills, which was also evident in Q3.3.4 and Q3.3.5.
- (d) It would appear that current economic issues are not discussed on a regular basis in class. Candidates' responses were too generic and lacked factual knowledge (see Q3.5). Candidates could not evaluate the success of Broad-Based Black Economic Empowerment in the South African economy, in enough detail.

#### Suggestions for improvement

- (a) The main problem seems to be a lack of applying factual knowledge to solving typical day-to-day problems experienced in economies worldwide. The reason might be an insufficient variety of classroom assessment tasks.
- (b) Teachers should emphasise that data-based questions (Q3.2 and Q3.3) cover middle-order responses. The action verbs *how* or *why* would not have the same expectations from the responses of candidates, compared to Q3.5 (a higher-order type question).
- (c) Additional learning material should be given to learners during the academic year. Data provided in data-response questions should be read thoroughly before learners attempt to answer any questions.
- (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 enable learners to think beyond typical textbook knowledge.
- (e) In Q3.5 most candidates merely explained Broad-based Black Economic Empowerment, without evaluating the success thereof. 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) Many candidates could not answer Q4.1.1 where they had to name any TWO forms of economic integration (see *Examination Guidelines* p.16). Most candidates also performed poorly in Q4.1.2 where they had to explain what the focus of the National Research and Development Strategy is (see *Examination Guidelines* p. 22).
- (b) In Q4.2.4 many candidates could not give the reason why the endogenous school of thought encourages government intervention in the economy. Typical responses were job creation and production.
- (c) In Q4.3.4 candidates were unable to interpret the impact of protection on the value of the rand due to lack of exposure to the day-to-day functioning of the economy.
- (d) In Q4.3.5 the candidates' lack of grasping the economic concepts and relating them to real-life situations, resulted in their inability to explain how consumers would benefit from a policy of free trade.
- (e) In Q4.5 most candidates struggled to apply their knowledge on the evaluation of the success of import substitution as a South African trade policy. Candidates only discussed the content and referred to advantages and disadvantages of import substitution and did not meet the requirements of the cognitive level. They also lacked the skill to evaluate a certain aspect of the economy.

**Suggestions for improvement**

- (a) 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 an instruction verb e.g. argue, analyse, differentiate, is part of a question. Learners lack insight into current economic affairs.
- (b) 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.
- (c) 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.

**QUESTION 5: MACROECONOMICS****Common errors and misconceptions**

Many candidates wrongly explained the circular flow or the markets as introduction. This resulted in their forfeiting the 2 marks for the introduction. Candidates listed facts in broad terms in the main part of the essay and confused the role of markets and the participants to the Circular Flow. In the additional part, most candidates could not analyse a more positive contribution of the business sector to the economy.

**Suggestions for improvement**

- (a) It is important that subject advisors supplement content on this topic through teacher development workshops.
- (b) Teachers are urged to use the *Examination Guidelines* for 2021 which clearly indicate all possible essay questions for the next three years. These essays should be prepared in advance to ensure excellent marks in the introduction and main parts of the essays. The fact that so many candidates are including topics not earmarked as essays, i.e. role/interaction of participants in the circular flow, is alarming.
- (c) Teachers should expose learners to numerous question papers to enable wider awareness of different types of questions. Learners should be exposed to questions on all levels of difficulty during class activities, tests and internal examinations.

**QUESTION 6: ECONOMIC PURSUITS****Common errors and misconceptions**

- (a) Most candidates could list the different components of the supply-side policy to promote economic growth, but tended to be generic in their discussions. A repetition of facts occurred under the various initiatives, e.g. job creation and infrastructural development.
- (b) The additional part, which demanded higher cognitive thinking skills, was poorly answered by most candidates, who struggled to explain and give their own opinions as to why the government should focus more on SMMEs to drive the economy.

**Suggestions for improvement**

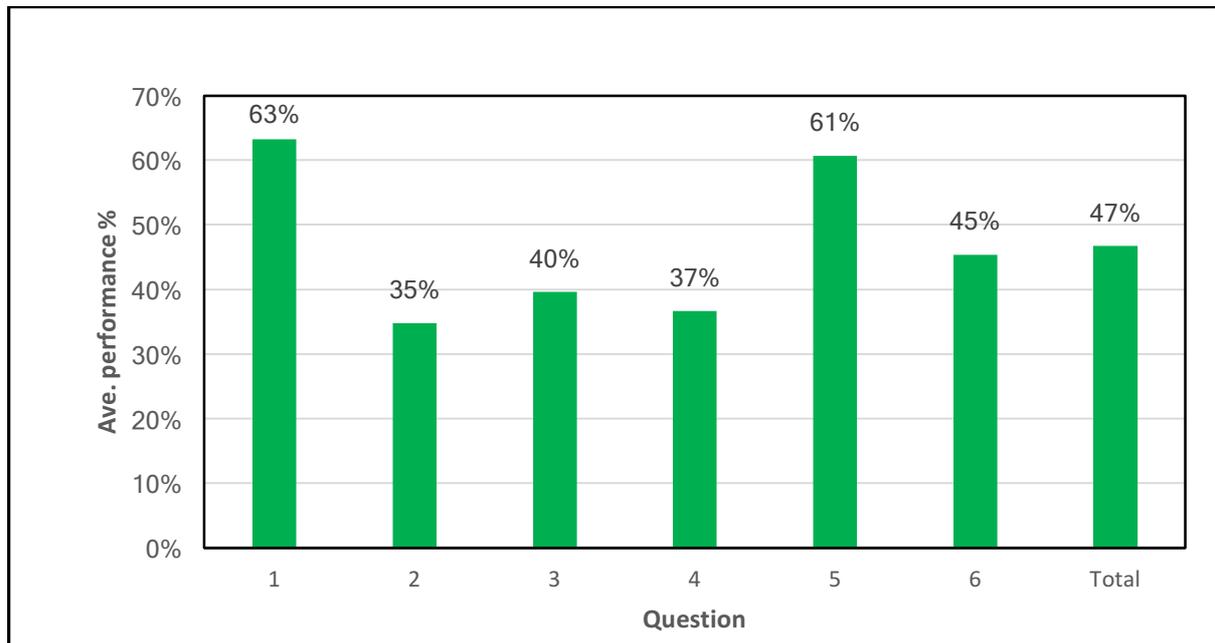
- (a) Teaching of these topics should be done holistically. Learners should be guided in discussing each fact in detail. This will ensure that they do not omit any crucial aspect of the answer. Focus should be on areas that can cause confusion.
- (b) Basic content should not only be covered but should 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. Learners need to improve their evaluation skills and knowledge about recent developments can assist in making the module more interesting.
- (c) 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 class.

## 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.

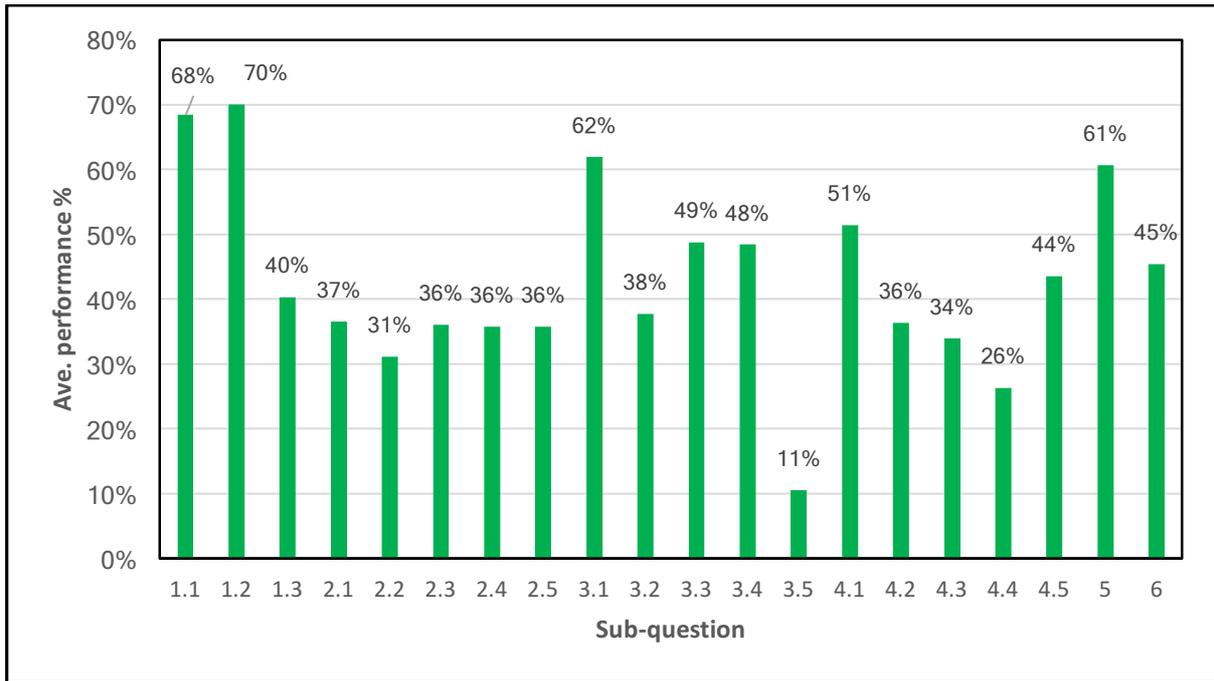
The performance in Section A increased by 5% when compared to that of 2019 with an increase in Q1.1 and a decrease in Q1.3. In Section B, candidates generally performed better in Q3 and Q4, while there was a marginal decrease of 1% in Q2. In Section C, candidates performed better in Q5 than Q6. A significant improvement of 14% was noticed in Q5 when compared to 2019, considering that the performance in Microeconomics over the years has generally been poor to average.

**Graph 5.5.1 Average performance per question in Paper 2**



Q	Topic/s
1	Objective questions
2	Microeconomics
3	Contemporary economic issues
4	Microeconomics and Contemporary economic issues
5	Microeconomics
6	Contemporary economic issues

**Graph 5.5.2 Average performance per sub-question in Paper 2**



Sub-question	Topic
1.1	Multiple choice
1.2	Matching
1.3	Concepts
2.1	Cost and monopolistic competition
2.2	Monopoly
2.3	Market failure and minimum wages
2.4	Monopoly graph
2.5	Producer subsidies
3.1	World heritage sites
3.2	Inflation
3.3	Tourism and marketing
3.4	Benefits of tourism
3.5	Consumer price index
4.1	Competition policies
4.2	Kinked demand curve
4.3	Combatting inflation
4.4	Cost Benefit Analysis
4.5	Investment in tourism
5	Perfect markets
6	Environmental problems

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

### QUESTION 1: MICROECONOMICS AND CONTEMPORARY ECONOMIC ISSUES

Most candidates performed well in Q1 which was an improvement from the previous year. The performance of candidates ranged from excellent to poor. Some candidates attained full marks and a few did not even attempt to answer some of the questions. This question was compulsory.

#### Common errors and misconceptions

- (a) This section was generally well answered. Economic concepts were properly understood by most candidates as they managed to obtain maximum marks. This section showed an improvement from 2019. However, there has been a decline in Q1.3.
- (b) In Q1.1 candidates omitted answers which then resulted in incorrect numbering. In some cases, more than one answer was provided.
- (c) Candidates performed poorly on questions related to microeconomics. Poor performance in Q1.1.4 can be attributed to the misunderstanding of social cost, which is made up of private cost plus external cost instead of private cost plus public cost. Sometimes the external cost has been linked to social cost.
- (d) Lack of understanding of what the fiscal policy entails was evident in Q1.1.7, when candidates failed to link *fiscal policy* to *combating inflation* by choosing option 'A'.
- (e) In Q1.3.1 *Pareto inefficiency* was given as an answer instead of *Pareto efficiency*. This implies that efficiency is a misunderstood concept.
- (f) Shut-down point was confused with break-even point and profit maximization point in Q1.3.2 and in some instances, even normal profit emerged as a response.
- (g) Candidates could not recognise the general manner in which Q1.3.6 was phrased, as it did not warrant a specific type of pollution as the answer. Answers related to the introduction of waste matter in a specific environment, e.g. water pollution, which was marked correct.

#### Suggestions for improvement

- (a) In Q1.1 learners should have written down the letter of their choice (A, B, C or D) 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.
- (b) In explaining Pareto efficiency, teachers must relate concepts of allocative inefficiency and productive inefficiency using the Production Possibility Curve and Indifference Curve. A good example to explain Pareto efficiency is to use a cake cut up into 20 slices. If this is divided amongst two persons e.g. 12 and 6 or 10 and 8, then this is not Pareto efficient as it is possible to increase the welfare of one without decreasing the welfare of the other because of two surplus units. Pareto efficiency will be an allocation of 10 and 10 slices or 12 and 8 slices. This would then satisfy the definition of Pareto efficiency.

- (c) Teachers must emphasise that the average variable cost plays a crucial role in determining shutdown point. A distinction must be made between average cost and average variable cost in relation to whether a business can continue operating or not. Comparing average cost to average revenue will determine break-even point, economic profit and economic loss. Shutdown point relates to average revenue equalling average variable cost. Marginal cost together with marginal revenue is used to determine profit maximisation.
- (d) Definitions and concepts should be emphasised. Use of a glossary should form the basis of teaching and learning in Economics.
- (e) 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, especially in Microeconomics.

## QUESTION 2: MICROECONOMICS

### Common errors and misconceptions

- (a) This question was generally poorly answered and was the worst answered question in Section B.
- (b) Many candidates misinterpreted Q2.1.1 by giving categories of costs (fixed and variable) instead of examples.
- (c) In Q2.1.2 candidates struggled with the concept, 'hybrid'. They referred to a combination of perfect and imperfect markets, instead of perfect and monopoly markets.
- (d) Candidates could not distinguish between the *demand curve of a monopoly and a monopolistic competitor* in Q 2.2.2. Most of them indicated a negative slope but did not indicate that the slope of the monopoly is relatively inelastic and that of a monopolistic competitor is relatively elastic or that one is less elastic than the other.
- (e) A lack of application of a concept in a certain context was evident in Q2.3.4 as candidates merely explained a negative externality without explaining how it caused an overproduction of goods and services. No reference was made to inefficiency in their responses.
- (f) In Q2.3.5 candidates' responses referred to minimum wages as low wages and thus discussed the negative aspects of low wages.
- (g) Candidates demonstrated a lack of knowledge as they drew the graph of a perfect market instead of a monopoly market. Those who drew the correct graph (cost and revenue curves) struggled to indicate economic loss correctly.
- (h) The most common response given to Q2.5 related to consumer instead of producer subsidies. Some candidates referred to subsidies as a tax that producers pay.

### Suggestions for improvement

- (a) Teachers should emphasise the difference between implicit costs and explicit costs, and try to relate fixed and variable costs to explicit costs with examples. Teachers could go one step further by explaining the difference between accounting profit and economic profit and how it relates to explicit costs and implicit costs. This will give

learners a clear understanding of why normal profit in Economics is equated to break-even point, taking into account explicit and implicit costs. This is very different to Accounting profit, where only explicit costs are considered in determining profit.

- (b) While the concept of 'hybrid' is not explicitly indicated in the *Examination Guidelines*, it is a concept that learners will come across under the characteristics of Monopolistic Competition. Teachers must be encouraged to mediate the content better to learners.
- (c) In the *Examination Guidelines*, a comparison of the four (4) market structures is required. The 'demand curve' which is one of the criteria, should be explained clearly with reference to the slope of the demand curve for each market structure. This should range from the most competitive (perfect competition) to the least competitive (monopoly). Learners would clearly see the slope getting less elastic as one moves from a perfect market to a monopoly. Teachers must relate the elasticity, or lack thereof, to the degree of competitiveness within the market structure.
- (d) In explaining any factor that causes market failure, learners must be aware that it should relate to either productive and/or allocative efficiency. This would help in explaining how a factor such as 'negative externality' can cause market failure through over-production.
- (e) Teachers should focus consistently on assessing the drawing of graphs in Microeconomics from Grade 10 to 12 to reinforce the various concepts covered. Special attention should be given to labelling of curves and the labelling of key points. This is essential when the learner is required to explain the graph.
- (f) Teachers should ensure that learners draw graphs of equilibrium positions, while this is being illustrated on the chalkboard/whiteboard by the teacher. Teaching graphs via a PowerPoint presentation only, is discouraged. Instead, teachers should rather be a support to the actual drawing of graphs. The following method is suggested.
- Determine which market is being tested i.e. perfect or imperfect.
  - Start by drawing the Revenue curves (D/AR, MR). Remember that in a perfect market it is horizontal and in an imperfect market it looks like chopsticks.
  - Then draw the AC curve followed by the MC curve. The AC curve should be drawn before the MC (smile and tick). This will make it easier for the learner to ensure that the MC cuts the AC at its minimum point.
  - The following important points should then be labelled i.e. Profit maximisation point, quantity and price, average revenue and average cost. This will serve to indicate the profit/loss position on a graph, and will help in the explanation, if it is required.
- (g) The explanation of the graph should follow the following basic steps irrespective of which market structure is involved.
- Identify the profit maximizing point ( $MR=MC$ ) first. This is most important as it impacts on all other variables in the explanation.
  - The price and quantity should be determined. Note that in an imperfect market a line must be extended upwards from profit maximizing point to the demand curve to read off the price.
  - The next step is to compare AR (price) to AC to determine whether economic profit,

- economic loss or normal profit is made.
  - Indicate the total economic profit from the graph. This could take the form of labels or a calculation.
  - The equilibrium position could then be classified as short term, long term or both.
- (h) 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. 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 Q3.2.1 many candidates could not identify that the 'dotted lines' referred to inflation targeting. Many responses incorrectly reflected inflation as the answer.
- (b) The definition of the term *inflation* dominated most responses instead of *headline inflation* in Q3.2.3. This was also confused with administrative inflation and core inflation.
- (c) In Q3.2.4 there was a lack of understanding of how the expectation of rising prices will influence the consumption expenditure as candidates' responses related to the effect that inflation will cause prices to increase and lead to less buying by consumers.
- (d) Learners could not link tourism to the environment in Q 3.3.5. Most wrote about crime, which they thought was the only negative aspect of tourism.
- (e) Candidates performed poorly in Q3.5, with many not attempting this question. Learners could not describe the influence of CPI on the economy. They could merely describe CPI. They also referred to the differences between CPI and PPI instead of addressing the question.

#### Suggestions for improvement

- (a) The teaching of contemporary economic issues is imperative and basic concepts need to be emphasised. Sometimes these topics are not covered in class, due to poor time management. Teachers should cover Environmental Sustainability thoroughly in Grade 11, as a large part of the content overlaps with the Grade 12 topic on the environment. Assessment should also be comprehensive to give learners a head-start in Grade 12. This will allow for more time to cover other topics, which are sometimes neglected.
- (b) More teaching time of inflation can help improve the understanding of the various concepts on this topic. Different types of inflation and inflation-related concepts (stagflation, hyperinflation, core inflation, disinflation and deflation) must be thoroughly explained and differences pointed out. Examples of countries that have experienced a particular type of inflation, should be given.
- (c) Learners must be exposed to more data-response questions i.e. 4-mark questions that require application skills. A thorough understanding of key concepts is necessary to interpret questions. Such questions should be discussed in class, with the emphasis on using the relevant data to address the requirements of the question. Logical reasoning would enable learners to earn marks especially if they understand the question.

- (d) In teaching Economics, a crucial element is to motivate learners to think laterally about the topic. Where possible, teachers must relate the different topics to the real world to help learners prepare for higher-order questions. Learners must gain practice in evaluating, assessing or critiquing issues or topics whenever possible. Teachers are encouraged to set their own higher-order questions. It is also a misconception to expect all answers to come from textbooks.
- (e) Sufficient informal activities on high-order questions are crucial in preparing learners for formal assessment. Data-response questions should not merely require learners to copy answers from the given data. Learners should be able to apply the data in the appropriate context.

#### **QUESTION 4: MICROECONOMIC/CONTEMPORARY ECONOMIC ISSUES**

##### **Common errors and misconceptions**

- (a) Question 4.1.2 was fairly well answered. However, linking the two concepts proved to be a challenge for the candidates.
- (b) In Q4.2.1, the concept of elasticity is a concern, as candidates were unable to relate it to the kinked demand curve which has TWO distinct slopes.
- (c) Tacit collusion was explained as an agreement between producers to fix prices in Q4.2.3, instead of a dominant firm raising its prices with the hope that its competitors will follow suit.
- (d) In Q4.2.4 many candidates compared an oligopoly to that of a monopoly, instead of a monopolistic competitor.
- (e) Candidates were not familiar with the term *school of thought* in Q4.3.2. They assumed it relates to schools in general. Responses included explanations on private schools and public schools.
- (f) In Q4.3.5 candidates could only identify the monetary policy instruments but were unable to link how these instruments could reduce demand-pull inflation. Candidates also inappropriately described demand-pull inflation.
- (g) Q4.4 was answered poorly. Candidates could give the description of CBA but could not explain the reasons for it.

##### **Suggestions for improvement**

- (a) It is difficult to imagine teaching demand curves of the various market structures without some reference to elasticity. While this concept was taught in Grade 11, learners understand this concept when differentiating the demand curve between the different market structures. This relates directly to the competitiveness of business.
- (b) There are many criteria in the *Examination Guidelines* that learners can use to compare the various market structures. Teachers are encouraged to develop a mnemonic so that it becomes easier to do a comparison. This will help to master the content of the characteristics of the various market structures.
- (c) A major factor in poor performance arises from incorrect interpretation of the question due to a lack of a thorough understanding of a particular concept. This negatively influences its application in a context that is relevant to the question. This compromises

logical reasoning. Teachers should be discouraged from providing marking guidelines to learners before they attempt challenging questions, as this prevents them from thinking critically about the question themselves.

- (d) Higher-order questions should be discussed with learners in terms of the interpretation and expectations of a question.

### **QUESTION 5: MICROECONOMICS**

In general, the level of performance in response to the question was satisfactory. This particular essay was popular. The candidates, however, performed poorly in the additional part.

#### **Common errors and misconceptions**

- (a) Many candidates answered this question as a comparison to other market structures. This, however, did not disadvantage them as they could still get marks for the perfect market. Some candidates' responses were in phrases instead of full sentences such as easy entry and exit, complete information, and homogenous products. Some were confused with the phrasing of the question, especially with the words 'without the use of graphs'. This confusion caused many candidates to avoid the question.
- (b) There is a misconception that since it was listed in the *Examination Guidelines* as a comparison between various market structures, a comparison essay question was expected. The question was on perfect markets, which allowed learners to mention many other aspects covered under this topic, and not necessarily characteristics.
- (c) Many candidates referred to the competition policy only. They struggled to relate how the competition policy would have either promoted or reduced competitiveness to the economy. This question required candidates to be aware of current issues in the economy, that are influenced by the competition policy, such as collusion, mergers, empowering small business and BBBEE issues.
- (d) Although guided in the question paper as to what a conclusion should entail, the writing of a relevant conclusion was a challenge for most candidates.

#### **Suggestions for improvement**

- (a) Teachers must ensure that learners are able to interpret questions correctly to avoid irrelevant information in their responses. They 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 practise how to structure responses to questions based on key issues.
- (b) Learners must practise answering higher-order questions. Teachers must unpack questions in a way that guides learners to focus on the key issues demanded by the question. Learners should be engaged in classroom discussions, which will promote their ability to interpret content and to think critically because of the feedback they get from others.
- (c) Regular essays must be given to learners as practice where teachers can focus on assessing the additional part and the conclusion of the essay, an area in which learners generally struggle.

**QUESTION 6: CONTEMPORARY ECONOMIC ISSUES**

In general, the level of performance in response to the question was poor to satisfactory. Not many candidates selected this question and those who did, did not do very well.

**Common errors and misconceptions**

- (a) Although a guideline was given, many candidates did not present their answers in terms of the structure expected by using subheadings.
- (b) The main part was answered fairly well. Candidates were credited for mentioning other environmental problems that were not in the exam guideline. Any discussion concerning the environmental problem was considered. This included the international measures related to the problem, although these measures were not explicitly included in the question.
- (c) In the additional part, candidates focused on the international measures, without evaluating the success of these international measures. Many also referred to the environment as their immediate environment or area of residence and described social problems in their area.
- (d) Many candidates wrote on the benefits of tourism instead of environmental problems. This suggested a lack of adequate preparation and spotting for the examination.

**Suggestions for improvement**

- (a) All content should be completed timeously so that there are opportunities for revision. There is a tendency for teachers to rush through the last few modules and not to spend as much time on contemporary economic topics. Teachers need to plan properly so that each topic is given adequate attention. This was further compromised by the disrupted school year due to Covid-19. Some of these topics became self-study material which became a challenge for many learners.
- (b) In their conclusions, learners should be taught how to structure a response in support of, or against the facts mentioned in the main part. Teachers should remind learners of the guideline in the question paper regarding the conclusion to the essay.
- (c) Basic content should not only be covered, but also linked to the creativity of learners in the practical application of each topic. Where possible teachers should link content to the real world and facilitate discussion to interrogate issues so that learning becomes more meaningful.