

# ECONOMICS

## SUBJECT 9158

NOVEMBER 2013

### PAPER 02

#### GENERAL COMMENTS

A standard paper with data presented in prose, histograms and line graphs. Question 1 was on market structures i.e. monopoly and contestable markets and Question 2 was on macro-economic objectives.

The questioning in both Questions 1 and 2 fairly covered skills that needed to be tested, such as knowledge/content, application and evaluation.

#### QUESTION 1

- (a) (i) Question required candidates to identify the sources of Air Zimbabwe's monopoly power candidates failed to identify the source of monopoly power. They failed to realise the fact that Ministry's regulations are part and parcel of statutory instruments. Teachers are encouraged to highlight much on issues pertaining to the formation of monopolies.
- (ii) Candidates were able to define pure monopoly and give examples of pure monopoly. However, candidates failed to distinguish between pure monopoly and natural monopoly hence they ended up repeating the definition of pure monopoly. Most candidates were able to give examples of natural monopolies, e.g. ZESA, ZINWA. Emphasis should be made on the distinction of pure and natural monopolies.
- (iii) Candidates could not demonstrate knowledge of contestable markets. Majority of the candidates did not realise that 'open skies policy' relates to freedom of entry and exit in any industry. A few candidates managed to explain a decline in profit but not specifying the type of profit to be earned in which time period.
- (b) (i) The majority of the candidates were able to give an appropriate definition of price discrimination. All the three important elements of the price discrimination practice were displayed, i.e. different pricing, different markets and some product.
- (ii) Question was fairly done. Most candidates were able to give conditions necessary for 'Air Zimbabwe to practise price discrimination'. However, they failed to explain the reasons for the conditions, e.g. 'markets should have different price elasticity of demand' and this conditions should be able to charge different prices, a high price in the market where demand is elastic and low price where demand is elastic.

- (c) Majority of the candidates were not familiar with term 'Liberalisation of markets'. They took liberalisation as government intervention into the market, placing more regulations; hence they ended up commenting on the characteristics of a monopoly. A few managed to identify the characteristics, e.g. perfect knowledge, absence of barriers to entry, etc.
- (d) This question was fairly done. Most candidates managed to identify the benefits of monopolies to the consumer but failed to explain these benefits, e.g. 'monopolies enjoy economies of scale, are able to engage in R & D' but could not explain how this led to consumer satisfaction.

## QUESTION 2

- (a)
  - (i) Some candidates were able to identify the relationship from the data given, i.e. a positive or direct relationship. However, some of them just described the relationship without identification. Candidates lacked the vocabulary to explain relationships, e.g. positive, negative, inverse, direct and constant.
  - (ii) Most candidates lacked the skill of identifying the trend of a variable, e.g. GDP in the context. They wrote paragraphs of how GDP changed every year without giving a general trend. A few candidates were able to give the trend of the GDP over the period.
- (b)
  - (i) Candidates could not realise that if measures were to be taken by the central bank, they should be through monetary policy. Candidates went on to identify and explain other policies like fiscal, trade policies, etc. For some candidates, if they stated a monetary policy, they ended up explaining issues related to fiscal policy. Candidates were not able to distinguish between fiscal and monetary policy, contractionary and expansionary monetary policy. They took interest rate policy instrument to be independent from monetary policy.
- (c)
  - (i) Most candidates had no problems in stating other macro-economic objectives, except a few who repeated objective already stated in the extract. Poor candidates stated macro-economic policies instead of objectives.
  - (ii) Question required candidates to identify and explain two measures to reduce unemployment in U.K. Majority of the candidates were able to note fiscal, monetary and supply side measures, though few candidates only identified and failed to explain.
- (d) Question was fairly done, majority of the candidates were able to identify the benefits of economic growth but, however, failed to explain these benefits. Teachers should always emphasise on clear and critical explanations of issues. Candidates must be taught how to tackle questions that require a discussion or an assessment.