

AM SYLLABUS (2008-2010)

ECONOMICS

AM 08

SYLLABUS

Economics Syllabus	AM 08	(Available in September) Paper I (3 hours) + Paper II (3 hours)
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Two three-hour papers are set and candidates must show competence in each. Paper I carries 60% of the global marks and Paper II carries 40% of the global marks.

Paper I consists of twelve essay type of questions spread equally over two sections. Section A includes six questions on micro-economics, while Section B includes six questions on macro-economics. Some questions may relate economic theory to applied economic problems.

Candidates will answer *four* questions, with two questions from each of Section A and B.

Paper II consists of *six* questions spread over two sections. Questions in Section A test candidates' ability to interpret and evaluate the relationships observed from statistical series; questions in Section B test candidates' skills at understanding and interpreting economic situations emerging from economic reports and studies.

Candidates are required to answer *three* questions at least one from Section A and *one* from Section B.

List of Topics

1. *The Central Problem of Economic Societies.* Scarcity, choice, and allocation of resources; the market mechanism and planning.
2. *Theory of Demand.* Consumer behaviour; the derivation of individual and market demand curves; price, income and cross elasticities of demand. Total and Marginal utility; indifference curves; joint demand; shifts in the demand schedule.
3. *Theory of Supply.* The derivation of firm and industry supply curves; elasticity of supply. The short run; the law of variable proportions. The long run; economies and diseconomies of scale. Total, average, and marginal costs.
4. *Price Determination and Theory of the Firm.* The interaction of supply and demand; price and output determination in different market structures; perfect competition, imperfect competition, monopoly. Total, average and marginal revenues. Equilibrium of the firm and the industry in the short and long run.
5. *Theory of Distribution.* Demand for and supply of factors of production. The determination of wages, interest, profits and rent.
6. *National Income Accounting.* The definition and measurement of income, expenditure and output; net and gross; national and domestic; market prices and factor cost. Relationship between measures. Problems of comparison over time and between countries.
7. *Theory of Income Determination.* The circular flow of income, injections into the flow (investment, government expenditure, exports) and withdrawals from it (saving, taxes, imports). The consumption function. The multiplier and the accelerator; the limitations of 'multiplier' doctrine to developing countries. The equilibrium level of income. Inflationary and deflationary gaps.
8. *Money and Prices.* The nature and functions of money and credit. The demand for and supply of money. Definition and measurement of changes in the value of money. The money market: functions of the Central Bank, commercial banks and discount houses. Relationship between the Central Bank and commercial banks: reserve ratios. The operation of monetary policy: interest rates, open markets operations, special deposits. The long-term capital market and the finance of industry and trade. Causes and effects of changes in the price level.
9. *International Economics.* The gains from trade. The principle of comparative costs. Free trade and protection. Customs unions, free trade areas and economic and monetary integration. Fixed and

flexible exchange rates. The terms of trade. The Balance of Payments. The roles of the IMF, World Bank and supra-national economic institutions.

10. *The role of the Government.* Public provision and distribution of goods and services, e.g. education, housing, health, roads. The distinction between private and social costs. The management of the national economy. Policy instruments for influencing the rate of growth of output, the level of employment, the price level, the distribution of income and the balance of payments. Direct controls, fiscal and monetary policies, the regulation of prices and incomes. Measures to influence the location of industry and the distribution of employment. The management of nationalised industries.
11. *Population.* Geographical and occupational distribution. Mobility of labour, economic effects of changes in size or distribution of population, emigration and immigration.

Recommended Texts

A text-book which covers the contents of the above syllabus and is aimed towards the Advanced Level student is advisable.

Supplementary texts on the Maltese Economy may be found in the reports published from time to time by Government, Central Bank, the University, The Federation of Industries, the Chamber of Commerce, the Employers Association and other professional institutions and associations and also labour unions.

Teachers of Economics would find of interest the journal *Economic and Social Studies (new series)* published by the Faculty of Economics, Management and Accountancy, University of Malta, and the *Bank of Valletta Review*, published by the Bank of Valletta.