

AM SYLLABUS (2011)

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, allocation of resources and opportunity cost; the market mechanism; The interaction of supply and demand and the determination of market prices; effects of demand and supply shifts; effects of maximum and minimum price impositions.
2. **Theory of Demand.** Consumer behaviour and marginal utility theory (excluding indifference curve analysis); derivation of individual and market demand curves; price, income and cross elasticities of demand; shifts in the demand schedule
3. **Theory of Supply and Costs.** The supply curve of the firm and the industry; elasticity of supply. Total, average, and marginal costs. The short run law of variable proportions; economies and diseconomies of scale in the long run; the meaning of normal profit.
4. **Market Structures and Theory of the Firm.** Definition of different market structures: perfect competition, imperfect competition, monopoly. Total, average and marginal revenues. Profit maximization of the firm and the industry in the short and long run. (Mathematical treatment will not be required).
5. **Determination of Wage Rates.** Demand for and supply of labour services. The determination of the market wage rate.
6. **National Income Accounting.** The definition and measurement of aggregate income, expenditure and output; net and gross; national and domestic; at market prices and basic prices. 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 income multiplier process; the equilibrium level of income; inflationary and deflationary gaps. Investment and the accelerator principle.
8. **Money.** Definition and measurement of money; the nature and functions of money. The demand for and supply of money. The money market; functions of the Central Bank and of commercial banks and relationship between them. Monetary policy and the role of interest rates.
9. **Inflation.** Definition and measurement of inflation; causes and effects of inflation; stagflation; interaction of aggregate demand and aggregate supply; relationship between unemployment and inflation.

10. **International Economics.** Gains from trade and the principle of comparative advantage. Free trade and protection. Customs unions and free trade areas; the EU and economic and monetary integration. Fixed and flexible exchange rates. The terms of trade. The Balance of Payments.
11. **The Role of the Government.** Definition of merit goods and public goods; market failures; the distinction between private and social costs. The management of the national economy; monetary and fiscal policies. Direct intervention versus the regulatory function of government.
12. **Economic Growth.** Definition and measurement of economic growth. Sources of economic growth. Policies to promote economic growth. Costs of economic growth.
13. **Employment and Unemployment.** Definition and causes of unemployment; policies to stimulate employment and reduce unemployment; effects of minimum wage setting.

Recommended Texts

John Sloman (2006), *Economics*, Financial Times – Prentice Hall, 6th edition.

Supplementary texts on the Maltese Economy may be found in the reports published from time to time by Government, the National Statistics Office, the Central Bank of Malta and the University.

Teachers of Economics would find of interest the *Bank of Valletta Review*, published by the Bank of Valletta.