A  Aims

The syllabus aims to:
1. provide candidates with an understanding of basic economic concepts, theories and principles;
2. familiarize candidates with the basic economic indicators of the Maltese islands such as national income, inflation, unemployment, balance of payments and demography;
3. prepare candidates for effective participation in society as citizens, producers and consumers;
4. develop candidates’ personal effectiveness through an understanding of contemporary economic issues;

B  Assessment Objectives

Candidates will be expected to:
1. demonstrate a knowledge and an understanding of economic concepts, theories and principles;
2. apply appropriate theory to particular situations;
3. carry out simple analysis of economic problems employing the appropriate economic principles, theories and concepts;
4. interpret economic information presented in written, numerical or graphical form.

Candidates are encouraged to express and present information, ideas, descriptions, diagrams and arguments clearly.

C  Scheme of Assessment

The syllabus is divided into two parts: micro economics and macro economics. The seven units in each part are common to all candidates.

Micro Economics
1. The nature of the economic problem and economic systems
2. Production and Costs
3. The different forms of enterprise and the reason for the differences in their scale and organisation
4. Industrial location
5. The price mechanism
6. Market structures
7. Theory of Distribution

Macro Economics
8. Elementary National Income analysis
9. Money and the role of and contribution of financial institutions in an economy
10. The structure of and the reasons for government’s revenue and expenditure
11. Inflation and Unemployment
12. Economic Development and Growth
13. International Trade / Globalisation
14. Demography

General Guidelines

The syllabus will be assessed by means of two papers carrying the same weight. Each paper has duration of two hours.

Students are encouraged to read instructions carefully and to respond as indicated in the question.

In each paper, candidates are strongly advised to spend the first few minutes reading the questions in order to choose those questions the candidate feels can answer best.

In both papers, where questions are subdivided, the allocation of marks within each question will be given on the question paper so that candidates can allocate their time on each part accordingly.

The use of non-programmable electronic calculators is permitted. In calculations, candidates are advised to show all their workings.
Questions will be set in English and answered in English.

Students are to answer in the booklets provided, both in Paper I and Papers IIA and IIB.

**PAPER I**

Paper I is a core paper to be taken by all candidates. It will consist of two sections: Section A and Section B. Section A covers Micro Economics while Section B covers Macro Economics. Each section will consist of three questions and candidates will be required to answer four. Questions will be based upon various forms of data, including extracts, tabulated schedules and graphical representations. Data will be extracted from real-world sources and/or simulated.

**PAPER II**

There will be two versions of Paper II - A and B. Candidates are required to indicate on the registration form which Paper they wish to sit for. No change in the choice of Paper will be allowed after the registration period.

**PAPER IIA**

Paper IIA will consist of two sections: Section A and Section B. Section A covers Micro Economics while Section B covers Macro Economics. Each of the two Sections will have four essay type questions. Candidates are required to answer four questions - one question from each Section and any other two questions.

**PAPER IIB**

Paper IIB will similarly consist of two sections: Section A – Micro Economics and Section B – Macro Economics. Each of the two Sections will have four questions. Candidates are required to answer four questions - one question from each Section and any other two questions. All questions carry equal marks. Questions will test the same content area as in Paper IIA but will be structured differently. Each question will be based on economic data presented in a variety of forms. Each question will be sub-divided into various parts. **Answers are to be in complete sentences.**

**D Results**

Candidates sitting for Paper I and Paper IIA may qualify for Grades 1 to 5. The result of candidates who do not obtain at least a Grade 5 shall remain Unclassified (U).

Candidates sitting for Paper I and Paper IIB may qualify for Grades 4 to 7. The result of candidates who do not obtain at least a Grade 7 shall remain Unclassified (U).

**E The Syllabus - Subject Content**

The syllabus content specifies the material which will be examined. It is not intended that the structure of the syllabus represents a specific teaching order. Teachers are free to adopt any teaching sequence and method they deem suitable for their students and the educational context in which they operate. **It is recommended that concepts and theories are applied to real economic situations.**

**MICRO ECONOMICS**

1. **The nature of the economic problem and economic systems**

1.1. The basic economic problem – scarcity and choice, opportunity cost

Candidates should be able to:

- show an appreciation of the basic problems of scarcity, choice and allocation of resources;
- apply the concept of opportunity cost to economic decision making.

1.2. The factors of production

Candidates should be able to:

- illustrate knowledge about production and factors of production.

1.3. Different classification of goods

Candidates should be able to:

- identify and explain different types of goods.

1.4. Production Possibilities Curve

Candidates should be able to:

- draw and interpret production possibility curves.

1.5. Three different types of economic systems

Candidates should be able to:

- analyse the main features of market, planned and mixed economies;
2. Production and Costs
2.1. Stages of production
Candidates should be able to:
• distinguish between primary, secondary and tertiary stages of production;
• assess their importance in the economy.
2.2. Specialisation and division of labour.
Candidates should be able to:
• assess the advantages and disadvantages of specialisation of human resources.
2.3. Law of diminishing returns
Candidates should be able to:
• understand and apply this law with a numerical explanation.
2.4. Costs of production
Candidates should be able to:
• distinguish between different types of costs;
• explain and draw the shape of the short-run cost curves.
2.5. Small firms and their survival
Candidates should be able to:
• understand the importance of small firms in an economy;
• identify the reasons for the existence of small firms;
• show an awareness of institutions like the Malta Enterprise and the MTA when dealing with SMEs.

3. Different forms of enterprise, reasons for the differences in their scale and organisation
3.1. Private sector and public sector
Candidates should be able to:
• distinguish between private and public sector;
• assess their relative importance in the economy.
3.2. Growth of firms
Candidates should be able to:
• describe different ways of growth of firms.
3.3. Business finance
Candidates should be able to:
• assess different sources of finances, both internal and external for different types of business organisations.
3.4. Different types of firms in private sector
Candidates should be able to:
• distinguish between different ways of organising production in the private sector: sole trader, partnership, companies and co-operative.
3.5. The role of public enterprise and the arguments for and against privatisation.
Candidates should be able to:
• assess the arguments for and against privatisation;
• give examples of state-owned enterprises.

4. Industrial location
4.1. Location of firms in relation to primary, secondary and tertiary industries
Candidates should be able to:
• identify, account for and analyse effects of location decisions of firms including multinationals.
4.2. The causes and consequences of changing location patterns
Candidates should be able to:
• identify the patterns of employment in primary, secondary and tertiary sectors;
• understand the meaning and effects of occupational and geographical mobility of labour.
4.3. Government policy towards location of industry
Candidates should be able to:
• discuss the role of government in influencing industrial location and employment patterns;
• show awareness of the role of institutions like the Malta Environment and Planning Authority and the Malta Enterprise.

5. **The price mechanism**
   5.1. **The determination of price in market economies**
   Candidates should be able to:
   • construct demand and supply curves;
   • distinguish between and explain a movement along and shift of demand / supply curves;
   • understand the market forces that determine equilibrium;
   • explain the impact of government intervention i.e. price ceiling and price floor;
   • show understanding of the application of price mechanism on different issues such as property market, agricultural market, labour and exchange rate market;
   • explain reasons for and effects of price control.

5.2. **Elasticity**
Candidates should be able to:
• calculate and interpret the values of price elasticity of demand, price elasticity of supply, income elasticity of demand and cross elasticity of demand;
• show awareness of the importance of the concept of elasticity;
• explain price elasticity of demand and price elasticity of supply in diagrammatic way.

6. **Market structures**
6.1. **Comparison between perfect competition and monopoly**
Candidates should be able to:
   • explain the main features of perfectly competitive and monopolistic market structures; (knowledge of diagrams is not required);
   • illustrate knowledge of advantages and disadvantages of perfect competition and monopoly;
   • understand the factors which determine market structure and the application to real life situations (an awareness of the firm’s profit-maximising and loss-minimising price and output in each structure is not required).

7. **Theory of distribution**
7.1. **Determinants of the demand for and the supply of labour**
Candidates should be able to:
• identify factors affecting the demand for and the supply of labour;
• explain with diagrams the demand for labour and the supply of labour, including the backward bending supply curve;
• explain the role of the government as an employer;
• explain the contribution of the ETC on demand for and supply of labour.

7.2. **Wage differentials**
Candidates should be able to:
• explain wage differentials and the determination of wage rate in labour competitive markets;
• give arguments for and against minimum wage legislation.

7.3. **The role of trade unions in labour market**
Candidates should be able to:
• discuss the role of trade unions and employers’ associations in the labour market;
• show awareness of the existence of the Employment and Industrial Relations Act.

**MACRO ECONOMICS**

8. **Elementary National Income analysis**
Candidates should be able to:
• describe the simple circular flow of income with withdrawals and injections;
• distinguish between GDP, GNP and NNP;
• understand the methods of measuring National Income and to detect changes in trends;
• explain the problems associated with calculating, interpreting and comparing National Income statistics.
9. **Money and the role of and contribution of financial institutions in an economy**

9.1 **The nature, functions and importance of money**
Candidates should be able to:
- explain the weakness of the barter system and the role of money;
- distinguish between the characteristics and functions of money;
- know the different forms of money in today’s world and consider the advantages and disadvantages of each form;
- understand the general nature of monetary policy;
- explain how the price of money is determined.

9.2 **The main functions of the major financial institutions in an economy**
Candidates should be able to:
- discuss the main functions of the Malta Financial Services Authority, Malta Stock Exchange, Central Bank of Malta and commercial banks.

10. **The structure of and the reasons for government’s revenue and expenditure**
Candidates should be able to:
- outline and assess the different sources of government revenue;
- understand the different types and rates of taxation in Malta;
- identify the main principles and effects of taxation;
- understand the reasons for a budget deficit or surplus;
- explain what is meant by national debt and what are its implications.

11. **Inflation and Unemployment**
Candidates should be able to:
- distinguish between inflation and unemployment;
- describe the causes and effects of both inflation and unemployment;
- explain different methods intended to control inflation and different types of unemployment.

12. **Economic Development and Growth**
Candidates should be able to:
- understand what is meant by economic development and growth;
- distinguish between developing and developed countries
- identify the factors that influence economic growth;
- describe the benefits and costs of economic growth.

13. **International Trade / Globalisation**
13.1.1 **Reasons for international trade**
Candidates should be able to:
- argue the reasons for international trade.

13.1.2 **Specialisation and the principle of comparative advantage**
Candidates should be able to:
- understand the advantages and disadvantages of specialisation in international trade;
- demonstrate the knowledge of absolute advantage and comparative advantage.

13.1.3 **Restrictions on free trade**
Candidates should be able to:
- show knowledge of different methods of protectionism;
- identify the arguments for and against trade barriers.

13.2 **Balance of Payments**
Candidates should be able to:
- point out the main components of the Balance of Payments;
- explain causes for a Balance of Payments surplus or deficit;
- suggest ways of correcting a deficit / surplus.

13.3 **Exchange Rates**
Candidates should be able to:
- compare different exchange rates mechanisms;
- identify and give reasons for an appreciation or depreciation of a currency;
- analyse the effects of an appreciation or depreciation on the economy e.g. Balance of payments, employment, inflation.
13.4 European Union
Candidates should be able to
• explain objectives of the European Union;
• explain European and Monetary Union (EMU) and what member countries must do to achieve it;
• understand the role of the European Central Bank ( ECB);
• assess the arguments for and against a single European currency.

14. Demography
14.1 The main determinants in size and composition of a country’s population
Candidates should be able to
• explain the effects of changes in birth rate, death rate and migration on a population;
• interpret population pyramids;
• explain the importance of education and health on a country’s population.

14.2 The main determinants in size and composition of a country’s population
Candidates should be able to:
• identify the main trends in the size, sex, age, occupational and geographical distribution;
• assess the causes and consequences of these trends;
• understand the effects of government policy on the occupational and geographical distribution of population.

F Grade Descriptions

The following matrix gives a description of levels of response for each of the four assessment objectives.

<table>
<thead>
<tr>
<th>Assessment Objectives</th>
<th>Grade 1</th>
<th>Grade 5</th>
<th>Grade 7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge and Understanding</td>
<td>Wide ranging knowledge and a thorough understanding of economic principles, concepts and theories.</td>
<td>Good basic knowledge and a sound understanding of economic principles, concepts and theories.</td>
<td>Elementary knowledge and understanding of economic principles, concepts and theories.</td>
</tr>
<tr>
<td>Application</td>
<td>A comprehensive capacity to select and apply economic principles, concepts, and theories and to relate these to economic problems.</td>
<td>Can apply some economic principles, concepts and theories which are relevant to economic problems.</td>
<td>A limited ability to apply economic principles, concepts and theories.</td>
</tr>
<tr>
<td>Analysis</td>
<td>Identification of appropriate economic principles, theories and concepts to carry out rigorous analysis of economic problems.</td>
<td>Can identify some economic principles, concepts and theories in order to carry out analysis of different economic problems.</td>
<td>Some ability to identify economic ideas in order to carry out limited analysis of economic problems.</td>
</tr>
<tr>
<td>Interpretation</td>
<td>An excellent ability to interpret data.</td>
<td>Can interpret some data</td>
<td>Limited ability to interpret data</td>
</tr>
</tbody>
</table>

G Suggested list of useful websites:
www.borzamalta.com.mt
www.centralbankmalta.com
www.consumersinternational.org/members/malta1.html
www.etc.org.mt
www.investinmalta.com
www.mepa.org.mt
www.mfsa.com.mt
www.nso.gov.mt

Suggested Textbooks: