

SEC SYLLABUS (2008)

ECONOMICS

SEC 10

SYLLABUS

Economics SEC 10 Syllabus	(Not available in September) Paper 1 (2 hrs.) + Paper II (2 hrs.)
--------------------------------------	--

A Aims

The syllabus aims to:

1. provide candidates with an understanding of basic economic concepts, theories and principles.
2. prepare candidates for effective participation in society as citizens, producers and consumers.
3. 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 the basic concepts, theories and principles of economics.
2. *apply* appropriate theory to the solution of problems.
3. carry out an *analysis* of economic problems using the appropriate economic principles, theories and concepts.
4. *interpret* economic information presented in verbal, numerical or graphical form;

Although no specific allocation of marks is given to spelling, punctuation and grammar, candidates will inevitably penalise themselves if they fail 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 eight 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
8. International Trade – Micro economic analysis

Macro Economics

9. Elementary National Income analysis
10. Money and the role of and contribution of financial institutions in an economy
11. The structure of and the reasons for government's revenue and expenditure
12. Inflation
13. Unemployment
14. Economic Growth
15. International Trade – Balance of Payments, Exchange rates and levels of economic integration in Europe
16. Population

General Guidelines

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

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

In all 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 electronic calculators is permitted. In calculations, candidates are advised to show all their workings.

The use of correcting fluid will not be permitted.

PAPER I

Paper I is a core paper to be taken by all candidates. It will consist of six questions from which candidates will be required to answer **four**. Questions will be based upon various forms of data, including, for example, extracts, tabulated schedules and different types of graphs. 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

This paper will consist of eight essay type questions of which candidates are required to answer **four**. All questions carry equal marks. Different sections in each essay are followed by a mark.

PAPER IIB

Similarly, this paper will consist of eight questions carrying equal weight of which candidates must answer **four** allowing 30 minutes for each question. 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 such as numerical material and prose passage. Each question will be sub-divided into five or six parts. The allocation of marks within each question will be provided on the question paper.

The allotted space in the exam paper where candidates were required to respond in previous sessions will be eliminated, mainly to accommodate candidates with large handwriting and to facilitate the candidate's possibility of correcting his or her original answer where mistakes are identified.

D Results

Students choosing to answer more than four questions will have their best four questions considered.

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

Candidates sitting for Paper 1 and Paper IIB may qualify for Grades 4 to 7. The results 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. The notes within the brackets provide an explanation as to the content.

It is not intended that the structure of the syllabus represents a specific teaching order. Teachers are free to adopt any teaching sequence they deem suitable for their students and the educational context in which they operate.

Micro Economics

1. The nature of the economic problem and economic systems

- The basic economic problem – scarcity, choice and opportunity cost.
- The factors of production.
- Different classification of goods.
- Production Possibilities Curve.
- Alternative ways of trying to solve the economic problem: Three different types of economic systems. The relative advantages and disadvantages of each.
- The role of the government in a mixed economy.

(An understanding of the concept of market failure – public goods, merit goods, demerit goods, externalities, etc. - and possible government action to remedy such failure is expected.)

2. Production and Costs

- Production and the creation of wealth.

- The stages of Production.
- Specialisation and division of labour. Advantages and Disadvantages.
- Law of Diminishing Returns.
(A diagrammatic and/or numerical explanation is required.)
- Distinction between different costs.
- Account for the U-shape cost curve in the short run and in the long run.

- Reasons for the survival of small firms.
(An awareness of important institutions in this regard, such as the ‘Institute for the Promotion of Small Enterprises’, is expected.)
- Profit. Distinction between different types of profit. The role of profit in the reallocation of resources.

3. The different forms of enterprise and the reason for the differences in their scale and organisation

- Distinction between the private sector and the public sector.
- Factors affecting the size of firms.
- Forms of growth.
- Business finance.
(An understanding of different sources of finance – internal and external – for different types of business organisations is required.)

- Different types of firms in the private sector and the public sector.
- Nationalisation and Privatisation. Advantages and Disadvantages.
(An awareness of regulatory bodies for privatized firms is required.)

4. Industrial location

- Location factors in relation to primary, secondary, and tertiary industries.
- The effects on the location of industry of changes in industrial structure.
- Government policy towards the location of industry.
(The role of institutions in this regard such as ‘Malta Development Corporation’ and ‘Malta Environment and Planning Authority’ should be emphasised.)

5. The price mechanism

- Price and non-price determinants of demand and supply.
(A distinction between a *movement along* and a *shift of*, a demand curve and a supply curve is required. A knowledge of marginal utility theory and indifference curve analysis is not required. Knowledge that the firm's supply curve is its marginal cost curve is also not expected.)
- Price determination in an unregulated market.
- Applied microeconomic issues arising from the use of the price mechanism.
(A range of issues could be included such as property, agricultural, labour and exchange rate markets.)
- Government intervention – Price ceiling and floors.
- Elasticity - Price elasticity of demand, income elasticity of demand, cross-price elasticity of demand and price elasticity of supply.
(Definition, calculation, interpretation of value, determinants of elasticity and relevance or importance of elasticity. An explanation in diagrammatic form of price elasticity of demand and price elasticity of supply is expected.)

6. Market structures

- Comparison between perfect competition, monopoly, monopolistic competition and oligopoly.
(An awareness of the firm's profit-maximising or loss-minimising price and output in each market structure is not required, but an understanding of the factors which determine market structure and the application to real-life situations is expected. The importance of the number of sellers, nature of the product and barriers to entry must be emphasised to explain the difference between market structures.)

7. Theory of Distribution

- Determinants of the demand for and the supply of labour. Demand curve for labour as a derived demand curve. Backward bending supply curve of labour.
- The determination of wage rates in competitive markets. Wage differentials.

- Role of the government in the labour market. Effects of minimum wage legislation
- The role of trade unions and employers' associations in the labour market.
(The use of diagrams is not expected but an awareness of the role of the Employment and Industrial Relations Bill is required.)
- Interest and Rent.
(An understanding of factors affecting interest rates and rent is required.)

8. International Trade – Micro economic analysis

- Reasons for international trade.
(An understanding of the gains from international trade in general terms is required.)
- The gains from free trade
(Knowledge of the principle of absolute advantage and comparative advantage is expected.)
- Restrictions on trade.
(An understanding of different methods of protectionism and arguments for and against such methods is expected. The use of diagrams is not required.)

Macro Economics

9. Elementary National Income analysis

- Simple circular flow of income with withdrawals and injections.
- Definitions of GDP, GNP and NNP.
- Expenditure method of measuring National Income.
(An ability to detect changes in trends is expected.)

- Problems associated with calculating, interpreting and comparing National Income statistics.
- Economic effects of a change in the structure of the population on GDP and on the standard of living.

10. Money and the role of and contribution of financial institutions in an economy

- Characteristics and functions of money.
(An understanding of the weaknesses of the barter system and the role of money is required.)
- Know the different forms of money in today's world.
- Main functions of the Malta Financial Services Centre, Malta Stock Exchange, Central Bank of Malta and commercial banks.
(Knowledge of Balance Sheets is not required.)
- Different ways of saving money available to the general public.

11. The structure of and the reasons for government's revenue and expenditure

- The budget.
- Different sources of government revenue.
- Different types and rates of taxation in Malta. Principles and effects of taxation.
- Areas of government expenditure and the reasons for changes in patterns of government expenditure.
- Financing a budget deficit.

12. Inflation

- Meaning of inflation.
(An ability to detect trends is expected.)

- Causes and effects of inflation.
- Tools to control inflation.
(An awareness of fiscal and monetary measures, supply-side policies, incomes policy, price controls and exchange rate policy is expected. The effectiveness and limitations of different policy instruments is not required.)

13. Unemployment

- Meaning and measurement of unemployment.
(An ability to detect trends is expected.)
- Different types of unemployment.
- Social and economic effects of unemployment.
- Cures for the different types of unemployment.

14. Economic Growth

- Meaning and measurement.
- Causes of differences in rates of growth between developed and developing countries.
- Benefits and costs of economic growth.
- Multinational firms
(An understanding of the effects of multinational firms in both developed and developing countries is required.)

15. International Trade – Balance of Payments, Exchange rates and levels of economic integration in Europe

- Balance of Payments.
(An understanding of the components of the Balance of Payments and an ability to detect trends in the local Balance of Payments is required. Candidates are also expected to suggest possible explanations and remedies.)
- Comparison of different exchange rates. The effect of exchange rates on international trade.
- The European Union and other trading blocs.

16. Population

- Main trends in the size, sex, age, occupational and geographical distribution in Malta.
- Causes and consequences of these trends.
- 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.

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

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.ipse.org.mt
www.mepa.org.mt
www.mfsc.com.mt
www.nso.gov.mt

Suggested Textbooks

Moynihan, D. and Titley, B. (19--), *Economics – A Complete Course*, Oxford.