

GET A GOOD GRADE IN ECONOMICS

There 15 topics in “A level” economics. A candidate should have thoroughly at least by mock time.

Two papers are set in the final examination and there are two sections in each i.e. Section A which is compulsory and section B where a candidate choose any three questions out the seven.

All topics are examined in both papers. Most of the questions in P220/1 are theoretical and demands for mere mastery of economics principles, theories and concepts. Questions in P220/1 are open, less restrictive and accommodating implying that the only task a candidate is reduced to perfection of presentation and optimism (maximisation of points

Paper 2 on the other hand demands that a candidate should not only have knowledge of the subject matter of economics but in addition:

- a) able to identify unique problems of an economic entity(or entire economy),
- b) Know when and where to apply theories learnt in class to situations on the ground,
- c) Have empirical backings to causes and effects of some economic problems,
- d) Be in position to offer workable/logical solutions to economic problems; and
- e) Be able to clearly and grammatically argue out facts pertaining to economic issues.

SECTION A (40 MARKS)

1. It has 10 short questions a-j set from the 15 topics; each part at times has two related questions.
2. Each part of section A carries a maximum of 4 marks hence giving a total of 40 marks for the section.
3. To ably answer this section one must have covered all the 15 topics I time and mustered them.
4. Questions are short and require brief answers i.e to the point of the question.
5. The purpose of this section A is to test whether candidates have mustered all the topics in the subject.
6. Diagrams/graphs must well be drawn and labeled.
7. Candidates should not give unnecessary illustrations which are not asked for.
8. Avoid a one word answer; e.g. Give factors that may lead to change in demand at a constant price. Don't give answers like income population but say change in the consumer's disposable income, change in the size of the population etc.
9. A formula does not define a term

10. Don't define economic terms using examples. A definition should be in a sentence form and ensure that a complete definition is given; an incomplete definition earns no mark
11. Ensure that key words are not left out when defining economic concepts e.g. when defining the term transfer earning; Transfer earning refers to the minimum reward necessary to retain the factor of production in its present employment without transferring to the next alternative/employment.
12. Always start with and indicate the term you are defining/explaining.
13. Never define a term by giving another name of the term e.g. when asked to define the term fixed exchange rate system, don't, and say it's the pegged exchange rate
14. When asked to distinguish/differentiate, you do so by giving a clear definition of each of the terms. But you must use a contrasting word like yet, while, between the two definitions
15. When asked to state the law e.g. the law of diminishing marginal utility, the law of variable proportions. These require the exact words as they were stated.
16. When asked to give relationships between concepts, don't just define but show how these concepts are related e.g. how are the fundamental economic problems related?
Say; Resources are scarce relative to human wants therefore consumers and producers have to make choice. In making choice they forego the next best alternative thus opportunity cost.
17. When asked to explain, here a candidate has to define key terms, give a brief explanation or illustration e.g. Explain the Malthusian population theory.
18. When asked to illustrate, this requires a candidate to represent the statement on a diagram or in a mathematical representation .The diagram drawn should show the exact features required. The mathematical representation must be very shown. e.g. illustrate the process of credit creation, illustrate the equilibrium point of firm in the short run under perfect competition.

Calculations:

- Concerning calculations, these are not difficult Mathematical calculations, but they are rather simple additions, subtractions, divisions and multiplications.
- Always start by giving the formular followed by substitution/working and then the final answer.
- Note that marks are awarded step by step, any step missed leads to loss of marks.
- A correct answer given without any working does not earn a candidate any mark.

- Wrongly stated formula means all that is to be calculated will be wrong e.g Price elasticity of demand can be got by the following formula;

Section B

- Read through all the questions and make a mature choice. Choose questions you can do best.
- Avoid dry questions i.e questions that don't have several points.
- Interpret what the questions require of you and see if you have enough material for it.
- Use any free space on the question paper to outline your points.
- Present your work in an essay form.
- Start with strong points that can really answer the question well.

- Avoid use of abbreviations and short symbols which are not universal.
- Be time conscious and divide your time appropriately.
- Use simple language and technical language of the subject in explaining your points.
- Present your point in the first sentence followed by a full stop. Next sentence should contain the explanation followed by an example or statistical backing where necessary.
- Avoid words like firstly, secondly etc in an essay.
- Begin with a moderate presentable manner.
- Avoid misspelling of the technical words e.g inflation instead of inflaton, this leads to loss of marks.
- Avoid duplication of the point e.g level of skills, level of education, level of training all is one point.
- Introductions and conclusions are not necessary in economics. No mark is awarded.
- Poor handwriting leads to loss of marks.
- Always be orderly and number all questions attempted correctly.
- Don't personalize your answer i.e by using people's names especially those in gov't. Similarly, don't give examples which are not nationally recognized.
- The phrase 'your country' is commonly used in paper 2 to refer to Uganda. However foreign students should not quote issues from their countries to this effect. Note that the guide is drawn with reference to Uganda.

- In paper 2, it's important to keep in line with the tense which is used in the question. The moment a wrong tense is used all the points stand out to be wrong .e. What measures are being taken to reduce income inequality?, What measures should be taken to reduce the high rate of unemployment in your country?
- Many students fail paper2 due to change of the tense.

Take note of the following key words used in questions.

Implications/effects. This is two sided, a candidate is required to give both positive and negative responses e.g. What are the implications of trade liberalization in your country's economy?, What are the effects of inflation in an economy?. Those two questions are two sided, they require positive and negative outcomes.

Under what circumstances. Candidates here should use when, if, where while attempting such questions.e.g Under What circumstances may trade unions demand for higher wages.

Role. This can be positive or negative or both depending on the Phrasing of the question e.g. Explain the role of commercial banks in economic development of LDCs, this question requires the positive role only. Assess the role of the informal sector in your country's economic development. This question requires two sides i.e the positive and negative.

Discuss.For instance, LDCs should stop participating in international trade because they gain less" this requires two sides.

Leading discuss. Discuss the causes of agricultural price fluctuations in your country, in this case only one side is required.

Limitations and demerits. Some candidates take limitations to mean demerits which are not the case .Consider two cases below:

Explain the limitations of a balanced growth strategy in an economy. This requires hindrances to the adoption of a balanced growth strategy in an economy.

What are the demerits of a balanced growth strategy? This question requires the negative outcomes of the adoption of the balanced growth strategy.

Reasons/objectives. e.g. Account for the divestiture of public enterprises in your country, what are the objectives

of the monetary policy in your country? In all the above cases, the candidate is supposed to use to when mentioning the points.

MAJOR THEORIES IN ECONOMICS:

1. Keynesian theory of unemployment.
2. Malthusian population theory
3. The theory of comparative advantage
4. The Quantity theory of money
5. The iron law of wages/Subsistence theory of wages.
6. Marginal productivity theory of distribution/Marginal productivity of wages.

1(a) Explain the Keynesian theory of unemployment

(b) To what extent is the Keynesian theory applicable to your country?

ANSWER

- (a) The Keynesian theory of unemployment states that unemployment arises due deficiency in aggregate/effective demand for goods and services especially in times economic recession/depression i.e. due low demand for the final products firms reduce output, income levels fall, investment is discouraged and thus capital and labour are unemployed

The major remedy/solution according to Keynes is increasing aggregate demand. This can be done by reducing tax rates, using expansionary monetary policies, increasing government expenditure, subsidization of consumers etc.

(b) The extent to which Keynesian theory is applicable:

To a greater extent the Keynesian theory is irrelevant to Uganda in the following ways:

1. It's mainly concerned with demand deficiency yet unemployment in Uganda is basically from the supply side.
2. It mainly affects industrialized economies yet Uganda is an agro-based country.
3. The theory is applicable under conditions of full employment which conditions are not found in Uganda.
4. As a solution to unemployment, Keynes prescribes policies which increase the level of aggregate demand. These policies may be inflationary in Uganda.
5. The theory is based on assumption of highly monetized industrised economy, yet Ugandan economy is basically subsistence.

6. Keynesian theory is based on existence of a big and strong private sector yet in Uganda this private sector is small and weak.
7. Product/factor and money markets in Ldcs are not as functional as in Mdcs.
8. Firms in Ldcs, because of structural difficulties tend not to respond quickly and effectively to changes in demand.
9. The theory emphasizes investment multiplier as a contributory to employment yet in Uganda it is the export multiplier.
10. Keynes based his theory on a closed economy yet Uganda is an open economy.

To a minor extent the Keynesian theory of unemployment is relevant to Uganda in the following instances:

1. At times unemployment in Uganda results due to fall in aggregate demand both domestic and abroad.
2. In Uganda there is an element of industrialization hence the theory may not be ruled out in the industrial sector.
3. Investment climate affects employment level and therefore promotion of investments in Uganda expands employment opportunities.
4. Use of expansionary monetary policies to increase purchasing power in Uganda has tended to increase employment levels – a policy put forward by Keynes.

2 (a) What is meant by marginal productivity theory of distribution?

(b) What are the limitations of marginal productivity theory of distribution in the determination of wages?

ANSWER

- (a) The marginal productivity theory of distribution say that a work is paid a wage which is equal to the value of his marginal output i.e. the wage is equal to the marginal revenue output/product. $Wage = MRP$

OR

Profit maximization requires that the producer a producer will not pay a wage higher than the marginal revenue product of that worker.

Assumptions:

- i. Perfectly competitive labour market i.e. no government interference, perfect mobility of labour, homogeneous labour.
- ii. Labourers and employers can calculate the marginal product.
- iii. All factors of production are substitutable
- iv. Output can be quantified in measurable terms
- v. The law of diminishing returns operates.

(b) Limitations of the theory:

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6

1. Labour market is imperfect i.e. government usually intervenes in fixing minimum wages
2. Wages can be bargained for and not fixed according to the theory.
3. Labour is not homogeneous, even one labourer's productivity varies with time.
4. Employers usually use subsistence level as a measure to fix wages which may be above or below the marginal product/cost of living.
5. Factors are not wholly substitutable as the theory assumes.
6. Labour tends to be immobile.
7. Labourers and employers can not determine exactly the value of the marginal product since output is produced by many factors.
8. The law of diminishing returns usually does not hold at all times and there may be increasing returns.
9. Trade union pressure usually exist which influence wage determination.
10. Difficulty in measuring marginal product in certain sectors e.g the service sector.
11. Historical factors i.e inherited salary structure in fixing wages
12. Exploitation of labour by capitalist.
13. Level of education and training also influences wage determination.

3. (a) Explain the iron law of wages

(b) Account for the wage differentials in your country?

ANSWER

(a) The iron law of wages was developed by a French economist who had been greatly influenced by the writing of Malthus and it states that Workers should be paid a bare minimum i.e. Subsistence wage so that they can work hard after experiencing hardships like hunger.

It emphasizes that the wages level should correspond with the subsistence level of living at which people just maintain the existing population.

Above this wage population increase and below it standard of living could be too low that people may die reducing the population and taking the wage back to the subsistence level.

(b) Wage differentials in Uganda are due to the following:

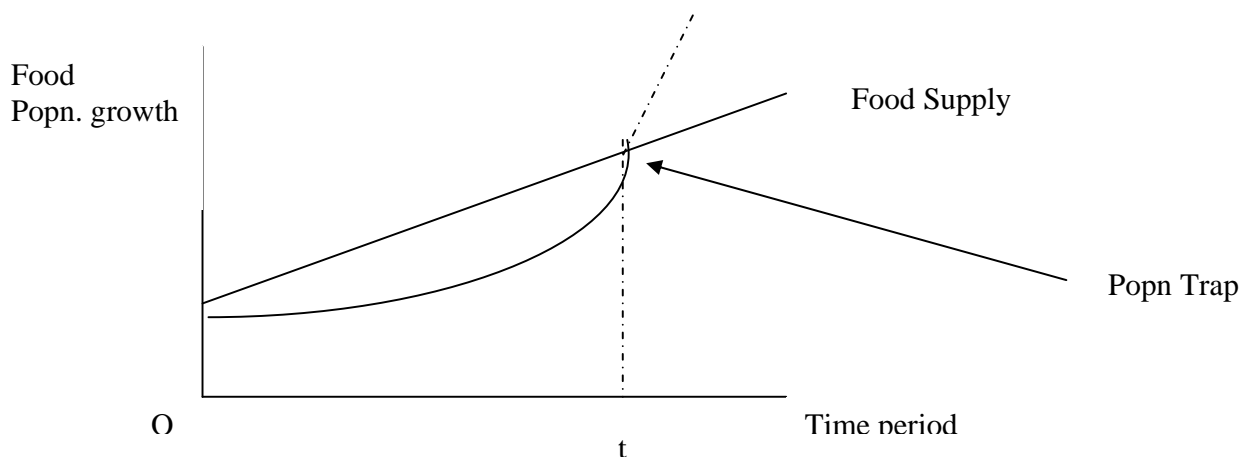
1. Differences in the nature of jobs.
2. Variation in the level of skills (education and training)
3. Differences in bargaining strength of individual workers.
4. Government policy on income and wage which non- matching.
5. Differences in cost of living for instance people who live in urban areas where the cost of living is high.
6. Employers' ability and willingness to pay are not the same.
7. Differences in number of hours worked a case with time rate.
8. Differences in gifts and natural talents.
9. Discrimination in the labour market on the basis of sex, age, religion, race.

10. Differences in elasticity of supply of labour.
11. Differences in people's ability to work the case with piece rate.
12. Differences in strength of trade unions.
13. Differences in experience, expertise, responsibility in that senior workers tend to earn more.

- 4. (a) Explain the Malthusian theory of population**
(b) To what extent is theory relevant to your country?
(c) What are the limitations of the Malthusian theory of population?

ANSWER

(a) The Malthusian population theory states that whereas population grows at a geometric rate, food production grows at an arithmetic rate. Malthus said that due to the above, population growth after a given time (t) would outstrip food production (population trap) and after such a time there was need to control the population through negative checks (preventive checks) like moral restraint, celibacy etc. otherwise the positive checks like wars diseases would serve to reduce the population growth, the population \ Popn growth \ od supply.



NOTE: Population trap is a point where population growth stops due to the fall in food growth to sustain it.

OR: It is the inevitable level of population at which population was bound to stop because after that level, life sustaining resources (subsistence) could not be sufficient to sustain human population.

- (b) To a lesser extent the theory is applicable /relevant to Uganda;
1. Land is fixed in supply and subjected to the law of diminishing returns. This situation is experienced as Malthus envisaged.
 2. Natural family planning methods/control measures like celibacy are his initiation.
 3. Positive checks i.e war, famine, epidemics on population exists in Uganda today.
 4. Land problems/ disputes are common in Uganda today.

5. Some areas in Uganda face food shortage today.

To a greater extent the theory is irrelevant /not applicable to Uganda in that;

1. He assumed constant technology but technological progress occurs.
2. Uganda is an open economy therefore there is possibility of international trade and yet the theory assumes a closed economy.
3. The theory did not foresee the possibility of getting foreign aid and resources from other countries.
4. It ignores the possibility of emigration to ease/ reduce population pressure.
5. Population growth does not depend on food alone i.e the theory did not consider other factors that affect population growth rate other than food.
6. He did not realize that rising standard of living can cause a fall in birth rates and population.
7. He assumed a subsistence economy but Uganda is growing out of the subsistence economy.
8. Agricultural modernization was not foreseen by the theory/diminishing returns in agriculture is not wholly true.
9. He did not foresee great improvement in the in the transport means that can help ease the movement of food from one area to another.
10. He ignored the deliberate and scientific methods of birth/population control/modern family planning methods.
11. There is no Mathematical relation as regards growth in food and population.

(c)

5. (a) Distinguish between the principle of comparative advantage and absolute advantage in international trade.

(b) What are the limitations underlying the principle of comparative advantage?

(c) To what extent is the theory of comparative advantage applicable to developing countries?

ANSWER

(a) The principle of comparative advantage states that a country should specialize in the production of the commodity in which it has the least opportunity cost in comparison with another country.

OR:

Comparative advantage exists when given two countries and two commodities with a given amount of resources, one country can produce one of the commodities more cheaply /at least opportunity cost than in another country.

Yet;

Absolute advantage is where given two countries and a given amount of resources, two commodities, a country can produce both commodities more cheaply than the other.

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9

Example:

Assumptions of the theory of comparative advantage:

- i. Two commodities
- ii. No transport costs
- iii. Full employment of resources
- iv. Perfect mobility of factors
- v. Constant technology.
- vi. Absence of trade restrictions/protection
- vii. Barter trade system exists
- viii. Constant opportunity cost ratio.

(b) Limitations of comparative advantage theory principle/inapplicability of the comparative advantage theory:

1. The simplicity of considering only two countries. In reality there are more than two countries in the world participating in international trade.
2. It assumes two commodities but this is not usually the case in the whole world.
3. Technology is assumed to be constant yet technology is always changing in the contemporary world.
4. It assumes free trade and yet in reality there are barriers to trade.
5. It ignores transport costs which may cause differences in the costs, in the business world commodities cannot be moved without transport costs.
6. It ignores the possibility of absolute advantage.
7. It ignores the need for self reliance by countries.
8. It wrongly assumes the possibility of full employment.
9. It assumes that demand is elastic yet demand for agricultural products is inelastic.
10. It ignores the existence of different currencies use.
11. It ignores the possibility of change in comparative advantage by assuming that the opportunity cost ratio is constant.
12. It assumes barter trade only yet there is monetary exchange.
13. Poor nations would become poor/poor terms of trade.
14. It assumes homogeneity of factors of production yet they are not.
15. It ignores the existence of diminishing returns.

(C) Applicability of the **theory** of comparative advantage:

- i. Developing countries have tended to specialize in the in agriculture where they have lowest/least comparative cost/opportunity cost.
- ii. There are barter arrangements in some LDCs.
- iii. There is use of labour intensive techniques which is abundant.
- iv. There is some free trade.
- v. There is some degree of mobility of factors of production within the country.

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10

- vi. Developing countries import manufactured goods where they have less comparative advantage.

6. (a) Explain the quantity theory of money

(b) What are the limitations of the quantity theory of money?

ANSWER

(a) The quantity theory of money states that the general price level is determined by the quantity of money assuming that the velocity of circulation (v) and the level of transaction (T) are constant.

The theory is represented by the equation $MV = PT$ OR $P = \frac{MV}{T}$

Where

| | | |
|---|---|-------------------------|
| M | = | Quantity of money |
| V | = | velocity of circulation |
| P | = | General Price level |
| T | = | Level of transactions. |

(b) Limitations of the quantity theory of Money:

1. It only attempts to explain changes in the value of money but not how the value of money is determined.
2. There is no general price level but rather a series of price of price levels
3. It ignores the influence of rate interest.
4. It does not take into account the demand for money but only looks at money supply
5. An increase in money supply may result into higher savings. If the marginal propensity to save is high, this reduces the velocity of circulation and prices may fall
6. if a country has many unemployed resources, the increase in money supply leads to increase in output of goods and services which makes prices fall or not change at all
7. haggling between buyers and sellers to reach an agreeable price is not taken into account
8. Government control of prices is not considered by the theory
9. it does not take into account other causes of price increases/inflation e.g. cost push inflation
10. It is just a truism but not a theory i.e. it merely shows that M, V, P, T are related.
11. it ignores barter trade
12. it only considers the transactive motive for holding money and ignores precautionary and speculative motives of holding money

13. the four variables M, V, P, T are not independent of one another because a change in one induce change in others
14. The theory assumes that velocity of circulation (V) and the level of transaction (T) are constant and this is not the case in real life.

**7. (a) Distinguish between Trade Creation and Trade Liberalization.
(b) What are the implications of trader liberalization in an economy of LDCs?**

ANSWER:

- (a) Trade creation is where economic integration results into a shift in the production from high cost producers to low cost producers within the member countries.

Or

Trade creation is a state where the formation of an economic cooperation results into a country buying cheaply from a member country what it formerly used to buy more expensively from non-member countries.

Yet;

Trade liberalization is the removal of unnecessary controls on trade hence giving people the liberty to trade without undue government controls.

Positive implications of trade liberalization on economies of developing countries:

1. Increased employment opportunities
2. Increased level of output hence increased growth rates
3. Tends to control structural inflation (shortage due to supply rigidities)
4. Encouraging resource utilization
5. Encourages inventions and innovations – needs to make more profits through reducing on costs)
6. Competition forces firms to be efficient in order to remain in business – Because many firms are in trade.
7. Improved quality of goods and services
8. Increased tax revenue – as a result of increased output – many people are employed – many firms
9. Fights corruption - as there is no government interference
10. Improved balance of payment position where exports are encouraged – due increased output.
11. Reduced income and wealth inequalities amongst people and regions
12. Upholds consumer sovereignty

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12

13. Variety of goods are produced since there are several competing firms with an aim of making profits
14. Encourages foreign investment/resources inflow/technological transfer.

Negative implications of trade liberalization in economies of developing countries:

1. Makes an economy susceptible to instabilities especially price fluctuations
2. Competition pushes out inefficient firms leading to unemployment
3. Income and wealth inequalities may result if government does not control them
4. Danger of resource misallocation
5. Duplication resulting into resource wastage
6. Danger of quick depletion of resources due to over exploitation
7. Flooding of markets may sometimes force prices to go very low to uneconomic levels.
8. Distortion of consumer choice due to adverts.
9. Consumer exploitation due to ignorance
10. It encourages capital outflow
11. May expose the population to harmful products
12. May give rise to monopoly and its associated evils/negative effects.

NOTE:

Trade diversion and Disadvantages of trade Diversion

Trade diversion is a tendency where countries under integration shift trade from cheap non-member countries to expensive goods from member countries.

Disadvantages of trade diversion:

1. High prices as result of shifting from cheap to higher sources
2. Low quality goods when an integration involves only developing countries
3. Smuggling in of cheaper commodities from non-member countries
4. Limited variety of commodities
5. Loss of government revenue because of no import duty
6. Discourages unity of member countries

Q8. (a) Explain the role of foreign aid in the economic development of your country

(b) What are the problems associated with over relying on foreign aid?

ANSWER:

(a) The role of foreign aid in economic development

1. Closing/filling/narrowing the savings investment gap which is created between the money required for investment
2. Closing the foreign exchange gap
3. Closing skilled manpower gap

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13

4. Closing the technological gap
5. Closing government revenue expenditure/budgetary gap
6. Alleviating effects of catastrophies like famine wars, epidemic
7. Facilitating development of infrastructure
8. Provision of employment when projects are set up
9. Where well utilized it improves the productivity, skills and wages
10. Foreign aid in form of capital investments accelerate industrial growth
11. Strengthens international relations.

(b) Problems associated with over relying on foreign aid

1. BOP problems due to repayment obligations especially when aid is tied
2. Debt servicing sometimes denies nationals of the essential goods and services
3. sometimes technological aid is inappropriate causing unemployment
4. worsens economic dominance of donors over recipients
5. some pre-conditions set are disastrous
6. sometimes aid is tied to unproductive projects
7. in most cases aid is inadequate
8. Political strings attached to aid may undermine political sovereignty
9. Aid bogs down initiative as recipients constantly expect more aid
10. Corroding social/cultural values of the recipient countries
11. May be withdrawn before the completion of projects
12. Inconsistency which may distort planning
13. Reduced domestic production of some goods/underutilization of local resources.

Q9. Assess the role of foreign capital in the development process

Positive role of foreign capital in the development process

1. Filling foreign exchange gap
2. Closing saving investment gap
3. Creation of employment opportunities
4. Source of revenue to government through taxation
5. Means of technological transfer
6. Promotes development of skills locally
7. Acceleration of growth of the industrial sector hence the development of the economy
8. Development of infrastructure
9. Facilitates the production of a wide variety of quality products
10. Encourages competition which leads to improved efficiency of locally owned firms
11. Filling manpower gap
12. Promotion of international cooperation and therefore increased volume of goods traded

Negative role of foreign capital in the development process

1. Acceleration of capital outflow leading to BOP problems
2. Worsening income disparities
3. Unemployment problem resulting from use of advanced capital intensive technology/rural urban migration because of concentration of activities in urban areas
4. Promotion of external dependency of the country
5. Out competing of local firms
6. Regional/ sectoral imbalances due to preference of urban concentration of foreign investment
7. Excess concessions given to foreign investors has tended to lower net benefits in real terms of these foreign capital investment.
8. Irrational exploitation of resources leading to quick depletion of some of them.

Q10. (a) Distinguish between absolute advantage and comparative advantage theories of international trade.

(b) Explain the criticisms of the comparative advantage theory of international trade.

Q11. (a) Define the term "investment"

(b) Assess the impact of private foreign investment in your country.

N.B. Refer to foreign capital

Q. 6. (a) What is meant by tools of monetary policy?

(b) Explain the factors limiting the application of the monetary policy in your country.

- (a) Tools of monetary policy are guidelines/weapons/instruments employed by the government through the central bank to increase or decrease the supply of money in circulation so as to achieve development objectives such as price stability, exchange stability, higher levels of employment and others. These tools are basically methods of credit control and they include, bank rate policy, open market operations, reserve requirements, margin requirements, rationing of credit, consumer selective credit control, currency reforms, moral suasion/persuasion, direct action and publicity.
- (b) Factors limiting the application monetary policy in Uganda

1. poor lending/borrowing habits
2. dominance of foreign commercial banks which are not under the direct control Bank of Uganda
3. Excess liquidity among commercial banks
4. under development of money markets

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15

5. conflicting objectives of government
6. ignorance of the public of the facilities offered by the commercial banks like OMO
7. Corruption which makes it hard to implement some of the tools e.g. selective credit control.
8. Foreign influence e.g. IMF
9. High liquidity preference among the population
10. Poor distribution of commercial banks
11. interference by politicians
12. Large subsistence sector

Qn. 12.

What are the objectives of the monetary policy in an economy?

- Ensuring price stability
- Influencing employment
- Influencing balance of payment position
- Ensuring stability of exchange rates
- Influencing economic growth rates
- Influencing the levels and nature investment
- Encouraging the growth of the financial sector

Qn. 13 (a) Define the term collective bargaining

(b) Under what circumstances may trade unions demand for higher wages in your country?

(c) What are the problems faced by trade unions in your country?

(a) Collective bargaining is the peaceful round table negotiations between representatives of trade unions (workers) and employers on issues pertaining to wages, conditions of work and welfare of workers.

(b) Circumstances under which trade unions may demand for higher wages in Uganda:

1. When there is rising cost of living
2. When there is increased profitability of the firm
3. When there is improved labour productivity
4. When the employer has failed to implement earlier agreed upon wage
5. When workers doing similar jobs in other firms are paid higher wages
6. When there is general prosperity in the economy
7. When demand for the products is inelastic and workers know it
8. When the demand for their services is higher than their supply i.e. when the supply of labour is inelastic

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16

9. When the workers feel that the wage being given is too low i.e. they are being exploited by the employer
10. When there is increased work load without increased/ adjustment in pay
11. When the job is becoming risky

(c) Problems faced by trades unions in Uganda

1. Small membership i.e. few members
2. Weak financial positions of the trade unions
3. Poor and inefficient leadership
4. High rate of unemployment problem
5. Limited autonomy in trade union activities because of the employer/government interference
6. Lack of loyalty among members/ apathy/disunity
7. General weak economic performance
8. Poor communication system
9. Availability of transitory incomes and other earning
10. Ignorance about trade unionism
11. Discrimination among members of trade union based on sex, race, religion e.t.c.
12. corruption/embezzlement of funds by the leaders
13. Use of trade unions by leaders for attainment of political positions/gains on self basis
14. Limited bargaining skills

Qn. 14. (a) What is meant by “collective bargaining”?

(b) To what extent have trade unions in your country achieved their objectives?

N.B. part (a) see Qn. 13.

(b) The extent to which trade unions have achieved their objectives in Uganda]

To a greater extent trade unions have failed to achieve their objectives in the following ways:

1. failure to improve wages and fringe benefits to the desirable levels
2. failure to improve working conditions
3. failure to protect all members against unfair treatment e.g. unfair dismissal of workers
4. Failure to improve skills of members through training because of high costs, corruption e.t.c.
5. Negligence of unions to advise government on development process e.g. employment policy, manpower planning e.t.c.
6. failure to forge unity among members

To a lesser extent trade unions in Uganda have managed to achieve the following:

1. improvement in wages e.g. medical workers union
2. some improvement in working conditions
3. advising government on wage policy, manpower planning, case with Makerere University Academic Staff Association (MUASA)
4. improvement of skills of members through training
5. They have tried to create unity among members
6. tried to seek promote and maintain human rights

Qn. 15. (a) What is meant by Economic Integration (Regional Economic integration)?

(b) Explain the merits and demerits of Economic Integration (Regional Economic integration)

(c) Conditions necessary for the success of an Economic integration

- (a) Economic Integration is the coming together of several countries for the sake of mutual economic benefit to all. This aims at increasing the benefits of international trade and can still result into political cooperation. E.g. preferential trade area, custom union, common market, economic union and later complete integration.
- (b) Merit of economic integration:
1. trade creation effect and this encourages specialization and utilization of resources
 2. it stimulates the expansion and establishment of manufacturing industries
 3. Vent for surplus i.e. the resources formerly unutilized would be utilized because of the widened market
 4. it increases gain from trade and reduces cost of duplication e.g. one industry in one country to serve the whole group hence it leads to specialization
 5. Easy access to foreign reserves i.e. financing bodies can easily lend such integration than individual countries.
 6. Economies of scale are enjoyed i.e. countries can conduct research and collect information jointly at a lower cost.
 7. it encourages industries to compete and improve on the quality of products produced
 8. it increases the bargaining power of the countries (integration) in international arena
 9. Countries can share common services e.g. railways, air services and other forms of infrastructure
 10. Use of one currency eases trade

11. It can lead to political cooperation and mutual understanding
12. Increases employment opportunities due to factor mobility

Demerits of economic integration:

1. There could be loss of revenue because it may lead to abolition of customs duties that would be realized if there was no integration.
2. Movement of goods may be in one direction leaving other countries without such goods.
3. Countries may be compelled to buy poor quality products within the region instead of importing better goods outside the integration
4. These countries may be producing same type of goods hence surplus may result which may lead to wastage
5. Trade diversion effect i.e. trade shifts from low cost non-member states to high cost member states.
6. The states have sometimes to act in the interest of all, so national interests may be sacrificed especially where some countries are at lows of development.
7. Distribution of industries may be done at the expense of the economies of scale due to the purpose of distributing projects and benefits to the entire region
8. formation of an economic community may involve loss of political sovereignty
9. There can be uneven distribution of industries and this may result in unequal development which may be unfavorable to some countries in the integration.

(c) necessary conditions for the success of an economic integration

1. countries that are integrating should be close to each other
2. they should be at the same level of development
3. they should have the same ideology
4. should have the same development strategy
5. should preferably be of equal size

SOME IMPORTANT FORMULAE

1. Dependency ratio = $\frac{\text{number of dependants}}{\text{number of dependants}} \times 100$

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19

Total population

Or

$$\text{Dependency ratio} = \frac{\text{number of dependants}}{\text{Working population}} \times 100$$

Note: The answer can be given in ratio or percentage form

2. Compound interest = A-P

Where A is the Final amount

P is the principle

$$A = P(1+R)^t$$

3. $Y_{Cd} =$

Summary:

a) When Y_{Cd} is positive the commodity is a normal good

b) When Y_{Cd} is negative the commodity is an inferior good.

c) When Y_{Cd} is zero then the commodity is a necessity.

4. Cross elasticity of demand (C_{Ed}) =

Summary:

a. When C_{Ed} is positive it means the two goods are substitutes.

b. When C_{Ed} is negative it means the two goods are complements.

c. When C_{Ed} is Zero then the two goods are not related at all.

$$\text{Multipliers (K)} = \frac{\text{Change in income}}{\text{Change in Expenditure}}$$

Or

$$K = \frac{1}{1 - MPC}$$

Or

$$K = \frac{1}{MPS}$$

$$\text{Income Multiplier} = \frac{\text{Change in income}}{\text{Change in total expenditure}}$$

$$\text{Investment Multiplier} = \frac{\text{Change in Income}}{\text{Change in investment Expenditure}}$$

$$\text{Government Multiplier} = \frac{\text{Change in income}}{\text{Change in investment Expenditure}}$$

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Change in government expenditure

$$\text{Tax Multiplier} = \frac{\text{Change in income}}{\text{Change in taxes}}$$

$$\text{Accelerator} = \frac{\text{Change in investment expenditure}}{\text{Change in consumption expenditure}}$$

$$\text{MPS} = \frac{\text{Change in savings}}{\text{Change in Income}}$$

$$\text{MPC} = \frac{\text{Change in Consumption}}{\text{Change in Income}}$$

$$\Delta Y = \text{Multiplier (K)} \times \text{Initial income}$$

Final change in the level of Income = Current income + ΔY