

## **INTERMEDIATE LEVEL ECONOMICS**

### **OBJECTIVE:**

The objective of this paper is to familiarize the students with the basic concepts of microeconomics and macroeconomics; and how they are applied in the real world.

### **CONTENTS:**

#### **Introduction to Economics**

- Economics as the study of scarcity and choice
- Role of assumptions in economics
- Ten lessons from economics

The economics paper covers both microeconomics and macroeconomics.

#### **Microeconomics**

- **Supply and Demand I: How Markets Work**
  - Market forces of supply and demand
  - Elasticity of demand and supply and tax incidence
  - Supply, demand, and government policy
  - Consumers, producers and efficiency of markets
- **Supply and Demand II: Markets and Welfare**
  - Consumers, producers, and the efficiency of markets
  - Costs of taxation: deadweight loss of taxation and tax revenue
- **The Economics of the Public Sector**
  - Externalities, market inefficiency, solutions to externalities, including Pigouvian tax.
  - Public goods and commons resources
  - The design of tax system in Malaysia: financial overview of the sources of Government revenue; tax policies and economic growth; tax incidence and tax equity; goods and service tax (GST); corporate income tax
- **Firm Behavior and the Organization of Industry**
  - Costs of production: fixed and variable costs; opportunity cost; marginal costs; short-run and long-run costs; economies and diseconomies of scale
  - Firms in competitive markets
  - Monopoly
  - Business strategy in the contexts of prevailing economic conditions
  - Overview of competition policy
  - Monopolistic competition and oligopoly
  - Competition regulation in Malaysia

#### **Macroeconomics**

- **Measuring GNP and GDP**
- **Money and Inflation**
  - What is money?
  - Functions of money
  - Inflation of money growth
- **Open economy**
  - International flows of capital and goods; trade balance;
  - Exchange rates – (nominal and real)
- **Unemployment**

- Real-wage rigidity and structural unemployment
- Minimum wage laws
- **Economic growth**
  - Capital accumulation and population growth
  - Technology and policy
- **Business Cycle Theory**
- **Aggregate Demand**
  - Monetary and Fiscal policy
- **Government Debt**
- **Money Supply and Demand**
- **Fiscal Policy**

### **READING LIST - ECONOMICS**

1. **Principles of Economics. Case and Fair. 11<sup>th</sup> Edition.** Prentice Hall, 2013.
2. **Economics for Today. 8<sup>th</sup> Edition.** Irvin B. Tucker. South Western Cengage Learning, 2012.
3. **Economics. 10<sup>th</sup> Edition.** Begg. D. McGraw Hill, 2011.
4. **Economics. Principles. Problems and Policies. 19<sup>th</sup> Edition.** McConnel, Brue. McGraw Hill, 2011.
5. **Laporan Ekonomi/Economic Report.** Ministry of Finance.
6. **Laporan Tahunan/Annual Report.** Bank Negara Malaysia.