

## **INTERMEDIATE LEVEL**

### **ECONOMICS**

#### **Objective:**

The objective of this unit 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 economics 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