



# MGSM845

## Economic Context of Management

Term 4 CBD 2017

*MGSM Degree Programs*

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#### **Disclaimer**

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## General Information

Unit convenor and teaching staff

Lecturer

Lyla Zhang

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Contact via Email

Credit points

4

Prerequisites

Admission to MBA or MMgt or PGDipMgt or GradDipMgt or MEngMgt

Corequisites

Co-badged status

Unit description

This unit examines economic analysis concepts and tools that enable students to set an organisation's decision-making within its wider economic context. Topics include supply, demand, and market equilibrium; scarcity; exchange and trade; choice theory; theory of the firm; game theory and strategy; market structure; market failures; role of government and government policies; aggregate economy; and international trade. We look at economic variables and how rises and falls in these variables affect people and businesses. We investigate how government policies, decisions by households and firms, and changes in the world economy affect inflation, exchange rates, interest rates, unemployment, growth, and social issues such as poverty and inequality.

## Important Academic Dates

Information about important academic dates including deadlines for withdrawing from units are available at <https://www.mq.edu.au/study/calendar-of-dates>

## Learning Outcomes

On successful completion of this unit, you will be able to:

Evaluate a wide array of local and global economics information to formulate well-informed and robust business decisions.

Develop a strategy for efficient allocation of scarce resources in a global marketplace.

Critically reflect on how changes in economic conditions affect individual businesses and society.

## Assessment Tasks

Name	Weighting	Hurdle	Due
<u>ESSAY</u>	30%	No	13 November 2017
<u>In class tests</u>	20%	Yes	9 October and 6 November
<u>Final examination</u>	50%	No	Exam Week (27 Nov - 2 Dec)

### ESSAY

Due: **13 November 2017**

Weighting: **30%**

A penalty of 10% of possible marks **per calendar day** will be applied to late assignments. WORD LIMIT IS STRICTLY 2,800 - 3,200 words. You can attach relevant appendices and supporting documentation which will not be counted in this limit.

However, the report should stand alone – do NOT depend upon a reader to read the appendices. The appendices should be there to identify the sources of your research, show how your conclusions are reached and provide relevant back-up to your arguments.

The essay will be assessed on:

- Clarity and conciseness;
- The extent to which the questions are in fact answered;
- The quality of research, timeliness and relevance of information and statistics;
- Quality of analysis;
- Its usefulness to real world management issues; and/or
- Implication for economic policy.

The essay will be assessed against the relevant unit objectives, being:

- Interpret the meaning of economic information (both statistical, and qualitative), and to identify the additional economic (and other) information which might be useful for a decision, and where to get it; and
- Identify the factors likely to lead to a change in economic conditions, and provide scenarios of the likely economic impact of those changes.

TOPIC: TBA in class

Please submit a softcopy through iLearn and drop off a hardcopy in the assignment box near MGSM cafe.

On successful completion you will be able to:

- Evaluate a wide array of local and global economics information to formulate well-informed and robust business decisions.
- Develop a strategy for efficient allocation of scarce resources in a global marketplace.
- Critically reflect on how changes in economic conditions affect individual businesses and society.

## In class tests

Due: **9 October and 6 November**

Weighting: **20%**

**This is a hurdle assessment task (see [assessment policy](#) for more information on hurdle assessment tasks)**

Closed book, 60 minutes each and you might need a calculator. You will need to be familiar with material covered in earlier classes and readings.

On successful completion you will be able to:

- Evaluate a wide array of local and global economics information to formulate well-informed and robust business decisions.
- Develop a strategy for efficient allocation of scarce resources in a global marketplace.
- Critically reflect on how changes in economic conditions affect individual businesses and society.

## Final examination

Due: **Exam Week (27 Nov - 2 Dec)**

Weighting: **50%**

The final examination is of three (3) hours and ten (10) minutes reading time and will be held in the Term 4 Exam Week. There will be two (2) compulsory questions.

On successful completion you will be able to:

- Evaluate a wide array of local and global economics information to formulate well-informed and robust business decisions.
- Develop a strategy for efficient allocation of scarce resources in a global marketplace.
- Critically reflect on how changes in economic conditions affect individual businesses and society.

## Delivery and Resources

Required Text

Samuelson, W. & Marks, S., 2014, Managerial Economics, 8th edition, Wiley, ISBN: 9781118808948

For information on textbook prices and online ordering, please refer to the Co-Op Bookshop webpage at <http://www.coop.com.au>

Additional required readings will be available via iLearn

The web page for this unit can be found at: <https://ilearn.mq.edu.au/login/MGSM>

The timetable for classes can be found on the MGSM Student website at <https://students.mgsm.edu.au/sydney-students/units/timetables>

## Unit Schedule

<u>Module</u>	Lectures and class activities	Recommended readings
<p>1 &amp; 2  (18 &amp; 25 September)</p>	<p>Introduction</p> <ul style="list-style-type: none"> <li>• Basic Concepts &amp; applications – how they relate to management in the private and public sector</li> <li>• Trade-offs</li> <li>• Opportunity cost</li> <li>• Incentives</li> <li>• Markets and voluntary trade</li> <li>• Market failures: public goods, externalities, common pool resource problem</li> <li>• Role of the government</li> <li>• Role of institutions</li> <li>• Supply and demand</li> <li>• Elasticities</li> <li>• Demand, supply, market equilibrium</li> <li>• Goods market experiment</li> <li>• Marginal decisions – MC MR (or MB)</li> <li>• Sunk costs</li> <li>• Asymmetric information: market for lemons, quality choice, adverse selection, moral hazard</li> </ul> <p>Theory of choice</p> <ul style="list-style-type: none"> <li>• Budget constraints</li> <li>• Preferences</li> <li>• Choice</li> </ul>	<p>Ch. 1-4</p>

<p>3 &amp; 4 (2 &amp; 9 October)</p>	<p>Labor market</p> <ul style="list-style-type: none"> <li>• Labor market and supply of labor</li> <li>• Nominal vs. real wages</li> <li>• Minimum wage</li> <li>• Value of labor</li> <li>• Downward wage rigidity</li> <li>• Reciprocity and loyalty</li> <li>• Unemployment</li> <li>• Reputation and reciprocity gift exchange game experiment</li> </ul> <p>Theory of firm</p> <ul style="list-style-type: none"> <li>• Factors of production</li> <li>• Net present value of capital</li> <li>• Accounting vs economic profit</li> <li>• Maximizing profit</li> <li>• Diminishing returns</li> <li>• Costs, cost curves</li> <li>• Perfect competition</li> <li>• Short run vs long run</li> </ul>	<p>C. Mulhearn &amp; H.R. Vane. 2016. Economics for Business. Ch. 7</p> <p>Ch. 5-7</p> <p>Ronald H. Coase, "The Nature of the Firm," <i>Economica</i>, 1937 (optional classic)</p>
<p>5 &amp; 6 (16 &amp; 23 October)</p>	<p>Game theory</p> <ul style="list-style-type: none"> <li>• Simultaneous-move games</li> <li>• Prisoner's dilemma</li> <li>• Dominant and dominated strategies</li> <li>• Nash equilibrium</li> <li>• Sequential games</li> <li>• Strategy</li> <li>• Market entry game</li> <li>• Credible vs. empty threat</li> <li>• Commitment</li> <li>• Ultimatum game</li> <li>• Finitely and infinitely repeated games</li> <li>• Strategic behavior experiments</li> <li>•</li> </ul>	<p>Ch. 10</p> <p>An Introduction to Game Theory – Ch. 2, 3</p> <p>S. Meier &amp; E. Reuben "Competitive Dynamics &amp; Business Strategy" 2010.</p> <p>Experimental Methods: A Primer for Economist – Ch. 1, 2 (optional reading)</p>

<p>7 &amp; 8  (30 October &amp; 6 November)</p>	<p>Market structure</p> <ul style="list-style-type: none"><li>• Monopoly profit maximization</li><li>• Natural monopoly and returns to scale</li><li>• Monopoly vs perfect competition</li><li>• Monopoly market power and anti-competitive behavior</li><li>• Market pricing experiment</li><li>• Price discrimination</li><li>• Regulating monopolies</li><li>• Oligopoly – Cournot and Bertrand models</li><li>• Collusion</li><li>• Product differentiation and monopolistic competition</li></ul> <p>Asymmetric Information</p> <ul style="list-style-type: none"><li>• Adverse selection</li><li>• Moral hazard</li><li>• Principal-agent problem</li><li>• Externality</li></ul>	<p>Ch. 8-9</p> <p>Economic Context of MGMT, part II – Ch. 4 (handout)</p> <p>McTaggart, Findlay &amp; Parkin. 2012. Economics – Ch. 23</p>
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9 & 10  (13 & 20 November)	<p>Aggregate economy</p> <ul style="list-style-type: none"><li>• GDP</li><li>• Inflation</li><li>• Interest rates</li><li>• Bubbles, speculation, asset market experiment</li></ul> <p>Growth</p> <ul style="list-style-type: none"><li>• Economic growth and public policy</li><li>• Growth and investment</li><li>• Savings and loanable funds</li></ul> <p>International trade</p> <ul style="list-style-type: none"><li>• Comparative advantage and export/import</li><li>• Tariffs and quotas</li><li>• Exchange rate and balance of payments</li></ul> <p>Macroeconomics and macroeconomic policy</p> <ul style="list-style-type: none"><li>• Budget deficit</li><li>• Government debt</li><li>• Monetary system</li><li>• Money supply and monetary policy</li><li>• Open economy macroeconomics</li><li>• Exchange rates</li><li>• Aggregate demand and aggregate supply</li><li>• Economic fluctuations</li><li>• Fiscal policy</li><li>• Crowding out</li><li>• Macroeconomic policy debate</li></ul> <p>Review</p>	<p>McTaggart, Findlay &amp; Parkin. 2012. Economics– Ch. 27, 28</p> <p>N.G. Mankiw. 2015. Principles of Macro – Ch. 12, 13</p>
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## Learning and Teaching Activities

### Active Learning

Lectures will be used to introduce you to topics, and to show you how these things fit into a broader context. You will then need to read up on and revise basic concepts through the text. Lectures, class exercises and cases, will be used to show you how to apply the concepts and



techniques

## Policies and Procedures

Macquarie University policies and procedures are accessible from [Policy Central](#). Students should be aware of the following policies in particular with regard to Learning and Teaching:

Academic Honesty Policy [http://mq.edu.au/policy/docs/academic\\_honesty/policy.html](http://mq.edu.au/policy/docs/academic_honesty/policy.html)

Assessment Policy [http://mq.edu.au/policy/docs/assessment/policy\\_2016.html](http://mq.edu.au/policy/docs/assessment/policy_2016.html)

Grade Appeal Policy <http://mq.edu.au/policy/docs/gradeappeal/policy.html>

Complaint Management Procedure for Students and Members of the Public [http://www.mq.edu.au/policy/docs/complaint\\_management/procedure.html](http://www.mq.edu.au/policy/docs/complaint_management/procedure.html)

Disruption to Studies Policy (in effect until Dec 4th, 2017): [http://www.mq.edu.au/policy/docs/disruption\\_studies/policy.html](http://www.mq.edu.au/policy/docs/disruption_studies/policy.html)

Special Consideration Policy (in effect from Dec 4th, 2017): <https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policies/special-consideration>

In addition, a number of other policies can be found in the [Learning and Teaching Category](#) of Policy Central.

## Student Code of Conduct

Macquarie University students have a responsibility to be familiar with the Student Code of Conduct: [https://students.mq.edu.au/support/student\\_conduct/](https://students.mq.edu.au/support/student_conduct/)

## Results

Results shown in *iLearn*, or released directly by your Unit Convenor, are not confirmed as they are subject to final approval by the University. Once approved, final results will be sent to your student email address and will be made available in [eStudent](#). For more information visit [ask.mq.edu.au](http://ask.mq.edu.au).

## Student Support

Macquarie University provides a range of support services for students. For details, visit <http://students.mq.edu.au/support/>

## Learning Skills

Learning Skills ([mq.edu.au/learningskills](http://mq.edu.au/learningskills)) provides academic writing resources and study strategies to improve your marks and take control of your study.

- [Workshops](#)
- [StudyWise](#)
- [Academic Integrity Module for Students](#)
- [Ask a Learning Adviser](#)

## Student Services and Support

Students with a disability are encouraged to contact the [Disability Service](#) who can provide appropriate help with any issues that arise during their studies.

## Student Enquiries

For all student enquiries, visit Student Connect at [ask.mq.edu.au](http://ask.mq.edu.au)

For queries about your study at MGSM, please contact [studentservices@mgsm.edu.au](mailto:studentservices@mgsm.edu.au)

## IT Help

For help with University computer systems and technology, visit [http://www.mq.edu.au/about\\_us/offices\\_and\\_units/information\\_technology/help/](http://www.mq.edu.au/about_us/offices_and_units/information_technology/help/).

When using the University's IT, you must adhere to the [Acceptable Use of IT Resources Policy](#). The policy applies to all who connect to the MQ network including students.

## Graduate Capabilities

### PG - Capable of Professional and Personal Judgment and Initiative

Our postgraduates will demonstrate a high standard of discernment and common sense in their professional and personal judgment. They will have the ability to make informed choices and decisions that reflect both the nature of their professional work and their personal perspectives.

This graduate capability is supported by:

#### Learning outcomes

- Evaluate a wide array of local and global economics information to formulate well-informed and robust business decisions.
- Develop a strategy for efficient allocation of scarce resources in a global marketplace.
- Critically reflect on how changes in economic conditions affect individual businesses and society.

#### Assessment tasks

- ESSAY
- In class tests
- Final examination

#### Learning and teaching activities

- Lectures will be used to introduce you to topics, and to show you how these things fit into a broader context. You will then need to read up on and revise basic concepts through the text. Lectures, class exercises and cases, will be used to show you how to apply the

concepts and techniques

## PG - Discipline Knowledge and Skills

Our postgraduates will be able to demonstrate a significantly enhanced depth and breadth of knowledge, scholarly understanding, and specific subject content knowledge in their chosen fields.

This graduate capability is supported by:

### Learning outcomes

- Evaluate a wide array of local and global economics information to formulate well-informed and robust business decisions.
- Develop a strategy for efficient allocation of scarce resources in a global marketplace.

### Assessment tasks

- ESSAY
- In class tests
- Final examination

### Learning and teaching activities

- Lectures will be used to introduce you to topics, and to show you how these things fit into a broader context. You will then need to read up on and revise basic concepts through the text. Lectures, class exercises and cases, will be used to show you how to apply the concepts and techniques

## PG - Critical, Analytical and Integrative Thinking

Our postgraduates will be capable of utilising and reflecting on prior knowledge and experience, of applying higher level critical thinking skills, and of integrating and synthesising learning and knowledge from a range of sources and environments. A characteristic of this form of thinking is the generation of new, professionally oriented knowledge through personal or group-based critique of practice and theory.

This graduate capability is supported by:

### Learning outcomes

- Evaluate a wide array of local and global economics information to formulate well-informed and robust business decisions.
- Develop a strategy for efficient allocation of scarce resources in a global marketplace.
- Critically reflect on how changes in economic conditions affect individual businesses and society.

## Assessment tasks

- ESSAY
- In class tests
- Final examination

## Learning and teaching activities

- Lectures will be used to introduce you to topics, and to show you how these things fit into a broader context. You will then need to read up on and revise basic concepts through the text. Lectures, class exercises and cases, will be used to show you how to apply the concepts and techniques

## PG - Research and Problem Solving Capability

Our postgraduates will be capable of systematic enquiry; able to use research skills to create new knowledge that can be applied to real world issues, or contribute to a field of study or practice to enhance society. They will be capable of creative questioning, problem finding and problem solving.

This graduate capability is supported by:

## Learning outcomes

- Evaluate a wide array of local and global economics information to formulate well-informed and robust business decisions.
- Develop a strategy for efficient allocation of scarce resources in a global marketplace.
- Critically reflect on how changes in economic conditions affect individual businesses and society.

## Assessment tasks

- ESSAY
- In class tests
- Final examination

## Learning and teaching activities

- Lectures will be used to introduce you to topics, and to show you how these things fit into a broader context. You will then need to read up on and revise basic concepts through the text. Lectures, class exercises and cases, will be used to show you how to apply the concepts and techniques

## PG - Effective Communication

Our postgraduates will be able to communicate effectively and convey their views to different social, cultural, and professional audiences. They will be able to use a variety of technologically

supported media to communicate with empathy using a range of written, spoken or visual formats.

This graduate capability is supported by:

### **Learning outcomes**

- Develop a strategy for efficient allocation of scarce resources in a global marketplace.
- Critically reflect on how changes in economic conditions affect individual businesses and society.

### **Assessment tasks**

- ESSAY
- In class tests
- Final examination

### **Learning and teaching activities**

- Lectures will be used to introduce you to topics, and to show you how these things fit into a broader context. You will then need to read up on and revise basic concepts through the text. Lectures, class exercises and cases, will be used to show you how to apply the concepts and techniques

## **PG - Engaged and Responsible, Active and Ethical Citizens**

Our postgraduates will be ethically aware and capable of confident transformative action in relation to their professional responsibilities and the wider community. They will have a sense of connectedness with others and country and have a sense of mutual obligation. They will be able to appreciate the impact of their professional roles for social justice and inclusion related to national and global issues

This graduate capability is supported by:

### **Learning outcome**

- Critically reflect on how changes in economic conditions affect individual businesses and society.

### **Assessment tasks**

- ESSAY
- In class tests
- Final examination

## **Attendance Policy (MGSM)**

The interactive environment of the classroom is central to the MGSM experience. Students are required to attend the full duration of all classes for the units in which they are enrolled. We

recognise that exceptional circumstances may occur, such as unavoidable travel on behalf of your organization or the serious illness or injury of you or a close family member.

Special consideration may be given for a maximum of 20% non-attendance for such circumstances as long as lecturers are contacted in advance, and supporting documentation provided, to request exemption from attendance. Failure to abide by these conditions may result in automatic withdrawal, with academic and/or financial penalty. The full Student Attendance Policy is published in the MGSM Student Handbook at <https://students.mgsm.edu.au/handbook>

## **Unit alignment with MGSM's mission-driven attributes**

- **Leadership:** Develop skills required of leaders with respect to the synthesis of a wide array of economics information in order to make well-informed and financially robust strategic decisions
- **Global mindset:** Assessment of the implications of global activity and strategic decisions from an entity perspective, across a wide spectrum of stakeholders
- **Citizenship:** Apply a true and fair view approach to matters of economic policy making and implementation related to business strategies through consideration of the wider stakeholder implications which may arise from such policies and the subsequent business decisions
- **Creating sustainable value:** Adoption of a forward-looking perspective on the impact of decisions on the financial position and performance of the entity