



MGSM845

Economic Context of Management

Term 1 Hong Kong 2019

Dept of Economics

Contents

<u>General Information</u>	2
<u>Learning Outcomes</u>	2
<u>Assessment Tasks</u>	3
<u>Delivery and Resources</u>	5
<u>Unit Schedule</u>	6
<u>Learning and Teaching Activities</u>	10
<u>Policies and Procedures</u>	11
<u>Graduate Capabilities</u>	12
<u>Changes from Previous Offering</u>	14
<u>Alignment with MGSM's mission-driven attributes</u>	14
<u>Attendance Policy (MGSM)</u>	14
<u>Content Disclaimer</u>	15
<u>Changes since First Published</u>	15

Disclaimer

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General Information

Unit convenor and teaching staff

JP Monck

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Credit points

4

Prerequisites

Admission to MBA or MMgmt 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>In-class Test 1</u>	20%	No	13 January 2019
<u>In-class Test 2</u>	20%	No	20 January 2019
<u>Essay</u>	20%	No	1 February 2019
<u>Final examination</u>	40%	No	16 February 2019

In-class Test 1

Due: **13 January 2019**

Weighting: **20%**

In-class tests take 1 hour and are open book. No calculator is required. Each In-class test is worth 20%. Each In-class test only tests the material covered in class for the preceding modules.

This Assessment Task relates to the following 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 work their way through the local and world economy and affect individual businesses and society.

On successful completion you will be able to:

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

In-class Test 2

Due: **20 January 2019**

Weighting: **20%**

In-class tests take 1 hour and are open book. No calculator is required. Each In-class test is worth 20%. Each In-class test only tests the material covered in class for the preceding modules.

This Assessment Task relates to the following 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 work their way through the local and world economy and affect individual businesses and society.

On successful completion you will be able to:

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

Essay

Due: **1 February 2019**

Weighting: **20%**

During class time, you will be given the essay question.

The essay has a strict word limit of 1,500 words. You can attach relevant appendices and supporting documentation which will not be counted in this limit, however your ideas should not require the examiner to read your appendices.

The essay will be assessed against the relevant course objectives 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
- Implication for economic policy

Late essays will be penalised up to 10% per day. This penalty does not apply for cases in which an application for special consideration is made and approved. Marking criteria will be made available in class.

Please submit a softcopy through iLearn.

This Assessment Task relates to the following 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 work their way through the local and world economy and affect individual businesses and society.

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

Final examination

Due: **16 February 2019**

Weighting: **40%**

The final examination is of three (3) hours and ten (10) minutes reading time, open book.

There will be two (2) compulsory questions.

You are expected to present yourself for examination at the scheduled time and place designated in the MGSM Hong Kong Student website. Examination dates are recorded on the [timetable](#).

This Assessment Task relates to the following 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 work their way through the local and world economy and affect individual businesses and society.

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

Gans, J., King, S, et al, 2018, Principles of Economics: Asia-Pacific Edition, 7th edition, Cengage, ISBN: 978017038265

MGSM iLearn

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

Unit requirements

You will not be expected to become an economist. You will be expected to acquire economic skills that are useful to managers.

To successfully complete the unit you will be expected to demonstrate that you can do the following things at a level acceptable in the business world:

- Understand and make practical use of basic economic concepts by applying them to

typical business management problems.

- 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.
- Understand how economic models can be used in making predictions and interpreting economic trends. And be able to identify the assumptions and limitations of economic models used by economists to make predictions and policy recommendations.
- Identify the factors likely to lead to a change in economic conditions, and provide scenarios of the likely economic impact on a specific entity (such as a manufacturing or service company) of those changes.
- Evaluate the content and logic of reports containing economic information as it relates to the contemporary Australian, Asian and other world economies. Identify fallacies in economic arguments, and weigh up different theoretical interpretations of facts leading to alternative predictions.
- Identify and evaluate the options for managing economic variables to achieve specific objectives, at a corporate level (e.g. profit or sales maximisation).
- Analyse and report on the way that changes in economic circumstances are transmitted through the economy, and assess their likely impact on, and implications for a given entity.

Unit Schedule

Intensive (block) class as follows:

11 January 2019	Session 1: 6pm - 10pm
12 January 2019	Session 2: 2pm - 10pm
13 January 2019	Session 3: 9am - 5pm including In-class test 1
18 January 2019	Session 4: 6pm - 10pm
19 January 2019	Session 5: 2pm - 10pm
20 January 2019	Session 6: 9am - 5pm including In-class test 2
1 February 2019	Essay due at 5pm (HK time)
16 February 2019	Final exam

Students are required to attend all classes.

The unit will be presented as follows:

Session	Lectures and class activities	Recommended readings
1	<p>Introduction</p> <ul style="list-style-type: none">• Basic Concepts & applications – how they relate to management in the private and public sector• Trade-offs• Opportunity cost• Incentives• Markets and voluntary trade• Market failures: public goods, externalities, common pool resource problem• Role of the government• Role of institutions• Supply and demand• Elasticities• Demand, supply, equilibrium	Ch. 1 - 6, 10 & 11

2	<p>Theory of choice, demand</p> <ul style="list-style-type: none"> • Budget constraints • Marginal decisions – MC MR • Sunk costs • Preferences • Choice <p>Labor market</p> <ul style="list-style-type: none"> • Labor market and supply of labor • Nominal vs. real wages • Minimum wage • Value of labor • Downward wage rigidity • Reciprocity and loyalty • Unemployment • Reputation and reciprocity gift exchange game experiment <p>Theory of firm</p> <ul style="list-style-type: none"> • Factors of production • Net present value of capital • Accounting vs economic profit • Maximizing profit • Diminishing returns • Costs, cost curves • Perfect competition • Short run vs long run 	<p>Ch. 7, 12 - 23 Ronald H. Coase, "The Nature of the Firm," <i>Economica</i>, 1937 (optional classic)</p>
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3	<p>The Aggregate Economy</p> <ul style="list-style-type: none"> • Circular flows in the macro economy • Basic economic modelling of the macro economy – aggregate demand and supply • Full employment (or capacity) versus equilibrium <p>Finding and interpreting information on Australia, USA and China</p> <p>Linking the real and money sectors</p> <ul style="list-style-type: none"> • Monetary Policy – <ul style="list-style-type: none"> ◦ how it impacts on the economy and on firms ◦ monetary basics under fixed and floating exchange rates through markets ◦ the role of the central bank ◦ the role of financial intermediaries ◦ institutional differences across countries ◦ lags, elasticities and expectations <p>The full Keynesian model:</p> <ul style="list-style-type: none"> • injections and leakages • money supply and demand • how the real and money sectors interact <p>Understanding the impact of monetary and other policies in fixed and floating rate environments</p>	Ch. 8, 9, 24 - 33
4	<p>Global Financial Crisis</p> <ul style="list-style-type: none"> • Causes • Effects • Long-term ramifications • Context for financial system • Effects on policy choices 	Ch. 36

5	<p>Prudential management of banking and financial systems</p> <p>How financial markets work:</p> <ul style="list-style-type: none"> • bonds and interest rates • asset markets (stock markets, property) • floating versus fixed exchange rates <p>Policy options and the impact on:</p> <ul style="list-style-type: none"> • Fiscal policy: <ul style="list-style-type: none"> ◦ constraints and options ◦ budget goals ◦ funding alternatives • Other policy goals <ul style="list-style-type: none"> ◦ Competitiveness, protection ◦ regulation and deregulation ◦ infrastructure and planning, etc. • Scenario analysis <ul style="list-style-type: none"> ◦ Policy tools ◦ Constraints from bundled choices ◦ translation of effects across global economies 	Ch. 34, 35 & 37
6	<p>The impact on firms</p> <ul style="list-style-type: none"> • building scenarios for different events taking account of firm characteristics how firms can respond strategically • Cases from recent/current economic events and policy responses in Australia and the OECD <p>Review and trial exams</p>	<p>http://freakonomics.com/podcast/uber-economists-dream/</p> <p>https://www.economist.com/blogs/economist-explains/2016/09/economist-explains-economics-1</p> <p>https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/distortions-and-deceptions-in-strategic-decisions?cid=other-eml-clc-mkq-mck-oth-1704</p>

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](https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central) (<https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central>). Students should be aware of the following policies in particular with regard to Learning and Teaching:

- [Academic Appeals Policy](#)
- [Academic Integrity Policy](#)
- [Academic Progression Policy](#)
- [Assessment Policy](#)
- [Fitness to Practice Procedure](#)
- [Grade Appeal Policy](#)
- [Complaint Management Procedure for Students and Members of the Public](#)
- [Special Consideration Policy](#) (**Note:** *The Special Consideration Policy is effective from 4 December 2017 and replaces the Disruption to Studies Policy.*)

Undergraduate students seeking more policy resources can visit the [Student Policy Gateway](https://students.mq.edu.au/support/study/student-policy-gateway) (<https://students.mq.edu.au/support/study/student-policy-gateway>). It is your one-stop-shop for the key policies you need to know about throughout your undergraduate student journey.

If you would like to see all the policies relevant to Learning and Teaching visit [Policy Central](https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central) (<https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/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/study/getting-started/student-conduct>

Results

Results published on platform other than [eStudent](#), (eg. iLearn, Coursera etc.) 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 or if you are a Global MBA student contact globalmba.support@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) 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

If you are a Global MBA student contact globalmba.support@mq.edu.au

For queries about your study at MGSM, please contact 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/.

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

Assessment tasks

- In-class Test 1
- In-class Test 2
- Essay

- 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 outcome

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

Assessment tasks

- Essay
- 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 outcome

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

Assessment tasks

- In-class Test 1
- In-class Test 2
- Final examination

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 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

Changes from Previous Offering

No changes from previous offering

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

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>

Content Disclaimer

These unit materials and the content of this unit are provided for educational purposes only and no decision should be made based on the material without obtaining independent professional advice relating to the particular circumstances involved.

Changes since First Published

Date	Description
15/12/2018	Updated examination duration.