



# MGNT801

## Economics and Markets

Term 2 North Ryde 2018

*MGSM Degree Programs*

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#### Disclaimer

Macquarie University has taken all reasonable measures to ensure the information in this publication is accurate and up-to-date. However, the information may change or become out-dated as a result of change in University policies, procedures or rules. The University reserves the right to make changes to any information in this publication without notice. Users of this publication are advised to check the website version of this publication [or the relevant faculty or department] before acting on any information in this publication.

## General Information

Unit convenor and teaching staff Dr Xiaogang Che
Credit points 4
Prerequisites Admission to MMgmt
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; information; 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.

## 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:

Develop the economic way of thinking and the distinctive analytical and problem-solving skills economics offers for managerial decision-making.

Analyse the market forces shaping an organisation's decisions, as well as those affecting demand for their goods/services

Differentiate different market structures and articulate their implications for firms' strategic decisions.

Interpret the global and local environment within which firms operate and apply them to business decisions.

## Assessment Tasks

Name	Weighting	Hurdle	Due
<u>In-class Test 1</u>	10%	No	24 April 2018
<u>In-class Test 2</u>	10%	No	22 May 2018
<u>Essay</u>	30%	No	8 June 2018
<u>Final examination</u>	50%	No	Exam Week: 11 - 16 June 2018

### In-class Test 1

Due: **24 April 2018**

Weighting: **10%**

Closed book, 60 minutes 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:

- Develop the economic way of thinking and the distinctive analytical and problem-solving skills economics offers for managerial decision-making.
- Analyse the market forces shaping an organisation's decisions, as well as those affecting demand for their goods/services
- Differentiate different market structures and articulate their implications for firms' strategic decisions.
- Interpret the global and local environment within which firms operate and apply them to business decisions.

### In-class Test 2

Due: **22 May 2018**

Weighting: **10%**

Closed book, 60 minutes 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:

- Develop the economic way of thinking and the distinctive analytical and problem-solving skills economics offers for managerial decision-making.
- Analyse the market forces shaping an organisation's decisions, as well as those affecting demand for their goods/services

- Differentiate different market structures and articulate their implications for firms' strategic decisions.
- Interpret the global and local environment within which firms operate and apply them to business decisions.

## Essay

Due: **8 June 2018**

Weighting: **30%**

WORD LIMIT IS STRICTLY 3,000 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

Marking criteria will be made available in class.

**Please submit a softcopy through iLearn.**

A penalty of 10% of possible marks per calendar day will be applied to late assignment submission. This penalty does not apply for cases in which an application for special consideration is made and approved.

On successful completion you will be able to:

- Develop the economic way of thinking and the distinctive analytical and problem-solving

skills economics offers for managerial decision-making.

- Analyse the market forces shaping an organisation's decisions, as well as those affecting demand for their goods/services
- Differentiate different market structures and articulate their implications for firms' strategic decisions.
- Interpret the global and local environment within which firms operate and apply them to business decisions.

## Final examination

Due: **Exam Week: 11 - 16 June 2018**

Weighting: **50%**

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

The exam is closed-book and includes short answer questions based on short scenarios provided in the exam paper.

You are expected to present yourself for examination at the time and place designated in the MGSM Examination Timetable. The timetable will be available at <https://students.mgsm.edu.au/sydney-students/units/exams/>

On successful completion you will be able to:

- Develop the economic way of thinking and the distinctive analytical and problem-solving skills economics offers for managerial decision-making.
- Analyse the market forces shaping an organisation's decisions, as well as those affecting demand for their goods/services
- Differentiate different market structures and articulate their implications for firms' strategic decisions.
- Interpret the global and local environment within which firms operate and apply them to business decisions.

## Delivery and Resources

Required text

Samuelson, W. & Marks, S., 2015, 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>

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

Weekly class – Tuesday 1pm - 5pm (Starts: 3 April 2018)

Students are required to attend all classes.

The unit will be presented as follows:

Module	Lectures and class activities	Recommended readings
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1 & 2	<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>• Goods market experiment</li> </ul>	Ch. 1-3
3 & 4	<p>Theory of choice, demand</p> <ul style="list-style-type: none"> <li>• Budget constraints</li> <li>• Preferences</li> <li>• Choice</li> </ul> <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>Ch. 4</p> <p>C. Mulhearn &amp; H.R. Vane. 2016. Economics for Business. Ch. 7</p>

<p>5 &amp; 6</p>	<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>Ch. 5-7</p> <p>Ronald H. Coase, "The Nature of the Firm," <i>Economica</i>, 1937 (optional classic)</p>
<p>7 &amp; 8</p>	<p>Game theory</p> <ul style="list-style-type: none"> <li>• Simultaneous-move games</li> <li>• Prisoner's dilemma &amp; cooperation</li> <li>• Dominant and dominated strategies</li> <li>• Nash equilibrium <ul style="list-style-type: none"> <li>• Coordination</li> </ul> </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> </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>What is the Nash equilibrium and why does it matter?</p> <p><a href="https://www.economist.com/news/economics-brief/21705308-fifth-our-series-se-minal-economic-ideas-looks-nash-equilibrium-prison">https://www.economist.com/news/economics-brief/21705308-fifth-our-series-se-minal-economic-ideas-looks-nash-equilibrium-prison</a></p> <p>Experimental Methods: A Primer for Economist – Ch. 1, 2 (optional reading)</p>



9 & 10	<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 <ul style="list-style-type: none"> <li>• Monopoly experiment</li> </ul> </li> </ul> <p>Asymmetric information</p> <ul style="list-style-type: none"> <li>• market for lemons</li> <li>• quality choice</li> <li>• adverse selection</li> <li>• moral hazard</li> <li>• Principal-agent problem</li> </ul> <p>Behavioral economics</p> <p>Review</p>	<p>Ch. 8-9</p> <p><a href="https://hbr.org/2017/10/how-retailers-use-personalized-prices-to-test-what-your-e-willing-to-pay">https://hbr.org/2017/10/how-retailers-use-personalized-prices-to-test-what-your-e-willing-to-pay</a></p> <p><a href="http://freakonomics.com/podcast/uber-economists-dream/">http://freakonomics.com/podcast/uber-economists-dream/</a></p> <p><a href="https://www.economist.com/blogs/economist-explains/2016/09/economist-explains-economics-1">https://www.economist.com/blogs/economist-explains/2016/09/economist-explains-economics-1</a></p> <p><a href="https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/distortions-and-deceptions-in-strategic-decisions?cid=other-eml-clsmkg-mck-oth-1704">https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/distortions-and-deceptions-in-strategic-decisions?cid=other-eml-clsmkg-mck-oth-1704</a></p> <p>Ch. 13-14</p> <p>The Economist (2001) 'The Lemon Dilemma', October 30</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](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](http://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central) (<http://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 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

- Develop the economic way of thinking and the distinctive analytical and problem-solving skills economics offers for managerial decision-making.
- Analyse the market forces shaping an organisation's decisions, as well as those affecting demand for their goods/services
- Differentiate different market structures and articulate their implications for firms' strategic decisions.
- Interpret the global and local environment within which firms operate and apply them to business decisions.

### 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 - 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

- Develop the economic way of thinking and the distinctive analytical and problem-solving skills economics offers for managerial decision-making.
- Analyse the market forces shaping an organisation's decisions, as well as those affecting demand for their goods/services
- Interpret the global and local environment within which firms operate and apply them to business decisions.

### Assessment tasks

- In-class Test 1
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- Essay
- Final examination

### Learning and teaching activities

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## 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

- Develop the economic way of thinking and the distinctive analytical and problem-solving

skills economics offers for managerial decision-making.

- Analyse the market forces shaping an organisation's decisions, as well as those affecting demand for their goods/services
- Differentiate different market structures and articulate their implications for firms' strategic decisions.
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## **Assessment tasks**

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- Final examination

## **Learning and teaching activities**

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## **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**

- Develop the economic way of thinking and the distinctive analytical and problem-solving skills economics offers for managerial decision-making.
- Analyse the market forces shaping an organisation's decisions, as well as those affecting demand for their goods/services
- Differentiate different market structures and articulate their implications for firms' strategic decisions.
- Interpret the global and local environment within which firms operate and apply them to business decisions.

## **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 - 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**

- Analyse the market forces shaping an organisation's decisions, as well as those affecting demand for their goods/services
- Differentiate different market structures and articulate their implications for firms' strategic decisions.

## **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 - 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

- Differentiate different market structures and articulate their implications for firms' strategic decisions.

### Assessment tasks

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

## 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.