AGSM MBA Programs 2016

MNGT6302

ECONOMICS IN MANAGEMENT PRACTICE
(for both weekly and intensive formats)

Session 2, 2016

Course Overview

AGSM @ UNSW Business School
COURSE OVERVIEW

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We welcome ideas to improve these course materials. Please email suggestions to coursematerials@agsm.edu.au.
# Course schedule

## Session 2, 2016

**Economics In Management Practice (weekly and intensive)**

**MBA (Executive)**

<table>
<thead>
<tr>
<th>Week no.</th>
<th>Week begins</th>
<th>12-week format activities</th>
<th>Intensive format activities</th>
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<tbody>
<tr>
<td>1</td>
<td>23 May</td>
<td>Unit 1</td>
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<td>2</td>
<td>30 May</td>
<td>Unit 2</td>
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<td>3</td>
<td>6 June</td>
<td>Unit 3</td>
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<td>4</td>
<td>13 June</td>
<td>Unit 4</td>
<td><strong>Intensive Workshop 1</strong></td>
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<td></td>
<td></td>
<td>Saturday 18 June (9am-5pm)</td>
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<td></td>
<td>UNITS 1+2+3</td>
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<td>Sunday 19 June (9am-5pm)</td>
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<td></td>
<td></td>
<td></td>
<td>UNITS 4+5+6</td>
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<tr>
<td>5</td>
<td>20 June</td>
<td>Unit 5</td>
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<td>6</td>
<td>27 June</td>
<td>Unit 6 + Online Quiz (20%)</td>
<td><strong>Online Quiz (20%)</strong></td>
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<td>Opens: 10am Saturday 2 July</td>
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<td>Closes: 10pm Monday 4 July</td>
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<td>7</td>
<td>4 July</td>
<td>Unit 7</td>
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<td>8</td>
<td>11 July</td>
<td>Unit 8</td>
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<tr>
<td>9</td>
<td>18 July</td>
<td>Unit 9 + Group Assignment (40%)</td>
<td><strong>Group Assignment (40%)</strong></td>
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<td>Due: 9.30am (Sydney time)</td>
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<td>Friday 22 July</td>
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<td>10</td>
<td>25 July</td>
<td>Unit 10</td>
<td><strong>Intensive Workshop 2</strong></td>
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<td></td>
<td>Saturday 30 July (9am-5pm)</td>
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<td>UNITS 7+8+9</td>
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<td>Sunday 31 July (9am-5pm)</td>
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<td>UNITS 10+11+12</td>
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<td>11</td>
<td>1 August</td>
<td>Unit 11</td>
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<tr>
<td>12</td>
<td>8 August</td>
<td>Unit 12</td>
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</table>

**Final Exam (40%) on Saturday 20 August**

* 13 June is the Queen’s Birthday public holiday in NSW.
Course information

Course-level aims and learning goals

The purpose of this course is to introduce the analytical framework used by economists in examining economic issues. Economics can be defined as the study of how society uses its limited resources to produce, trade and consume goods and services. It seeks to provide a basic understanding of the economic principles that influence the performance of business. On completion, students should have an understanding of economic concepts, be able to construct economic arguments in terms of these concepts and theoretical frameworks and be able to apply these to the analysis of relevant economic issues.

This course approaches the study of economics in a ‘building block’ fashion. We start at the level of the individual and then move on to the larger and broader pictures: organisations, markets and countries. The first six Units cover how individuals and organisations make decisions and how equilibrium between demand and supply is reached. In particular, we consider in detail how the cost structure of an organisation influences its pricing and output decisions. The specific markets in which organisations operate, as well as their internal structures, have great consequences for the performance of business enterprises and these are also examined.

These topics come under the heading of **microeconomics**, as they are concerned with the analysis of the organisation or the market in which it operates. At the outset, the economic principles underpinning decisions by individuals and firms to exploit and maximise existing technologies and innovations and the move to develop, adopt and use new technologies and innovations are examined. We then study in some detail the conditions under which markets fail to allocate resources efficiently, as well as common imperfections, such as the existence of asymmetric information between economic agents and the role of government in markets.

Units 7 to 12 provide an understanding of the overall economic environment in which businesses operate – **macroeconomics**. This course will review how macroeconomics is primarily concerned with two concepts: short-term fluctuations (business cycles) and long-run economic growth (productivity). We start by learning how the main macroeconomic indicators of output levels and inflation are derived. These will be used to explain major economic policy problems and the fiscal and monetary policies that governments use to alleviate those problems. We will also assess how economies operate in an open economy and the impact that exchange rates have on economic decision-making.

A well-rounded AGSM education includes being able to analyse situations from different viewpoints. The skills and knowledge gained in this course will be helpful to you in the future, regardless of your intended professional field, by providing alternative viewpoints.

There are no prerequisites for this course. Although some technicalities are used throughout the course, you should remember that the aim of the course is to show the insights that basic mathematical and statistical tools allow us to obtain while facing business decisions in a dynamic, complex and uncertain environment. You are expected to focus on the goal of these Units (how to make decisions when there is uncertainty, or some other form of imperfection) and share your progress with the class as we proceed.
Course learning outcomes

After you have completed this course you should be able to:

1. identify the role of economics in society
2. understand microeconomic and macroeconomic theory and the impact technology and innovation has on the economy
3. apply economic theory and methods to a variety of different economic topics
4. critique the key concerns of macroeconomics
5. present coherent and logical economic arguments when discussing, or writing about, economic issues
6. demonstrate how markets work with reference to demand and supply
7. illustrate the principles of profit maximisation
8. analyse features of competitive markets and how these impact on organisational strategy
9. understand how economies are primarily determined by short-run fluctuations and long-run economic growth
10. work effectively as a team member.

Structure

Unit 1: The economic way of thinking. The first Unit helps to clarify what economics actually is, what economists study and what questions they typically ask. We discuss the difference between macro- and micro-economics and clarify the different issues addressed by each. We understand the notion of scarcity and allocation of resources and explain its implications for decision-making. We look at the notion of comparative and absolute advantages and how these drive decision-making. We will also develop a useful diagrammatic tool – the production possibilities frontier.

Unit 2: Demand and supply. The laws of demand and supply are central to understanding how an open market economy functions. The demand and supply models by themselves provide basic information only, but when combined they are the key to determining and calculating the distribution mechanism in an open market economy – price. We also introduce the concept of elasticity and understand how elasticity affects business decision-making. Finally, we consider the concept of consumer and producer surplus and how market intervention can be used to allocate surpluses more effectively and equitably.

Unit 3: Production, costs and revenue. In this Unit, we study how a firm manages its allocation of scarce resources and bundles its factor inputs to produce goods and services. We understand that in making these decisions, there are a number of limiting factors that determine what the firm produces, the quantity it produces and the flexibility that is available to make changes to its production profile. Finally, we review how technology and innovation have a large role to play in both the short and the long run. Technological constraints dictate the firm’s production decision-making in the short run, while flexibility may be available in the long run.
Unit 4: Market structures 1 – perfect competition and monopoly. In this Unit we consider the first two market structures, perfect competition and monopoly. We understand that both markets are at the extreme ends of the market power paradigm. At the end of the Unit we will discuss and evaluate the role market structures play in the use of technology and innovation. Specifically, we are interested in answering the question of which market structure maximises technology and innovation.

Unit 5: Market structures 2 – monopolistic competition and oligopoly. In this Unit we learn that perfect competition and monopoly are the exceptions, not the rule, in most modern economies. We introduce the two market structures that fall between the extremes of monopolistic competition and oligopoly and are most commonly seen in Australia. We understand that in monopolistic competition, firms are able to make abnormal profits in the short run by differentiating themselves from their competitors. Oligopoly, in contrast, involves a greater dose of market power and much less competition. Abnormal profits are made both in the short and long run. Lastly, we continue our discussion from the previous week on the role of technology and innovation on market structures.

Unit 6: Asymmetric information and market failure. In this Unit, we provide an overview of incentive conflicts and contracting within firms. We begin by defining the firm as a focal point for a set of contracts. We then discuss the many incentive conflicts that exist between the parties that make up the firm. We examine the role of contracts in reducing these conflicts.

Unit 7: Introduction to macroeconomics. The purpose of this Unit is to provide a general introduction to the main concepts in macroeconomics. We commence by discussing key macroeconomic issues, such as economic growth, inflation, unemployment and business cycles. An analysis of recent global and Australian performance will be included. We also review the main differences in economic thought that have shaped economic policy over the past five decades.

Unit 8: Money, interest rates and credit innovation. In this Unit, we will explain the foundations of money as a medium of exchange, discussing why societies decided to create money and how money is transacted in an economy. We will also discuss how interest rates are determined and the impact that interest rates have on bond prices. Finally, we will consider the role that innovation and technology have played in the finance sector, specifically looking at how commercial banks have circumvented regulatory control and created their own forms of money, through securitisation and other means, to expand the level of credit in the economy.

Unit 9: Aggregate demand and supply. In this Unit, we study the aggregate demand and aggregate supply (AD/AS) model, which is a useful macroeconomic framework that shows the relationship between real gross domestic product (GDP) and price level. We understand that the model provides a simple explanation of how the economy handles short-term fluctuations and adjusts back to long-run, full employment equilibrium.
Unit 10: *International economics*. This Unit is concerned with how economies operate in a global, open environment. We will examine the basic macroeconomic concepts with respect to trade and exchange rates. In addition, we will examine the effectiveness of fiscal and monetary policy when operating within an open economy. We will examine the impact that globalisation has had on Australia and consider the currency crisis that plagued Asia in 1997 and the more recent crisis in Greece.

Unit 11: *Business cycles*. In this Unit, we will explore the notion of business cycles to answer two questions: what causes business cycles and how should policy-makers respond to short-term fluctuations in the economy? Fiscal and monetary policies are the two interventions that the government and the central bank, respectively, use to manage the economy in their pursuit of stable economic growth. We will consider how the government influences the level of spending and taxation. An interesting theory of business cycles is called the Financial Instability Hypothesis that states financial crises are endemic in capitalism because excess optimism creates financial bubbles and then busts. Capitalism is prone to move from periods of financial stability to instability.

Unit 12: *Productivity and growth*. In this final Unit we are interested in understanding the determinants of long-term economic growth and why some countries grow faster than others. In doing so, we will try to answer the question of why some countries are poorer than others. Ultimately, the answer comes down to consistent economic growth over a prolonged period of time. In conclusion, we review the Solow growth model and the role technology and innovations play in determining how fast economies grow.
Program quality assurance

A number of international standards are embedded in the program to ensure the courses you study are high quality. At present this includes specific design to meet AACSB accreditation standards (through measurement of students' program-level learning outcomes), and the United Nations Principles for Responsible Management Education (UNPRME). EQUIS accreditation is also held by UNSW Business School.

Associated standards committees and accreditation agencies

AACSB:  http://www.aacsb.edu
Association to Advance Collegiate Schools of Business

EQUIS:  https://www.efmd.org/accreditation-main/equis
European Quality Improvement System

UNPRME:  http://www.unprme.org
UN Principles of Responsible Management Education

Program-level learning goals and outcomes assessed for AACSB accreditation

The Course Learning Outcomes are what you should be able to do by the end of this course if you participate fully in learning activities and successfully complete the assessment items.

The Course Learning Outcomes will also help you to achieve at least some of the overall Program Learning Goals that are set for all postgraduate coursework students in AGSM programs.

However, course-level learning outcomes are not sufficient to fully describe a student’s skills as they complete the qualification, and so we add an additional set of Program Learning Goals. These specify what we want you to have achieved by the time you successfully complete your degree. As an example, for the Teamwork learning goal we specify: ‘Our graduates will be effective team participants’.

You demonstrate that you have met these Program Learning Goals by achieving specific Program Learning Outcomes that are directly related to each goal. These indicate what you are able to do by the end of your degree. In the case of the Teamwork goal, the related outcome includes: ‘participate collaboratively and responsibly in teams’. Note that the ability to meet these program-level learning goals and outcomes will be measured in each capstone course for your degree program.

This course contributes to the development of the MBA (Executive) Program Learning Goals, which are the qualities, skills and understandings we want you to have by the completion of your degree, as indicated in the table below.
MBA (Executive) Program Learning Goals and Outcomes

Learning Goal 1: Business Management Knowledge
Students should be able to identify and apply current knowledge of disciplinary and interdisciplinary theory and professional practice to general management and business within diverse situations.

Learning Goal 2: Critical Thinking
Students should understand and be able to identify, research and analyse complex issues and problems in business and develop appropriate solutions.

Learning Goal 3: Communication
Students should be able to produce written documents and oral presentations that communicate effectively complex disciplinary ideas and information for the intended audience and purpose.

Learning Goal 4: Teamwork
Students should be able to participate collaboratively and responsibly in teams and to reflect upon their own contribution to the team and on the necessary processes and knowledge within the team to achieve specified outcomes.

Learning Goal 5: Responsible Business
Students should be able to appraise ethical, environmental and sustainability considerations in decision making and in practice in business.

Students should be able to consider the social and cultural implications of management practices and of business activities.

Learning Goal 6: Leadership
Students should be able to reflect upon their own personal leadership style and the leadership needs of business and of teams.

Learning Goal 7: International Perspective
Students should understand the needs of undertaking business within a global context.

Students should be able to apply business management knowledge to business situations within global markets with due recognition for differences in cultural, legal, commercial and other issues.

Learning Goal 8: Risk Management
Students should be able to demonstrate an understanding of the limits in precision and the risks associated with business models.

Students should be able to appraise risk and to develop risk mitigation strategies applicable to business undertaken within uncertain and volatile environments.

Program Learning Goals are developed throughout the program of study. Each course will not necessarily address all Program Goals or develop them to an equal extent.
Resources

Learning resources

You have four major resources to help you learn:

1. The course materials, comprising the 12 study Units with readings, references, insights and commentary. You will do much of your learning outside the classroom by working through the course materials, and by completing the exercises as they arise.

2. Your classes with your Class Facilitator, who will guide your learning by conducting class discussion, answering questions that might arise in relation to the course materials, providing insights from his or her practical experience and understanding of theory, providing you with feedback on your assignments, and directing discussions and debates that will occur between you and your co-participants in the classroom.

3. Your co-participants. Your colleagues in the classroom are an invaluable potential source of learning for you. Their work and life, and their willingness to question and argue with the course materials, the facilitator and your views, represent a great learning opportunity. They bring much valuable insight to the learning experience.

4. In addition to course-based resources, please also refer to the AGSM Learning Guide (available in Moodle) for tutorials and guides that will help you learn more about effective study practices and techniques.

Course materials

The course materials comprise this Course Overview, the Assessment Details and 12 Units. Each Unit has a number of associated readings and you may also access the other additional resources shown below to enhance your learning experience.

Readings

Specific readings are prescribed throughout the Units and are available via active hyperlinks or URLs. Please note that you may be required to enter your UNSW zID and zPass in order to access these hyperlinked readings.

If you experience any problems in accessing the readings, please try the following:

- Search directly for the article on the UNSW Library home page (https://library.unsw.edu.au/) by placing the name of the article in the Search box.

- Search directly for the book excerpt on the UNSW Library home page (https://library.unsw.edu.au/) by placing your course code into the Search box. When you do this all the course readings that are excerpts from books will appear.
Journals

*The Economist*

*The Australian Financial Review*

*The Financial Times*

*The Journal of Economic Perspectives* (provides a non-technical treatment; surveys of current economic debates and major findings)

Other resources

**BusinessThink** is UNSW’s free, online business publication. It is a platform for business research, analysis and opinion. If you would like to subscribe to BusinessThink, and receive the free monthly e-newsletter with the latest in research, opinion and business then go to [http://www.businessthink.unsw.edu.au](http://www.businessthink.unsw.edu.au).

**eLearning**

To access Moodle, go to: [https://moodle.telt.unsw.edu.au/login/index.php](https://moodle.telt.unsw.edu.au/login/index.php)

Login with your student zID (username) and zPass (password).

**Moodle eLearning support**

Should you have any difficulties accessing your course online, please contact the eLearning support below.

For **login** issues:

**UNSW IT Service Centre**

Hours: Monday to Friday: 8am – 8pm
       Saturday and Sunday: 11am – 2pm

Email: [ITServiceCentre@unsw.edu.au](mailto:ITServiceCentre@unsw.edu.au)

Phone: Internal: x51333
       External: 02 9385 1333

International: +61 2 9385 1333
For help with technical issues and problems:

**External TELT Support**

**Hours:** Monday to Friday: 7.30am – 9.30pm

Saturdays and Sundays: 8.30am – 4.30pm

**Email:** externalteltsuppport@unsw.edu.au

**Phone:** Internal: x53331

External: 02 9385 3331

International: +61 2 9385 3331

**Administrative and eLearning support**

**Student Experience**

If you have administrative queries, they should be addressed to Student Experience.

Student Experience
AGSM MBA Programs
UNSW Business School
SYDNEY NSW 2052

Phone: +61 2 9931 9400

Email: studentexperience@agsm.edu.au

**Additional student resources and support**

The University and the UNSW Business School provide a wide range of support services for students, including:

- **Business School Education Development Unit (EDU)**
  
  https://www.business.unsw.edu.au/students/resources/learning-support
  
  The EDU provides academic writing, study skills and maths support specifically for Business students. Services include workshops, online resources, and individual consultations.
  
  EDU Office: Level 1, Room 1033, Quadrangle Building.
  
  Phone: +61 2 9385 5584; Email: edu@unsw.edu.au

- **UNSW Learning Centre**
  
  http://www.lc.unsw.edu.au
  
  Provides academic skills support services, including workshops and resources, for all UNSW students. See website for details.
- **Library training and search support services**  
  [http://info.library.unsw.edu.au/web/services/services.html](http://info.library.unsw.edu.au/web/services/services.html)

- **UNSW Counselling and Psychological Services**  
  Provides support and services if you need help with your personal life, getting your academic life back on track or just want to know how to stay safe, including free, confidential counselling.  
  Office: Level 2, East Wing, Quadrangle Building;  
  Phone: +61 2 9385 5418.

- **Student Equity & Disabilities Unit**  
  [http://www.studentequity.unsw.edu.au](http://www.studentequity.unsw.edu.au)
  Provides advice regarding equity and diversity issues, and support for students who have a disability or disadvantage that interferes with their learning.  
  Office: Ground Floor, John Goodsell Building;  
  Phone: +61 2 9385 4734; Email: seadu@unsw.edu.au
Continual course improvement

The AGSM surveys students via the UNSW CATEI system each time a course is offered. The data collected provides anonymous feedback from students on the quality of course content and materials, class facilitation, student support services and the program in general. Students are encouraged to provide this feedback as it is taken into account in all course revisions.
Course overview

Course coordinator

Each course has a Course Coordinator who is responsible for the academic leadership and overall academic integrity of the course. The Course Coordinator selects content and sets assessment tasks and takes responsibility for specific academic and administrative issues related to the course when it is being offered. The Course Coordinator for this course in the AGSM’s MBA (Executive) Program is:

Scott Muller

Email: scott.muller@unsw.edu.au

Scott has been associated with the AGSM since 1996. He facilitates several courses on the MBA (Executive) Program, including: Economics in Management Practice and Corporate Finance. Scott also teaches on the full-time MBA Program and in Hong Kong; most notably presenting his specialist elective course, Quantitative Business Modelling, which concentrates on the practical application of forecasting, optimisation and simulation techniques in business and finance.

Scott holds an undergraduate degree in Mechanical Engineering from UNSW Australia, a Masters degree in Science from the University of Plymouth (UK) and is a graduate of the full-time AGSM MBA Program. His PhD studies centre on the economics of large-scale commercial contracts and the associated application of game theory and auction theory.

Scott worked for several years as a mechanical engineer and senior manager in the maritime industry throughout Australia and Asia. He has held two diplomatic positions overseas with the Australian Government (Papua New Guinea and United Kingdom). Since 2004 Scott has held senior executive positions within the Banking and Finance sector, and he is now the Managing Director of Sando Australia Pty Ltd, a specialist consultancy providing strategic tendering/sourcing, corporate negotiation and vendor/business optimisation advice and services to a diverse range of high-end corporations, industry groups and government agencies.

Class facilitator

The role of your Class Facilitator is to support the learning process by encouraging interaction among participants, providing direction in understanding the course content, assessing participant progress through the course and providing feedback on work submitted. Class Facilitators comprise academics and industry practitioners with relevant backgrounds.

You will be notified of your Class Facilitator’s name and contact details in your class confirmation email sent by AGSM Student Experience. Details will also be available in the gallery section in Moodle.

Course notes author

These course notes are common across all core economics courses in the AGSM Programs. George Kadmos, Course Coordinator for this course in the AGSM’s MBAX Program, has written these course notes.