

200525 PRINCIPLES OF ECONOMICS

School of Economics and Finance, College of
Business

Learning Guide
Spring Semester 2009

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1. Staff details

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2. Schedule of Learning and Teaching Activities

For full details about the timetable for this unit, go to http://platformweb.uws.edu.au/pweb_tt/start.asp

Lecture Locations & Times (by campus):

Campus	Mode	Day	Start	Finish	Location
Campbelltown	DAY	Mon	9:00	11:00	Campbelltown 09.G.07 (LT04)
Campbelltown	EVENING	Fri	18:00	20:00	Campbelltown 10.G.07 (LT04)
Parramatta South	DAY	Tue	11:00	13:00	Parramatta South EE.G.19
Parramatta South	EVENING	Mon	18:00	20:00	Parramatta South EA.2.13 (LT02)

Note:

We will be using lectures-online in this unit. This means you can download the Parramatta day lectures from vUWS. So if you miss a lecture or didn't understand some of the lecture content the first time round you can listen to a replay of the lecture.

Also note that if you miss a lecture (or tutorial) you can always go to a make-up class i.e attend one of the other lectures or tutorials that week.

Lecture Schedule

<i>Week of semester</i>	<i>Lecture Topic Guide</i>	<i>Required Readings</i>
Week 1 – 27 July	Australia and the Global Economy Overview of an economy – structure, composition, openness. Performance indicators. Government economic policy.	Lewis, Ch. 1
Week 2 – 3 August	Trade – exports, imports, free trade agreements, balance of payments, protection, foreign investment, aid and exchange rates, external shocks	Lewis, Ch. 2
Week 3 – 10 August	Markets in Action (Microeconomics) Choice and opportunity cost. PPF. Markets & price	Sloman, Ch 1-2

<p>Week 4 – 17 August</p>	<p>mechanism. Demand & Supply.</p> <p>Elasticity. Price floors and price ceilings. Applications may include the housing market, tax incidence, agricultural and labour markets.</p>	<p>Sloman, Ch 3</p>
<p>Week 5 – 24 August</p>	<p>Supply and costs of production. Economies of scale and scope. Profit maximization</p>	<p>Sloman, Ch 4-5</p>
<p>Week 6 – 31 August (Note: 31 August is Census date)</p>	<p>Competition, Market Structure and Strategy</p> <p>Profile of manufacturing and services. Industrial concentration. Size and efficiency. SMEs. Performance indicators. Natural resources.</p>	<p>Lewis, Ch. 6-7</p>
<p>Week 7 – week beginning 7 September</p>	<p>Mid-Session Exam (exam is held during your regular lecture day/time and in your usual lecture location)</p>	
<p>Week 8 – 14 September</p>	<p>Perfect competition & Monopoly.</p> <p>Imperfect competition and strategic behaviour.</p>	<p>Sloman, Ch. 6-7</p>
<p>Week 9</p>	<p>Mid Semester Break (21 – 25 September)</p>	
<p>Week 10 – 28 September</p>	<p>Do Markets Fail? What can governments do?</p> <p>Externalities, imperfect information & public goods</p> <p>The Role of the Public Sector – public expenditure, taxation, government business enterprises.</p> <p>Social Policy – poverty & inequality, education and health care</p> <p>Environmental Policy.</p>	<p>Sloman, Ch.8</p> <p>Lewis, Ch. 3-5</p>
	<p>Macroeconomic Issues,</p>	

<p>Week 11 – 5 October</p> <p>Note: Labour Day holiday on Oct 5th</p> <p>(Those with tutorials on Monday please attend a tutorial on another day that week).</p>	<p>Policies & Outcomes</p> <p>Introduction to aggregate economics. The circular flow, business cycle and economic growth.</p> <p>(Those that attend the Campbelltown day lecture or Parramatta evening lecture might attend the Campbelltown Friday evening or Parramatta Tuesday day lecture).</p>	<p>Sloman Ch.10</p>
<p>Week 12 – 12 October</p>	<p>The composition of consumption and investment expenditures.</p> <p>Inflation and unemployment.</p>	<p>Lewis Ch. 10-11</p> <p>Sloman, Ch. 13</p>
<p>Week 13 – 19 October</p>	<p>Financial instruments and financial institutions. Money and interest rates. Financial-sector Governance.</p>	<p>Lewis Ch. 8</p> <p>Sloman Ch.12</p>
<p>Week 14 – 26 October</p> <p>(Yes – there are both lectures and tutorials in the last week)</p>	<p>Macroeconomic Policy. Fiscal policy, monetary policy and growth-enhancing policies. Trade-offs and constraints.</p>	<p>Lewis Ch.12</p> <p>Sloman Ch. 14</p>
<p>Week 15</p>	<p><u>Stuvac - End of Teaching Session</u></p> <p><i>(2-6 November)</i></p> <p>Note: Exams begin 9 November and finish 29 November.</p>	

TUTORIAL PROGRAM

TUTORIALS BEGIN IN WEEK 2

WEEK 2 – 3 August

An Introductory session and a general discussion of Lewis, Chapter 1.

WEEK 3 – 10 August

A general discussion of the impact of globalization on the Australian economy (using the material in Lewis Chapter 2). To get the discussion going, here is one issue to ponder:

For the Australian manufacturing sector the effective rate of tariff protection fell from around 35% in 1970 to less than 5% in 2001.

Explain how this has impacted on the competitiveness of Australian industry and more generally on the Australian economy .

Hint. Note that on the one hand, local manufacturers have faced increased competitive pressures with the greater availability of cheaper imported finished products. Yet on the other hand, domestic firms have easier access to cheaper intermediate inputs and capital imports. Some of these imported inputs may have given local firms access to the latest technology. Some manufacturing sectors that experienced rapid import growth also had an even more rapid growth of manufactured exports.

WEEK 4 – 17 August

A Review of the material in Sloman, Chapters 1-3, so that the basic concepts of supply and demand analysis are clearly understood and we can apply them in following weeks.

WEEK 5 – 24 August

Applications of Supply and Demand Analysis, Elasticity and Price Floors/Ceilings

1. The Australian Medical Association (AMA) once called for an immediate 20% cut in medical student intakes to halt what they alleged was a growing oversupply of doctors. “It is a tragic waste of human and economic resources to spend six years training men and women for jobs that will not be needed” said the AMA President.

Do you agree with the AMA? Why or why not?

2. Assume the market for private rental accommodation can be represented in the competitive market model. Represent the model diagrammatically.

Use your model to represent and explain the effects of:

- (a) An increase in the number of people seeking rental accommodation due to an increase in migration.
- (b) A government decision to increase the quantity of **public** housing available.

(Hint: are these 'goods' substitutes?)

- (c) The imposition of a legislated maximum rent ("rent control"). Use your model to explain why rent control may fail to improve the welfare of low-income renters. What alternative policies to assist these people can you suggest?
- (d) The granting of a government subsidy to the construction of private rental accommodation.
- (e) The provision of a government subsidy to renters.

3. The Urban Transit Authority receives the following two pieces of expert advice:

- i. "You should cut rail fares in order to encourage greater use. Raising fares will mean fewer customers and lower revenue."
 - ii. "You cannot afford to cut fares as this will reduce your revenues"
- (a) What do each of these pieces of advice assume about the elasticity of demand for rail use?
 - (b) What factors determine the elasticity of demand for rail use?
 - (c) Are cross-elasticity and income-elasticity issues important in this context too? How?

WEEK 6 – 31 August

Further Applications of Microeconomic Analysis

1. Pricing Problem

Information: Warner Bros. owns *The Fugitive* and *Free Willy*. After the release of the two movies, the Company is ready to sell the two DVDs to the mass market. Warner Bros. unit costs for the DVDs are \$5 and the stores that sell the DVDs charge a markup of \$9.

Assume the market is as follows:

100 people would pay \$20 for *The Fugitive* but had no interest in *Free Willy*

100 people had just the opposite preference

100 people said they would buy both movies at \$20 each

100 people said they liked both movies but that \$20 was too expensive, but would buy both at a lower price of \$17.50

- a. Warner Bros. is considering two possible prices - \$20 or \$17.50 – which price should it charge? Why?
 - b. Would the company make more money if it charged \$20 for each DVD but gave purchasers of either DVD a coupon for \$5 off the purchase of the other DVD?
 - c. Why does the studio come out ahead if it cuts the price of both DVDs together by \$5 but losses if it cuts the price of each DVD separately by \$2.50?
 - d. Would the discount package work if the two DVDs were *Star Wars* and *The Empire Strikes Back*?
 - e. What problem would the company face if people starting selling the coupons i.e. a market for coupons emerged?
2. Over the period 1996-2004 Telstra achieved an average rate of return on its capital of 15 percent a year. How has Telstra managed to be so profitable?

Hint: Think about demand and consumer preferences, costs and technology, degree of competition

3. (For Distinction and High Distinction students only!)

Use the Supply and Demand model to illustrate the effects on competitive market equilibrium, of the imposition of a per unit indirect tax on a particular commodity.

Explain the factors that determine the amounts by which the equilibrium price and quantity of the commodity will change as a result of the imposition of the tax.

Use your model and your knowledge of economic theory to consider the following questions:

- (a) Suppose an indirect tax is levied on an across the board basis, at an equal proportionate rate on all goods and services. Will the tax result in an equal proportionate increase in the market prices of all goods and services?
- (b) Will the imposition of an equal across the board tax be neutral in its effect on the pattern of consumption demand? Does such a tax affect consumers equally?
- (c) Suppose the government decides to limit the imposition of indirect taxes to particular commodities. If indirect taxation is levied on particular commodities, to what type of commodities might it be applied? What criteria might government use in applying indirect taxation?

WEEK 7 – week beginning 7 September

No Tutorials this week because of the mid-session exam which is held in your regular lecture.

WEEK 8 – 14 September

OLIGOPOLY GAME

During this week we play the oligopoly game

No preparation needed – come and have some fun and learn about strategic behaviour!

Here is the structure of the game:

Industry Demand	$P = 1500 - 5 Q$
Marginal Revenue	$P = 1500 - 10 Q$
Marginal Cost (each firm)	$P = 500$ (so $MC = ATC = 500$)
Profit (each firm)	$\text{Profit} = P Q_i - 500 Q_i$
Total Industry Output	$Q = \text{sum of the } Q_i\text{'s}$
(25 is less than or equal to Q_i which is less than or equal to 50)	

MID SEMESTER BREAK (21 – 25 September)

WEEK 10 – 28 September

Applying Economic Analysis to Particular Industries

1. Explain how the profits of Virgin Blue are affected by (i) the competitive responses of Qantas and Jet Star, and (ii) moves by airports to increase landing fees and charges.

The Australian government considered but rejected (i) allowing Singapore airlines to compete against Qantas on the trans-Pacific route. The trans-Pacific route is highly profitable for Qantas and it is claimed that Qantas charges 17 per cent more per kilometre travelled on this route than on other routes it services. Was this a good decision? Why? Another possibility (ii) is a Singapore Airlines – Qantas merger. Would that be a good outcome? Why?

2. The *Australian Financial Review* of 1 April 2005 reported that the ACCC had launched an investigation into price-fixing allegations and anti-competitive behavior in the \$2.2 billion cardboard-box market. The ACCC had uncovered communication between the two leading companies that controlled 90 per cent of the market, indicating possible cartel behavior – market sharing and price-fixing.

Do a library search to find out the outcome of this investigation. Explain why it was in the interests of these two leading firms to engage in anti-competitive behavior. What were the costs of this behavior on consumers and the effects on economic efficiency?

WEEK 11 – 5 October

Market Failure

1. Two firms, Atomic Chemicals and Bob's Seafood, are located next to each other on a river. Atomic chemicals freely dumps waste from its chemical plant into the river, which reduces the number of fish in the river and hence the number caught by Bob's Seafood.
 - (a) Is there market failure involved here? What sort? Explain.
 - (b) The government plans to pass a law preventing Atomic Chemicals from dumping any waste into the river. Would such a regulation lead to an efficient allocation of resources? Explain your answer.
 - (c) Discuss the use of taxes and subsidies as alternative weapons to deal with this situation. In your answer, outline the advantages and disadvantages of each method.

2. Participation in an Interactive Experiment

The purpose of this experiment is to allow you to participate in a simple economic game that will demonstrate a few key economic concepts and lead into the material on market failure and income inequality.

Ultimatum Bargaining Game

The "Ultimatum Bargaining Game" simulates a game involving a proposer and a responder deciding on how a hypothetical amount of money is split between the two players. This game will highlight the extent to which individual behaviour is rational from a strategic point of view, and the role of fairness in bargaining games.

You will be assigned a role of either a proposer or a responder. The proposer makes an offer of how a hypothetical amount of money is split, and the responder can either accept or reject this offer. An acceptance implements the proposed split, and a rejection leads to nothing for either player.

3. "Australians should be paying more for their water, electricity and roads. But it could be worse. *Smart pricing - such as by raising prices only for high water users, for electricity consumed at peak times and for driving on roads when they are congested - means we could avoid many of the increases. Getting the demand and supply sides of the equation right is the reform challenge of this decade*".

Mike Steketee, 'Get ready to pay more', *The Australian*, 26 March 2005.

Discuss this statement.

Time-of-day tolling was introduced on the Harbour Bridge and Harbour Tunnel on Tuesday 27 January to "ease traffic congestion on the two harbour crossings". Time-of-day tolling pricing is as follows:

- \$4 in peak periods – 6.30am to 9.30am and 4pm to 7pm, Monday to Friday;
- \$3 in the shoulder period – 9.30am to 4pm, Monday to Friday and 8am to 8pm on weekends and public holidays; and
- \$2.50 in off-peak periods - midnight to 6.30am and 7pm to midnight, Monday to Friday and from 8pm to 8am on weekend and public holidays.

Use economic analysis to explain the introduction of time-of-day tolling. Is it likely to be effective? Is it desirable?

WEEK 12 – 12 October

True, False and Explain Questions

- a). "The CPI overstates the true extent of inflation".
Is this statement True or False?
Explain your answer.
- b). "At the level of real GDP corresponding to potential output, there is zero unemployment".
Is this statement True or False?
Explain your answer.
- c). "The measured unemployment rate overstates the true extent of unemployment".
Is this statement True or False?
Explain your answer.
- d). "GDP captures all productive activity and income and so is a good measure of the community's well-being".
Is this statement True or False?
Explain your answer.

- e). “Demand-management policies can easily deal with the problem of stagflation”.

Is this statement True or False?

Explain your answer.

WEEK 13 – 19 October

Developing Data Analysis Skills

1. Macroeconomic Indicators, Three Countries, 2001 (%)

	China	Indonesia	Singapore
GDP growth	7.3	3.3	-2.0
Gross domestic investment /GDP	36.3	17.0	24.3
Gross domestic saving/GDP	38.1	25.5	45.8
Inflation rate (CPI)	0.7	11.5	1.0
Fiscal balance/GDP	-2.6	-2.3	1.9
Export growth	6.8	-9.8	-11.9
Import growth	8.2	-12.2	-14.0
Current account balance/GDP	1.7	3.1	20.9

Note: Potential output growth is estimated at 7% for China, 6% for Indonesia and 8% for Singapore.

- (a) What does the comparison between actual and potential output growth tell us about these 3 countries?
- (b) Compare and contrast the 2001 macroeconomic performance for these three countries.
- (c) To deal with its problems, Singapore in early 2001 increased its government expenditures on infrastructure and social services and provided a range of corporate and personal income tax rebates. The stimulus package was worth S\$13.5 billion. Monetary policy was relaxed and the Singapore dollar allowed to weaken. This policy package was not successful.

The government then attempted to revitalize and restructure the economy to regain international competitiveness. Key sectors were liberalized to enhance efficiency. Assistance was provided to upgrade worker’s skills and knowledge to transform Singapore from a manufacturing to a knowledge and skills-intensive economy. Cultivating an entrepreneurial business culture was a key objective.

Explain these two very different approaches to stimulating GDP growth in Singapore.

2. The Japanese Slump

	1990	2002	2003	2004	2005
Output Growth Rate (%)	5.3	-0.1	1.5	2.6	1.5
Unemployment Rate (%)	2.1	5.4	5.3	4.7	4.4
Inflation Rate (%)	3.0	-0.1	-0.3	0.0	-0.5
Consumption Growth Rate (%)	5.1	0.5	0.4	1.5	1.1
Investment Growth Rate (%)	15.5	-5.7	1.1	1.6	0.7

Examine this data for Japan.

- Describe the macroeconomic problems that confronted this nation over this time period.
- Explain the relationships between these variables.

Hint: Why not graph some of these variables with each other.

3. Australia: Demand, output and prices

	2002	2003	2004	2005	2006
Percentage changes					
Net exports	-2.2	-2.7	-2.4	-1.0	-0.5
GDP at market prices	3.8	3.6	2.9	2.5	3.4
Consumer price index	3.0	2.8	2.3	2.6	2.8
Unemployment rate	6.4	6.0	5.6	5.2	5.2
Household saving ratio (%GDP)	-1.2	-3.4	-2.	-2.0	-1.0
Budget balance (%GDP)	0.3	0.8	1.1	0.9	0.8
Current account balance (%GDP)	-4.2	-5.9	-6.3	-5.4	-4.9

Source: OECD Economic Outlook.

Examine this data for Australia.

- Describe and discuss the macroeconomic performance of Australia over this period.
- What macroeconomic problems does this data reveal?
- Can you explain the relationships between these variables that might account for the strengths and weaknesses of the Australian economy.
- How might Australia improve its economic performance? Suggest economic policies that may help in this respect.

WEEK 14 – 26 October

A Tougher Set of Data Analysis Questions

1. Table 1 - Trends in Gross Domestic Saving and Investment - 2005

(Percent of GDP)

	Investment	Saving
United States	20.0	13.3
Euro Area	20.9	20.9
Japan	23.2	26.8
Newly Industrializing Asia	24.9	31.3
China	44.1	51.3
World	22.2	22.0

Source: IMF, *World Economic Outlook*

On the basis of the data presented in Table 1 explain:

- The contrasting financing of domestic investment;
- the direction of global capital flows;
- the implications for the current account;
- the implications for exchange rates;
- the severe imbalances facing the United States.

2. Table 2 - Growth and Inflation

(Average annual change, in percent)

	Real GDP (1996 – 2005)	Consumer Prices (1996 – 2005)
United States	3.3	2.2
Australia	3.7	2.4
OECD	2.7	3.2
Japan	1.1	0.5
Asia	5.4	6.1

Source: BIS, 2006; RBA

On the basis of the data presented in Table 2:

- describe the contrasting growth performances of these countries;
- describe the contrasting inflation performance of these countries;
- Is there a relationship between real GDP growth and inflation?

3. Table 3 - Unemployment

(Percent of labour Force)

	1994	2004
Australia	9.5	5.5
Japan	2.9	4.7
United States	6.1	5.5
Euro Area	10.7	8.9
OECD	7.7	6.9

Source: OECD, *Economic Outlook*

On the basis of the data presented in Table 3:

- Describe the contrasting unemployment performance;
- Discuss the unemployment-inflation relationship (using Table 2 data as well);
- Discuss the unemployment – growth relationship (using Table 2 data as well);
(Note: Table 2 does not cover the Euro Area)
- Explain the different types of unemployment that appear to be present in these countries.

4. Table 4 - Fiscal Performance - 2005

(as a percent of GDP)

	Budget balance	Gross Public Debt
United States	- 3.8	64
Euro Area	- 2.4	78
Japan	- 5.2	172
Australia	1.5	14

Source: BIS, 2006

On the basis of the data presented in Table 4:

- Describe the contrasting fiscal policy performance;
- Explain the United States fiscal situation combined with its external situation (using Table 1 data as well)
- Discuss Japan's attempts to reduce unemployment and stimulate economic growth (using Tables 2 and 3 as well);
- Discuss Australia's fiscal performance and how it came about.

Stuvac - End of Teaching Session

3. Assessment information

UWS students should learn and graduate with the capacity to participate actively and responsibly in a diverse and changing world. For students who care about how the world works, economics should be one of the most relevant and exciting courses they study. This unit provides an introduction to economic analysis and applies economic reasoning to a variety of real-world issues and concerns.

Yet many students view economics as abstract theory and fail to understand how it relates to actual decisions made by firms, consumers and governments. It is therefore essential that students apply economic logic to practical problems – studying the theory is simply not enough. Nor is simply recalling on demand large amounts of information. Deep learning requires an ability to apply what you have learned in new and different situations, and to be able to analyse, interpret, evaluate and synthesise information.

The overriding learning objectives are to foster analytical reasoning skills and critical thinking. These skills can be used to problem-solve using an underlying conceptual framework while being aware of some of the pitfalls of that framework. Issues of social responsibility, equity and fairness and social welfare will be consistently highlighted. The development of written and oral communication skills is another desirable outcome.

On completion of the unit, students should be able to:

1. explain and apply key economic concepts appropriately
2. construct sound economic arguments in terms of these concepts
3. apply simple economic models to the analysis of relevant economic issues
4. present logical economic arguments in written or oral form
5. apply economic reasoning to make deductions about market behaviour
6. explain and evaluate the likely effects of Government economic policy

We introduce students to a range of microeconomic and macroeconomic topics. The emphasis is on the practical application of basic economic concepts to problems so that students understand the economic way of thinking. We start off with a global perspective by examining Australia in the world economy and the international flows of trade and finance. Note that the unit site in Vuws has been incorporated into the delivery of this unit to enhance the learning experience by providing online discussion and up to date course materials.

Summative assessment will comprise of the following:

	Assessment Activities	Learning Objectives/Outcomes (as numbered above)	Assessment Weighting
1.	Mid-Semester Test due in Week 7 as per Lecture Schedule	1, 3, 5, 6	30%
2.	Tutorial participation	1, 4, 6	10%
3.	Final Examination (closed book)	1-6	60%

Results of Assessment tasks 1. and 2. will be posted on vUWS. Please check the unit site regularly for unit information.

Assessment details

ASSESSMENT ITEM

1

Mid-Semester Test – week 7 – 30% of unit weighting

This will occur during your regular lecture time in your regular lecture room. This test comprises of 30 multiple choice questions to be completed in 40 minutes. The questions will vary in difficulty to assess different levels of performance from a basic understanding of the material presented to a mastery of the application of the concepts to new and different problems.

Criteria and Standards

Multiple-Choice Questions

Criterion: Students must be able to produce the correct answer

Standard: If there are 30 questions, then a pass is 15 or more correct answers.

Marking Guide

One mark for the correct answer

Zero marks for the wrong answer

Example

Sample Question:

A recent heat wave in Tasmania has done extensive damage to the apple crops. As a result, Victorian apple products are commanding high prices. Which of the following statements best explains the situation?

- (a) The demand for Tasmanian apples has been reduced, causing their price to fall and therefore increasing the demand for the substitute Victorian apples.
- (b) The demand for Tasmanian apples has been reduced by the heat wave, causing a greater demand for the Victorian apples and an increase in their price.
- (c) The supply of Tasmanian apples has decreased, causing their price to increase and the demand for the substitute Victorian apples to also increase.
- (d) The supply of Tasmanian apples has decreased, causing the supply of the Victorian apples to increase and their price to rise.

Assessment details

A S S E S S M E N T

I T E M 2

Tutorial Mark – 10% of the unit weighting

This mark out of 10 is a reflection of your participation and contribution to discussion in the weekly tutorial. Attendance alone will not generate a high mark. You have to demonstrate that you come prepared to the tutorial having read and thought about the questions for that week, most of which will be applications of economic logic to practical policy issues. Then you need to engage in the discussion. The material to be covered will reinforce and extend material covered in lectures. The questions will require group problem solving and teamwork skills. Interactive role playing, debates and simulation experiments may be conducted. Learning cooperatively with peers may help students to develop interpersonal, professional, and cognitive skills to a higher level. Communication skills will also be assessed here.

Marking Guide

9-10

Perfect or almost perfect attendance. Always excellently prepared. Insightful comments and discussion. Displays clear and deep understanding of the material. Although superior students, they also display some social skills and don't try to monopolize the discussion to the detriment of the learning of others.

7-8

Consistent attendance. Very solid performers. Usually understand the questions and have developed a good grasp of how to approach the answers, although occasionally may reveal some misunderstandings or confusions. Show significant improvement in economic understanding over time.

5-6

Just meet the satisfactory attendance requirement. Show a basic and elementary understanding of the material, occasionally displaying glimpses of deeper understanding but equally likely to be confused and baffled by the economic concepts and their application. Generally read the tutorial questions but sometimes arrive at the tutorial without much of a clue as to how to approach the problem but once the general class discussion suggests the relevant concepts and analysis to use they can see what is going on and contribute.

<5

Attendance is erratic. Sometimes show up well after the class has started or leave early. Inconsistent in their preparation. Sometimes they show up not even having read the questions for discussion let alone attempted to formulate any responses or answers. May be disruptive in class with discipline problems. Show little systematic understanding of what was covered in lectures or the material in the texts.

Assessment details

A S S E S S M E N T

I T E M 3

Final Exam – 60% of the unit weighting

This is a 2 hour exam and combines multiple choice questions and short-answer questions. The multiple choice questions are much the same format as the mid-session but cover the material since week 7. The short-answer questions cover the whole semester and test problem-solving skills. You are assessed on applying economic logic to practical problems. Your analytical reasoning skills and ability to see the difficulties in a policy environment are examined. Written communication skills are evaluated. It also tests higher-order thinking skills such as analysis, synthesis, and evaluation.

Final marks and grades are subject to confirmation by the School and College Assessment Committee which may scale, modify or otherwise amend the marks and grades for the unit, as may be required by University policies.

You must receive an overall mark of 50 to pass this unit, subject to satisfactory performance on the final exam. We define satisfactory performance as requiring at least a minimum of 40% on the final exam (in other words, you must get at least 24 out of 60 on the final exam).

Note that the mid-session and final exam are closed- book exams. No materials are to be brought into those exam venues.

Criteria and Standards

For the Multiple choice component see under mid-session exam.

Criteria: for short-answer questions

- explains and applies key economic concepts appropriately
- constructs sound economic arguments in terms of these concepts
- applies simple economic models to the analysis of relevant economic issues
- presents logical economic arguments in written form
- applies economic reasoning to make deductions about market behaviour
- explains and evaluates the likely effects of Government economic policy

Standards: Note Marking Guide

Marking Guide (Note that the short answer questions are marked out of 20)

High Distinction (17-20):

- insightfully and creatively applies economic terms, concepts, relationships and theory in a variety of economic contexts
- displays superior skills in analyzing economic problems producing comprehensive and insightful economic arguments
- demonstrates critical judgment and sound reasoning to select, organize, synthesise and evaluate relevant information and data
- presents insightful and lucid explanations and evaluations of the impact of government economic policies and policy options

Distinction (15-16)

- shows excellent understanding of economic concepts and their application in a variety of economic contexts
- demonstrates accomplished judgement and reasoning to select, organize and evaluate relevant information
- provides thorough analysis and evaluation of the policy options and their consequences
- presents excellent explanation and evaluation of the impact of government economic policies

Credit (13-14)

- provides clear definitions of relevant economic terms and sound discussion of economic concepts and their application to problems
- demonstrates a clear understanding of economic problems and policy options
- demonstrates a clear understanding of the implications of changes in economic data

Pass (10-12)

- provides basic definition of some economic terms, concepts and relationships

- offers basic descriptions of relationships between economic concepts and their application to problems
- communicates in a descriptive way but displays a basic understanding of the relevant economic theory
- provides basic descriptions of the main economic problems and policies

Fail (less than 10)

- demonstrates frequent lack of understanding and key conceptual errors with respect to economic concepts
- displays little ability to apply economic concept to problems
- demonstrates limited or confused interpretation of simple economic data
- uses inappropriate economic terminology or attempts to answer questions without any mention or apparent understanding of economic concepts

Example

Sample Final Exam Questions

Multiple Choice:

1. Which of the following correctly describes an external benefit resulting from an individual's purchase of preventive medical services such as influenza or measles inoculations?
 - (a) By purchasing an inoculation an individual reduces the likelihood that his family or other contacts will catch the particular contagious illness
 - (b) Purchase of preventive medical services benefits doctors by providing additional income
 - (c) An individual saves money by preventing illness through inoculations instead of having to pay to have the illness treated
 - (d) By reducing the number of sick days, inoculations allow the individual more work days, and thus more income

Short-answer:

Question 1. Only 0.2 per cent of Sydney-siders use a ferry on an average work day. The average total cost of a ferry journey is \$6.87 but passengers only pay \$2.90 of this. The total cost of providing 14 million ferry trips a year is \$100 million and only \$42 million of this cost is covered by passengers. The remaining amount is paid by NSW taxpayers.

- a. (5 marks) Are ferry services 'public goods'? Explain.
- b. (5 marks) Assume that ferry services generate externalities. How do we determine the optimal quantity of ferry rides?

- c. (5 marks) There is a wide discrepancy in the incomes of ferry users. What opportunities are there for price discrimination in the provision of ferry services? Explain your answer.
- d. (5 marks) Given that the fleet of Sydney ferries are ageing and that they constantly need repair, at what point should ferry operations cease in the short-run?

Question 2:

Overview of the *World Economic Outlook* Projections
(Percent change, unless otherwise noted)

	Year over Year			
	2007	2008	Projections	
			2009	2010
World output ¹	5.2	3.4	0.5	3.0
Advanced economies	2.7	1.0	-2.0	1.1
United States	2.0	1.1	-1.6	1.6
Euro area	2.6	1.0	-2.0	0.2
Germany	2.5	1.3	-2.5	0.1
France	2.2	0.8	-1.9	0.7
Italy	1.5	-0.6	-2.1	-0.1
Spain	3.7	1.2	-1.7	-0.1
Japan	2.4	-0.3	-2.6	0.6
United Kingdom	3.0	0.7	-2.8	0.2
Canada	2.7	0.6	-1.2	1.6
Other advanced economies	4.6	1.9	-2.4	2.2
Newly industrialized Asian economies	5.6	2.1	-3.9	3.1
Emerging and developing economies ²	8.3	6.3	3.3	5.0
Africa	6.2	5.2	3.4	4.9
Sub-Sahara	6.9	5.4	3.5	5.0
Central and eastern Europe	5.4	3.2	-0.4	2.5
Commonwealth of Independent States	8.6	6.0	-0.4	2.2

Russia	8.1	6.2	-0.7	1.3
Excluding Russia	9.7	5.4	0.3	4.4
Developing Asia	10.6	7.8	5.5	6.9
China	13.0	9.0	6.7	8.0
India	9.3	7.3	5.1	6.5
ASEAN-5	6.3	5.4	2.7	4.1
Middle East	6.4	6.1	3.9	4.7
Western Hemisphere	5.7	4.6	1.1	3.0
Brazil	5.7	5.8	1.8	3.5
Mexico	3.2	1.8	-0.3	2.1
<i>Memorandum</i>				
European Union	3.1	1.3	-1.8	0.5
World growth based on market exchange rates	3.8	2.2	-0.6	2.1
World trade volume (goods and services)	7.2	4.1	-2.8	3.2
Imports				
Advanced economies	4.5	1.5	-3.1	1.9
Emerging and developing economies	14.5	10.4	-2.2	5.8
Exports				
Advanced economies	5.9	3.1	-3.7	2.1
Emerging and developing economies	9.6	5.6	-0.8	5.4
Commodity prices (U.S. dollars)				
Oil ³	10.7	36.4	-48.5	20.0
Nonfuel (average based on world commodity export weights)	14.1	7.4	-29.1	7.3
Consumer prices				
Advanced economies	2.1	3.5	0.3	0.8
Emerging and developing economies ²	6.4	9.2	5.8	5.0

Source: IMF Forecasts as at 28th January 2009
<http://www.imf.org/external/pubs/ft/weo/2009/update/01/index.htm>

Compare 2007 with the projections for 2009.

- (i) Describe the five (5) most significant predicted changes over this period?
- (ii) Explain three (3) of these predicted changes using your understanding of macroeconomic analysis.

4. Learning resources information

Essential textbooks:

John Sloman and Keith Norris, *Principles of Economics*, Pearson 2nd ed. 2008 and Philip Lewis, Anne Garnett, Kim Hawtrey and Malcolm Treadgold, *Issues, Indicators and Ideas*, Pearson 4th ed. 2006. Both books come as a package under ISBN 9314994071931. You can also buy them separately at a higher combined price. The Study Guide that accompanies Sloman and Norris is an optional purchase.

Note: Take full advantage of the outstanding resources for students available on the website for the Sloman & Norris textbook above. Visit the companion website at www.pearsoned.com.au/sloman

Additional references:

Frank, H, Bernanke, B, Kaufman, R. (2007) *Principles of Economics*. 3rd ed. McGraw Hill

Williams, J. & Lawrey, R. (2000) *New Economics for the Asia-Pacific: an Issue-based Modular Approach*. Australia. McGraw Hill.

Frank, R. H., et al. (2007). *Principles of Economics*. 3rd ed. Boston: McGraw-Hill/Irwin.

McTaggart, D. (2007). *Economics*. 5th ed. Frenchs Forest, N.S.W.: Pearson Education Australia.

Miller, R. L. (2008). *Economics today*. 14th ed. Boston: Pearson/Addison Wesley.

Swann, M. J., & McEachern, W. A. (2007). *Microeconomics: a contemporary introduction*. 3rd ed. South Melbourne: Thomson.

UWS Study Skills Support

The UWS Student Learning unit offers a range of services that you can use to assist in your smooth transition to the University learning environment. This includes a range of online resources which are easy and free to access and use to support your study program. You should visit the Student Learning Unit website at the following address:

<http://currentstudents.uws.edu.au/students/ods/lisu>

From this website you can access resources for support with ‘language and learning’ and ‘mathematics’. Furthermore, from this website you can also access additional links to online guides and interactive tutorials from other universities on the following topics:

- assignment preparation
- academic reading

- academic writing
- annotated bibliographies
- case studies
- critical reviews
- essay writing
- literature reviews
- report writing
- grammar
- exams
- oral presentations
- study skills.

Full details of referencing systems can be found at: <http://library.uws.edu.au/citing.phtml>.
A full range of resources for searching and citing references is available at: <http://library.uws.edu.au/training.phtml>

5. Special Requirements

Basic computing skills and access to a computer, the internet (broadband), Microsoft Word, Adobe Flash Player 9, and vUWS.

For those students who do not have access to a personal computer, the university has a number of [General Purpose Computer Labs](#) on each campus that students are able to use. The locations of the computer labs can be found online at: http://www.uws.edu.au/students/infotech/computer_labs

In addition, the library on each campus has a number of computers for general use.

Wireless email and internet access via a wireless-enabled laptop computer is available on all campuses. Further details are available online at:

<http://www.uws.edu.au/about/adminorg/academic/itd/uwswirelesslan>

6. Links to key policies

"Key policies and information affecting students can be found at :

http://www.uws.edu.au/learning_teaching/learning_and_teaching/office_of_the_pro-vice-chancellor/key_policies_and_information_affecting_students"

Special Consideration Policy: <http://policies.uws.edu.au/view.current.php?id=00205>

Where special consideration is sought for circumstances involving more than three consecutive days or more than five days within a teaching period, students should complete a Special Consideration Application, available from the UWS website or a Student Centre.

Misconduct – Student Academic Misconduct Policy:

<http://policies.uws.edu.au/view.current.php?id=00051>

Misconduct – Student Non-Academic Misconduct Policy:

<http://policies.uws.edu.au/view.current.php?id=00104>

The “Current Students” page of the UWS web site <http://www.uws.edu.au/students> contains many important links, including:

- Student Administration <http://www.uws.edu.au/students/stuadmin>: This site contains much of the information necessary for the administration of your course throughout your study at UWS;
- Student Support Services <http://www.uws.edu.au/students/ods>: This site is a useful resource for students and a hub for coordinating developments to improve your university experience.
- e-learning <http://www.uws.edu.au/students/onlinesupport>: This is your entry to all aspect of e-learning at UWS
- Students with a disability should visit: http://www.uws.edu.au/students/counselling_disability
- Course and unit rules [http://www.uws.edu.au/students/stuadmin/enrolments/enrolment requirements](http://www.uws.edu.au/students/stuadmin/enrolments/enrolment_requirements): This site provides information on pre-requisites, co-requisites and other matters concerning how your course is structured.
- Policies <http://www.uws.edu.au/policies/a-z>. This site includes the full details of policies that apply to you as a UWS student.

Important Policies Affecting Students

- Assessment and Examinations Policy
- Assessment Practice – Fundamental Code
- Enrolment Policy (includes a section on the UWS Student Email Account)

What is Academic Misconduct?

Academic Misconduct may involve one or more of the following:

Plagiarism

Plagiarism involves submitting or presenting work in a unit as if it were the student's own work done expressly for that particular unit when, in fact, it was not. Most commonly, plagiarism exists when:

- a. the work submitted or presented was done, in whole or in part, by an individual other than the one submitting or presenting the work;
- b. parts of the work are taken from another source without reference to the original author; or
- c. *the whole work, such as an essay, is copied from another source such as a website or another student's essay.*

Acts of plagiarism may occur deliberately or inadvertently

- b. **Inadvertent plagiarism** occurs through inappropriate application or use of material without reference to the original source or author. In these instances, it should be clear that the student did not have the intention to deceive. The University views inadvertent plagiarism as an opportunity to educate students about the appropriate academic conventions in their field of study.
- 1. **Deliberate plagiarism** occurs when a student, using material from another source and presenting it as his or her own, has the intention to deceive. The University views a deliberate act of plagiarism as a serious breach of academic standards of behaviour for which severe penalties will be imposed.

Collusion

Collusion includes inciting, assisting, facilitating, concealing or being involved in plagiarism, cheating or other academic misconduct with others.

Cheating

Cheating includes, but is not limited to:

- a. dishonest or attempted dishonest conduct during an examination, such as speaking to other candidates or otherwise communicating with them;
- b. bringing into the examination room any textbook, notebook, memorandum, other written material or mechanical or electronic device (including mobile phones), or any other item, not authorised by the examiner;
- c. writing an examination or part of it, or consulting any person or materials outside the confines of the examination room, without permission to do so;
- d. leaving answer papers exposed to view, or persistent attempts to read other students' examination papers; or
- e. cheating in take-home examinations, which includes, but is not limited to:
 - (i) making available notes, papers or answers in connection with the examination (in whatever form) to others without the permission of the relevant lecturer;

- (ii) receiving answers, notes or papers in connection with the examination (in whatever form) from another student, or another source, without the permission of the relevant lecturer; and
- (iii) unauthorised collaboration with another person or student in the formulation of an assessable component of work.

For the full definition of academic misconduct and the consequences of such behaviour,

students are advised to read the Misconduct – Student Academic Misconduct Policy in its entirety, refer to:

<http://policies.uws.edu.au/view.current.php?id=00051>

7. Expectations of student conduct

A 10 credit point unit has a workload of 10 hours per week. Therefore, if class time totals three hours per week, students would be expected to work for seven hours out of class.

Self-study

It is important to note that most learning will be achieved outside of class time. This unit has been designed with the expectation that students will prepare for, attend and participate in class as well as review material after classes. It is expected that students will spend an average of seven hours per week in self or group study for this course. Lectures can only provide a structure to assist your study, and tutorials provide an opportunity to follow up and discuss issues. Neither the lecture nor the tutorial will be of any benefit unless you have undertaken the self study required in the course.

Over-commitment has been a cause of failure for many students. You should take the required workload into account when planning how to balance study with employment and other activities.

8. Student feedback and improvements to the unit.

One issue we are trying to address in this unit is the need for students to receive quick and timely feedback on their progress throughout the semester. Students need to know how they are performing, well before important assessment tasks, and to discover any weaknesses that require remedy. As such we will have a number of formative assessment tasks involving the Pearson Educational website associated with the Sloman textbook. All you need to do is go to www.pearsoned.com.au/sloman then click on the book and then click on Start Here and you are in. Don't need any password or user name. Then for each chapter there is a MC exam and the site marks your answers immediately and provides the correct answer. These are not mandatory and carry no assessment weighting. They are purely there to provide you with feedback so that you can see where you are in terms of your understanding of the material. Relating economic theory to simulated real world markets to make it come alive is another aspect of this unit.

We are also providing additional support for students in 200525 through the **PASS** program for Principles of Economics this semester. PASS (Peer Assisted Study Sessions) involves meeting up regularly for an hour with a high-performing second year student to enhance your learning of the subject.

The aim of PASS is to:

- Encourage both independent and group learning
- Develop study strategies
- Work together to help each other
- Gain confidence in the material you are learning
- Have some fun and form friendships

It is a voluntary program and attendance is kept confidential.

The PASS program is one additional way to develop study and interpersonal skills.

Students might bear in mind as they progress through this and other units the skills that employers are looking for:

[What employers are looking for](#)

Graduate Careers Australia (GCA) conducts the annual Graduate Outlook Survey to obtain an overview of current practices and future trends in graduate recruitment in Australia and New Zealand. In 2006, 127 graduate employers from various industries responded to the survey.

Top 10 selection criteria for recruiting graduates:

2. Interpersonal and communication skills
3. Academic Qualifications
4. Work Experience
5. Leadership Skills
6. Passion / knowledge of industry / drive / commitment / attitude
7. Teamwork skills
8. Critical reasoning and analytical skills / problem solving / lateral thinking / technical skills
9. Emotional Intelligence (including self-awareness, strength of character, confidence, motivation)
10. Activities—includes both intra and extra curricular
11. Cultural Alignment / Values Fit

Top 10 least desirable characteristics when recruiting graduates:

1. Lack of Interpersonal and communication skills, lack of leadership skills
2. Lack of drive, motivation enthusiasm and initiative
3. Arrogance / selfishness, aggression, dominating
4. Poor team work skills
5. Poor or inappropriate academic qualifications or results
6. Inflexibility / inability to accept direction, challenges or change
7. Other
8. Poor attitude / lack of work ethic / approach to work
9. Lack of emotional intelligence, self awareness or self confidence
10. Lack of commitment / high absenteeism / lack of loyalty.

Source: Graduate Outlook 2006: A Snapshot, Graduate Careers Australia

9. Checklists

Suggested weekly study structure

- *Self study/preparation for the lecture*
Read the relevant chapter(s) of the texts and download the lecture overheads from the vUWS **before the lecture**. This will give you a general idea of the topic area. Complete any assessment tasks due during the week.
- *Attend the lecture*
Here the context and the important elements of the lecture topic are identified. The relevance of the topic should be explained.
- *Self study – Lecture review/tutorial preparation*
Prepare answers for the Tutorial Questions. This will identify the things you need to do to demonstrate your understanding of a topic, and guide your re-reading of specific parts of the text. This will also provide a self-test of your understanding, and identify those parts of the topic with which you have problems. This should be done after the lecture and before the following week's tutorial.
- *Attend and participate in Tutorials*
In tutorials you should prepare rough answers to the Questions so that you can contribute to the discussion or participate in group presentations. The tutorial questions are your best preparation for writing essay-type exam answers.
- *Seek help if you need it*
Since the tutorial time is limited, problems may also be addressed by consulting with your tutor or lecturer *in their consultation hours*, or at the PASS meetings.

Students should access vUWS and check their student email account on a weekly basis. Access to the unit's vUWS site is only available to students who are enrolled in the unit. (Students can be disenrolled if they fail to meet their financial obligations to the university, e.g. failure to pay library fines). Therefore students must be correctly enrolled in order to complete the unit. If students do not have access or find that access is lost, contact the Student Centre to check enrolment.

E-Learning Support for Students: <http://www.uws.edu.au/students/onlinesupport/home>