Unit Outline*

ECON8540

Economic Analysis and Policy

Semester 2, 2011
Crawley

Assistant Professor Sam-Ho Lee
Associate Professor Sam Tang

Business School
www.business.uwa.edu.au

* This Unit Outline should be read in conjunction with the Business School **Unit Outline Supplement** available on the Current Students web site [http://www.business.uwa.edu.au/students](http://www.business.uwa.edu.au/students)
UNIT DESCRIPTION

Introduction

Welcome to Economic Analysis and Policy. This is an intermediate unit that covers theoretical analysis and policy applications in both microeconomics and macroeconomics. Microeconomics topics include consumer and producer theory, choice under uncertainty; externalities; and game theory. Macroeconomics topics include financial markets, including money and inflation, the theory of short run fluctuations and the effects of monetary and fiscal policy.

Unit content

The content of this unit is largely drawn from ECON2233 Microeconomics and ECON2234 Macroeconomics. However, it is taught at postgraduate level, drawing on the skills and professional experiences of students and placing greater emphasis on student interaction and discussion.

(i) Microeconomics:

- opportunity cost and the broad notion of the ‘economic way of thinking’
- rational action and individual’s utility maximization in economic models of consumer choice
- changes in consumer choices and changes in prices and/or incomes
- rational action and profit maximisation in the economic theory of the firm
- the concepts of positive and negative externalities and the evaluation of alternative methods of dealing with them
- the tools for analysis choice under uncertainty and how to apply them to industries such as insurance and gambling

(ii) Macroeconomics:

- the Solow growth model for analysing the forces of economic growth
- equilibrium in the goods market and the financial market for a closed economy
- the IS-LM model and how it can be used to analyse the effects of fiscal and monetary policy on output and unemployment in the short run
- the AS-AD model and how it can be used to analyse the effects of government policy on output and unemployment in the short run

The Goal of the unit

- To provide students with an understanding of core intermediate level concepts in microeconomics.
- To provide students with an understanding of core intermediate level concepts in macroeconomics.
- To provide for the ‘fast tracking’ of MCom students understanding of core economics to a level that will enable them to enrol in ECON 7402 Microeconomic theory and ECON7418 Macroeconomic theory. As such, MCom graduates would then have the opportunity to continue their professional training in economics by enrolling in the MEcon program.
Learning outcomes

On completion of this unit, you should:

- grasp the economic way of thinking;
- model how a consumer chooses so as to maximise utility given constraints;
- show how consumer choices may change when prices or income change;
- model how a firm chooses so as to maximise profits given constraints;
- understand how to use the economic concept of opportunity costs;
- grasp the determinants of supply, demand, market price and perfect competition;
- apply the concept of game theory to understand the behaviour of oligopolstic firms.
- Understand how equilibrium is determined in the goods and financial markets in a closed economy.
- Understand the mechanics of fiscal and monetary policy.
- Use the AS-AD model to analyse the effects of government policy on the movements of goods, financial and labour markets.
- Understand the major forces of economic growth.

Educational Principles and Graduate Attributes

In this unit, you will be encouraged and facilitated to develop the ability and desire to:

- Demonstrate the ability to apply, analyse, synthesise and evaluate information from multiple sources to make decisions about the economic performance of markets;
- Demonstrate the ability to communicate orally to a professional standard to peers in class room discussion in relation to economics matters;
- Demonstrate an ability to work effectively in independent analysis and to produce clear and concise written evaluations of economics material and the performance of markets;
- Recognise, understand and respond to potential the various equity and efficiency issues confronting government and policy makers.

TEACHING AND LEARNING RESPONSIBILITIES

Teaching and learning strategies

For this unit, students are required to be prepared for lectures. You should spend time reading the required chapters before each lecture.

If you are having difficulty understanding the economic theory and concepts, you can seek assistance from the lecturer during seminars or consultation times. The focus of the mid semester test and final examination is to assess your level of understanding and ability to apply economic concepts.

During tutorials, the focus will be on application of economic theory and concepts. Hence, you are expected to contribute and participate in discussions on economic issues.

Teaching and learning evaluation

You may be asked to complete two evaluations during this unit. The Student Perception of Teaching (SPOT) and the Students' Unit Reflective Feedback (SURF). The SPOT is optional and is an evaluation of the lecturer and the unit. The SURF is completed online and is a university wide survey and deals only with the unit. You will receive an email from the SURF office inviting you to complete the SURF when it is activated. We encourage you to complete the forms as your feedback is extremely important and can be used to make changes to the unit or lecturing style when appropriate.

The feedback from students gained through these surveys is taken into account when the unit is updated.
Attendance

Participation in class, whether it be listening to a lecture or getting involved in other activities, is an important part of the learning process, therefore it is important that you attend classes. More formally, the University regulations state that ‘to complete a course or unit students shall attend prescribed classes, lectures, seminars and tutorials’. Where a student, due to exceptional circumstances, is unable to attend a scheduled class, they are required to obtain prior approval of the unit coordinator to be absent from that class. Any student absent from class without having had such absence approved by the unit coordinator may be referred to the faculty for advice and may be required to withdraw from the unit.

CONTACT DETAILS

We strongly advise students to regularly access their student email accounts. Important information regarding the unit is often communicated by email and will not be automatically forwarded to private email addresses.

<table>
<thead>
<tr>
<th>Unit coordinator/lecturer</th>
<th>Name: Assistant Professor Sam-Ho Lee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Email:</td>
<td><a href="mailto:samho.lee@uwa.edu.au">samho.lee@uwa.edu.au</a></td>
</tr>
<tr>
<td>Phone:</td>
<td>6488 5655</td>
</tr>
<tr>
<td>Consultation hours:</td>
<td>Tuesday, 2.00pm - 4.00pm</td>
</tr>
<tr>
<td>Lecture day and time:</td>
<td>Friday, 5.00pm - 8.00pm</td>
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<tr>
<td>Lecture venue:</td>
<td>BUSN: 242</td>
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<tr>
<th>Unit coordinator/lecturer</th>
<th>Name: Associate Professor Sam Tang</th>
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<tr>
<td>Email:</td>
<td><a href="mailto:sam.tang@uwa.edu.au">sam.tang@uwa.edu.au</a></td>
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<tr>
<td>Phone:</td>
<td>6488 2931</td>
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TEXTBOOK(S) & RESOURCES

Unit Website

www.webct.uwa.edu.au

Recommended/required text(s)

1. Perloff, JM 2010, Microeconomics, 5th edn, Pearson, Boston, US.
2. Weil, Blanchard and Sheen, 2011, Macroeconomics: Theory & Applications (WBS)

Additional resources & reading material

From time to time additional material will be provided, including case studies. This material will be made available through WebCT and where required for class, for example, case studies to be used in class discussion, it will be provided directly to students.

UNIT SCHEDULE

<table>
<thead>
<tr>
<th>Week #</th>
<th>Topic (Lecturer)</th>
<th>Independent activity (e.g. readings)</th>
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<tbody>
<tr>
<td>1 1 Aug</td>
<td>Introduction to Microeconomics: Supply and Demand (SHL)</td>
<td>P, Chapter 1, 2.1-2.4</td>
</tr>
<tr>
<td>2 8 Aug</td>
<td>Introduction to Macroeconomics: Economic Growth, Physical Capital and the Solow Model (ST)</td>
<td>WBS, Section 1: Chapter 1, 2 and 3</td>
</tr>
<tr>
<td>3 15 Aug</td>
<td>Deriving Demand: Consumer Theory (SHL)</td>
<td>P, Chapter 4.1-4.4, 5.1-5.2</td>
</tr>
<tr>
<td>4 22 Aug</td>
<td>Deriving Supply: Firm Theory (SHL)</td>
<td>P, Chapter 6, 7</td>
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<tr>
<td>5 29 Aug</td>
<td>Competitive Market and Welfare (SHL)</td>
<td>P, Chapter 8, 9.1-9.3</td>
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<tr>
<td>6 5 Sep</td>
<td>Monopoly (SHL)</td>
<td>P, Chapter 11.1, 11.3-7</td>
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<tr>
<td>7 12 Sep</td>
<td>Oligopoly (SHL)</td>
<td>P, Chapter 13</td>
</tr>
<tr>
<td>8 19 Sep</td>
<td>In-class midterm test (20%)</td>
<td></td>
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<tr>
<td>9 3 Oct</td>
<td>The Goods Market (ST)</td>
<td>WBS, Section 2: Chapter 3</td>
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<tr>
<td>10 10 Oct</td>
<td>Financial Markets (ST)</td>
<td>WBS, Section 2: Chapter 4</td>
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<td>11 17 Oct</td>
<td>The IS-LM Model (ST)</td>
<td>WBS, Section 2: Chapter 5</td>
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<tr>
<td>12 24 Oct</td>
<td>The Labour Market (ST) (28th Oct University closed queen’s birthday, Make up class TBA)</td>
<td>WBS, Section 2: Chapter 6</td>
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<tr>
<td>13 31 Oct</td>
<td>Putting All Markets Together: The AS-AD Model (ST)</td>
<td>WBS, Section 2: Chapter 7</td>
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Required readings

The following journal articles are required readings for the specified weeks. You will take a quiz and answer questions relating to these articles in class. You can find a copy of these articles on the unit website. The assessment for the required readings is worth a total of 20% of the unit.

**Required reading for Week 9:**

**Required reading for Week 10:**

**Required reading for Week 11:**

**Required reading for Week 12:** *University Closed for Queen’s Birthday - Make up class TBA*

**Required reading for Week 13:**

ASSESSMENT MECHANISM

**Assessment mechanism summary**

<table>
<thead>
<tr>
<th>Component</th>
<th>Weight</th>
<th>Date</th>
<th>Submission</th>
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</thead>
<tbody>
<tr>
<td>Class Test – 1 hour</td>
<td>20%</td>
<td>Week 8, 23 September 2011</td>
<td></td>
</tr>
<tr>
<td>1 Essay (Microeconomics)</td>
<td>10%</td>
<td>Week 10, 14 October 2011</td>
<td>In-class quizzes</td>
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<tr>
<td>5 Quizzes (Macroeconomics)</td>
<td>20%</td>
<td></td>
<td>Handed in electronically through WebCT</td>
</tr>
<tr>
<td>Final Examination- 2 hours</td>
<td>50%</td>
<td>Exam Period</td>
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**Note 1:** Results may be subject to scaling and standardisation under faculty policy and are not necessarily the sum of the component parts.

**Note 2:** Your assessed work may also be used for quality assurance purposes, such as to assess the level of achievement of learning outcomes as required for accreditation and audit purposes. The findings may be used to inform changes aimed at improving the quality of Business School programs. All material used for such processes will be treated as confidential, and the outcome will not affect your grade for the unit.
Assessment item # 1 - Class Test (20%)

The Class Test will be held at 5.00pm on Friday, 23 September, 2011 and will cover all the material from Microeconomics. The test will be of one hour duration. The test will be held in the usual lecture venue. There will be no lecture after the test.

Assessment item # 2 - Case Study Report (30%)

For Microeconomics, students should pick a newspaper or magazine article and write 1-2 page comments on it. The article must be the one published in or after July 2011. The copy of the original article and written comments should be handed in together. Students are encouraged to discuss the picked up article before mid-term exam.

For Macroeconomics, students are expected to read 5 journal articles listed under Required Readings. These articles are important for understanding the lecture material and recent development in macroeconomics. Students will sit for a quiz for each required reading. The five quizzes are worth 20% (or 4% for each quiz) of the total assessment.

Assessment item # 3 - Final Exam (50%)

A two-hour examination will be held during the exam period. It will comprise of multiple choice questions and short answer questions.

The final exam will cover all the topics from Week 1 to 13 including Microeconomics, although the emphasis will be on Macroeconomics.

Submission of assignments

Assignment should be handed in through WebCT. Electronic source of the relevant article should be indicated or a hard copy of it should be handed in separately.

Late assignments will attract a penalty of 5% per day. This penalty will be waived by the lecturer only in exceptional circumstances. No marks will be awarded to assignments submitted after other students in the class have had their assignments returned.

Assignments will be returned through the Postgraduate Student Centre.

It is the intention that the marked assignments will be returned within two weeks of submission.

Student Guild

Phone: (+618) 6488 2295
Facsimile: (+618) 6488 1041
E-mail: enquiries@guild.uwa.edu.au
Website: http://www.guild.uwa.edu.au

Charter of Student Rights and Responsibilities

The Charter of Student Rights and Responsibilities outlines the fundamental rights and responsibilities of students who undertake their education at UWA (refer http://handbooks.uwa.edu.au/undergraduate/polipro/policies/StudentRights ).

Appeals against academic assessment

The University provides the opportunity for students to lodge an appeal against assessment results and/or progress status (refer http://www.secretariat.uwa.edu.au/home/policies/appeals ).