THE UNIVERSITY OF NEW SOUTH WALES

SCHOOL OF ECONOMICS

ECON5103 BUSINESS ECONOMICS

SESSION 1, 2007

COURSE INFORMATION AND LECTURE SCHEDULE

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Tel: 9385 3379
nigel.stapledon@unsw.edu.au

Course Administrator/Tutor:
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Course Website
http://vista.elearning.unsw.edu.au
## CONTENTS

<table>
<thead>
<tr>
<th>1. Teaching Staff</th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Information About the Course</td>
<td>2</td>
</tr>
<tr>
<td>2.1 Units of Credit and Class Hours</td>
<td>2</td>
</tr>
<tr>
<td>2.2 Lecture Times and Locations</td>
<td>2</td>
</tr>
<tr>
<td>2.3 Tutorial Group Allocations</td>
<td>2</td>
</tr>
<tr>
<td>2.4 Relationship of This Course to Other Courses</td>
<td>2</td>
</tr>
<tr>
<td>2.5 Approach to Learning and Teaching</td>
<td>2</td>
</tr>
<tr>
<td>3. Course Aims and Outcomes</td>
<td>3</td>
</tr>
<tr>
<td>3.1 Course Aims</td>
<td>3</td>
</tr>
<tr>
<td>3.2 Student Learning Outcomes</td>
<td>3</td>
</tr>
<tr>
<td>3.3 Teaching and Learning Strategies</td>
<td>3</td>
</tr>
<tr>
<td>4. Student Responsibilities and Conduct</td>
<td>5</td>
</tr>
<tr>
<td>4.1 Workload</td>
<td>5</td>
</tr>
<tr>
<td>4.2 Attendance</td>
<td>5</td>
</tr>
<tr>
<td>4.3 General Conduct and Behaviour</td>
<td>5</td>
</tr>
<tr>
<td>4.4 Keeping Informed</td>
<td>5</td>
</tr>
<tr>
<td>5. Assessment</td>
<td>5</td>
</tr>
<tr>
<td>5.1 Formal Requirements</td>
<td>5</td>
</tr>
<tr>
<td>5.2 Assessment Details</td>
<td>5</td>
</tr>
<tr>
<td>5.3 Special Consideration and Supplementary Exams</td>
<td>8</td>
</tr>
<tr>
<td>6. Academic Honesty and Plagiarism</td>
<td>9</td>
</tr>
<tr>
<td>7. Student Resources</td>
<td>10</td>
</tr>
<tr>
<td>7.1 Course Website</td>
<td>10</td>
</tr>
<tr>
<td>7.2 Textbook and Readings</td>
<td>10</td>
</tr>
<tr>
<td>7.3 Other Resources, Support and Information</td>
<td>11</td>
</tr>
<tr>
<td>8. Continual Course Improvement</td>
<td>12</td>
</tr>
<tr>
<td>9. Lecture Schedule</td>
<td>13</td>
</tr>
</tbody>
</table>
1. TEACHING STAFF

The **Course Administrator** is Abu Shonchoy (JG132; Ph. 93851346, email: abu.shonchoy@unsw.edu.au).

Any questions regarding administrative matters (such as your allocation to a tutorial group) should be directed to the Course Administrator.

However, much of the information concerning administrative matters may also be obtained from the School of Economics Office on the second floor of the John Goodsell Building (JG 223; Ph. 93853335).

The **Lecturer-in-charge** is Nigel Stapledon (JG202; Ph. 93853379, email: nigel.stapledon@unsw.edu.au).

The Lecturer-in-charge is responsible for the overall direction and content of the course. You should feel free to approach your lecturer about any academic matter.

The second **Tutor** is Claire Wang (email: iamclairewang@yahoo.com)

The Lecturer, Course Administrator and Tutor may be contacted by e-mail. However, please ask questions in class, or consultation time, as email is very inefficient use of time. The Lecturer, Course Administrator and Tutor will have specific consultation hours. These hours will be advised in class.

2. INFORMATION ABOUT THE COURSE

2.1 **UNITS OF CREDIT AND CLASS HOURS**

This course is worth 6 units of credit.

There is 1 x 2 hour lecture per week and 1 x 1 hour tutorial class.

2.2 **LECTURE TIMES AND LOCATIONS**

Lecture: Monday 7 – 9pm  CLB8

2.3 **TUTORIAL GROUP ALLOCATIONS**

Tutorials will commence in Week 2. Tutorials will be held on Mondays at the following times: 4pm-5pm, 5pm-6pm, and 6pm-7pm. Allocation to Tutorials will be finalised during Week 1 after the first lecture. Students are expected to attend the tutorial to which they have been allocated. If you are not allocated a tutorial or wish to change your allocated time, contact/see the Course Administrator Abu Shonchoy.

2.4 **RELATIONSHIP OF THIS COURSE TO OTHER COURSES**

ECON5103 is a prerequisite for other postgraduate courses offered by the School of Economics.

It is also designed to satisfy the requirements of professional bodies, which require their members to have a basic knowledge of Economics.

2.5 **APPROACH TO LEARNING AND TEACHING**

The philosophy underpinning this course and its Teaching and Learning Strategies (see 3.3 below) are based on “Guidelines on Learning that Inform Teaching at UNSW.

These guidelines may be viewed at: [www.guidelinesonlearning.unsw.edu.au](http://www.guidelinesonlearning.unsw.edu.au).
3. COURSE AIMS AND OUTCOMES

3.1 COURSE AIMS
The aim of this course is to provide an introduction to economic analysis, with particular applications to decision-making in business. On completion of this course, students should have an understanding of economic concepts, be able to construct economic arguments in terms of these concepts, and be able to apply simple economic models to the analysis of relevant economic issues.

The course assumes no previous study of economics.

3.2 STUDENT LEARNING OUTCOMES
The course aims to provide benefits to business students in terms of:

• The ability to use economic principles in ‘rational’ decision-making;
• An understanding of the economic environment in which business decisions must be made;
• An understanding of the key business and economic statistics that are periodically released by Australian government and international agencies, including the Australian Bureau of Statistics, the Reserve Bank of Australia, the Australian Treasury, the OECD and the IMF; and
• An understanding of the role and impact of economic policy.

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

1. Demonstrate an understanding of economic concepts and their appropriate usage
2. Construct economic arguments in terms of these concepts, and present logical economic arguments in both written and oral form
3. Apply simple economic models to the analysis of relevant economic issues.

3.3 TEACHING AND LEARNING STRATEGIES

The examinable content of the course is defined by the Text references given in the Lecture Schedule, the content of Lectures, and the content of the Tutorial Program.

Lectures
The purpose of Lectures is to provide a logical structure for the topics that make up the course; to emphasise the important concepts and methods of each topic, and to provide relevant examples to which the concepts and methods are applied.

Tutorials
The purpose of tutorial meetings is primarily to provide an opportunity for small group discussion of issues to which economic concepts and methods can be applied, and to provide practice and feedback in the construction of short essays addressing specific questions. (The Discussion Questions).

A Tutorial Program of Discussion Questions and Review Questions is provided for each tutorial meeting.

The Review Questions consist of selected end-of-chapter problems from the textbook (McTaggart) and other problems and exercises. Students should attempt each set of weekly exercises and check the solutions on the course website, prior to each tutorial.

If time permits, tutorials may also provide an opportunity for assistance with those Review Questions that provide difficulties for students.
Out-of-Class Study
While students may have preferred individual learning strategies, it is important to note that most learning will be achieved outside of class time. Lectures can only provide a structure to assist your study, and tutorial time is limited. An “ideal” strategy (on which the provision of the course materials is based) might include:

* Reading of the relevant chapter(s) of the text and accessing the lecture overheads from the course website before the lecture. This will give you a general idea of the topic area.

* Attendance at lecture. Here the context of the topic in the course and the important elements of the topic are identified. The relevance of the topic should be explained.

* Attempting the Review Questions, checking their solutions, and preparing notes for the Discussion 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.

* Attending Tutorials Your notes on the Discussion Question(s) should equip you to take part in discussion of the issues and provide feedback about how you would construct an essay type answer to the Discussion Question as practice for the similar questions that will appear in the final exam paper.
4. **STUDENT RESPONSIBILITIES AND CONDUCT**

4.1 **WORKLOAD**
It is expected that you will spend at least *ten hours* per week studying this course. This time should be made up of reading, research, working on exercises and problems, and attending classes. In periods where you need to research and write-up an assignment, or prepare for an exam, the workload may be greater.

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.

4.2 **ATTENDANCE**
Your regular and punctual attendance at lectures and seminars is expected in this course. University regulations indicate that if students attend less than eighty per cent of scheduled classes they may be refused final assessment.

4.3 **GENERAL CONDUCT AND BEHAVIOUR**
You are expected to conduct yourself with consideration and respect for the needs of your fellow students and teaching staff. Conduct which unduly disrupts or interferes with a class, such as ringing or talking on mobile phones, is not acceptable and students may be asked to leave the class. More information on student conduct is available at: [www.my.unsw.edu.au](http://www.my.unsw.edu.au)

4.4 **KEEPING INFORMED**
You should take note of all announcements made in lectures, tutorials or on the course web site. In particular you should check “Announcements” on the course website at least once a week. From time to time, the University will send important announcements to your university e-mail address without providing you with a paper copy. You will be deemed to have received this information.

5. **ASSESSMENT**

5.1 **FORMAL REQUIREMENTS**
In order to pass this course, you must:
- achieve a composite mark of at least 50; and
- make a satisfactory attempt at all assessment tasks (see below).

5.2 **ASSESSMENT DETAILS**
Assessment will consist of:
- Mid-Session Examination (23 April 6pm) 20%
- Essay Assignment (Due midnight 20 May) 15%
- Tutorial Participation 5%
- Final Examination 60%
- TOTAL 100%
ESSAY ASSIGNMENT
Written Assignment
The written assignment requires students to submit a report written in grammatical English

**Topic 1: Impact on business of policies to address climate change.**

You work for an Australian company which produces aluminium for both the domestic and export markets. All world governments, including the Australian Government announces that they intend to introduce policies designed to reduce the emission of carbon dioxide (greenhouse gases) by industry. To produce aluminium, your company operates an electricity generation plant which consumes brown coal (the highest output of carbon dioxide of all fuels). You are asked to advise the CEO and Board of the company on the implications and options for the company.

The report is to address the following:
(i) Explain why carbon dioxide emissions are a form of market failure.
(ii) Compare the options of a carbon tax and tradeable emission permits. What are the advantages/disadvantages of the two options? Why does the Productivity Commission prefer tradeable emission permits?
(iii) Discuss the impact on the business if tradeable emission permits are introduced.
(iv) What are the alternative strategies for the company?

The lecture notes in week 7 will cover this topic.
McTaggart Chapter 16, pp 375-381 relate to this question.

**Topic 2: The factors determining movements in the general level of interest rates in Australia**

You work for an Australian company which has loans, some of which are floating rate (variable rate of interest reset every 90 days based on margin over the 90 day bank bill market rate) and the balance is at a 5-year fixed rate (set margin over 5 year bank bill swap rate). The fixed rate component is due to mature shortly and be refinanced and the senior management has asked their bank for advice on whether to increase or decrease the portion of their debt which is fixed.

You are asked to advise the senior management on the factors, and mechanisms by which those factors, determine the movement of:

(i) short term interest rates
(ii) long term interest rates

The objective is to inform them so that they are able to understand/question the advice they receive from the bank, not to give an opinion on the direction of interest rates. That is, it is not your task to provide a prediction. Rather you are to provide a summary of the factors which determine movements in Australian interest rates, and the direction and mechanisms by which these factors affect interest rates.
This question will be covered in the second half of the course in Weeks 9-11. Reserve Bank Bulletin, and Statements on Monetary Policy (www.rba.gov.au – and follow links);
Stegman T and B Junor (1993), Introductory Macroeconomics, Harcourt Brace Ch 10. Additional references will be provided in class.

Your report must not exceed 1200 words (exclusive of tables, appendices and references). An electronic copy in word format (not PDF) should be submitted to WebCT- Vista by 12 midnight [24.00] on 20 May – this is the dead-line for submission. For each day that the assignment is late a deduction of 10% (1.5 marks) applies.

For convenience of the markers, a paper copy should be submitted to your tutor in the tutorial on 21 May.

MID-SESSION EXAMINATION:
A mid-session exam will be held on Monday 23 April at 6pm. (Location to be advised) There are no lectures or tutorials held this week (Week 8). The location of the examination will be announced in lectures and will also be posted on the course Website. The exam will cover materials covered in Lectures Weeks 1-7 inclusive), and will consist of 20 multiple-choice questions worth a total of 20 marks to be answered in 60 minutes.
The purpose of this assessment is to test knowledge of concepts, the ability to use economic reasoning to make deductions, and to perform simple calculations of costs and benefits. Sample practice questions will be provided on the course website.
Note: There will be NO supplementary exam offered for the Mid-Session Examination. Students who fail to attend the Mid-session Examination will need to apply for Special Consideration. Special Consideration applications must be made within 3 days of the Exam through StudentCentral in the Chancellery and NOT through the lecturer-in-charge or course administrator (you should advise the course administrator that you have made an application). You will need to provide full documentation of the reason for the absence (e.g., illness). Employment obligations of any kind are not acceptable reasons for absence from any test/examination.
Those students whose requests are granted for Special Consideration for the mid-session examination, will have their final mark re-weighted according to the weight of the missed piece of assessment. (e.g. if consideration is granted for a student’s absence from the mid-session examination, their Tutorial Assessment and Final Exam marks will be scaled up by a factor of 1.25).

FINAL EXAMINATION:
This will be held in the University examination period (November) and will be 2 hours long. The final exam will cover the entire course. The format of the examination will be:
Part A: 20 multiple choice questions
Part B: 1 essay type questions from a choice of 3 covering Lecture Topics Weeks 1 – 7.
Part C: 1 essay type questions from a choice of 3 covering Lecture Topics Weeks 9 – 14.
Further information on the content of the Final Exam will be provided towards the end of session.
The purpose of the final exam is to assess knowledge of economic concepts and their appropriate use, to test the ability to use economic reasoning to make deductions, and to test the ability to perform simple calculations of costs and benefits.

*It is important to note that a satisfactory performance in the Final Examination is required to pass this course.*

**5.3 SPECIAL CONSIDERATION AND SUPPLEMENTARY EXAMINATIONS**

A supplementary final examination *may* be offered to students who failed to attend the final examination for medical reasons, or whose performance during the final examination has been severely affected by illness, or other extraordinary circumstances that can be documented by the student. Supplementary examinations are not offered as a matter of course. The following conditions *must* be fulfilled before such an application to sit for a supplementary final examination will be considered:

(i) The student's performance during the session (based on the student’s assignment mark and mid-session exam mark) must be deemed to be at a satisfactory level by the lecturer-in-charge, and

(ii) The student has applied for special consideration which is made through StudentCentral within 5 days of the final examination, and the application is supported with full documentation.

Notes:

*If* a supplementary examination is granted, the format of that examination will be similar to that of the final examination.

Students who are granted a supplementary examination will be advised of the date of the supplementary exam as soon as possible, and students have the responsibility to make themselves available to sit for the supplementary exam on the date specified.
6. ACADEMIC HONESTY AND PLAGIARISM

The University regards plagiarism as a form of academic misconduct, and has very strict rules regarding plagiarism. For full information regarding policies, penalties and information to help you avoid plagiarism see:

www.my.unsw.edu.au/student/atoz/Plagiarism

Plagiarism is the presentation of the thoughts or work of another as one’s own.* Examples include:

- direct duplication of the thoughts or work of another, including by copying work, or knowingly permitting it to be copied. This includes copying material, ideas or concepts from a book, article, report or other written document (whether published or unpublished), composition, artwork, design, drawing, circuitry, computer program or software, web site, Internet, other electronic resource, or another person’s assignment without appropriate acknowledgement;
- paraphrasing another person’s work with very minor changes keeping the meaning, form and/or progression of ideas of the original;
- piecing together sections of the work of others into a new whole;
- presenting an assessment item as independent work when it has been produced in whole or part in collusion with other people, for example, another student or a tutor; and,
- claiming credit for a proportion a work contributed to a group assessment item that is greater than that actually contributed.†

Submitting an assessment item that has already been submitted for academic credit elsewhere may also be considered plagiarism.

The inclusion of the thoughts or work of another with attribution appropriate to the academic discipline does not amount to plagiarism.

Students are reminded of their Rights and Responsibilities in respect of plagiarism, as set out in the University Undergraduate and Postgraduate Handbooks, and are encouraged to seek advice from academic staff whenever necessary to ensure they avoid plagiarism in all its forms.

The Learning Centre website is the central University online resource for staff and student information on plagiarism and academic honesty. It can be located at:

www.lc.unsw.edu.au/plagiarism

The Learning Centre also provides substantial educational written materials, workshops, and tutorials to aid students, for example, in:

- correct referencing practices;
- paraphrasing, summarising, essay writing, and time management;
- appropriate use of, and attribution for, a range of materials including text, images, formulae and concepts.

Individual assistance is available on request from The Learning Centre.

Students are also reminded that careful time management is an important part of study and one of the identified causes of plagiarism is poor time management. Students should allow sufficient time for research, drafting, and the proper referencing of sources in preparing all assessment items.

* Based on that proposed to the University of Newcastle by the St James Ethics Centre. Used with kind permission from the University of Newcastle

† Adapted with kind permission from the University of Melbourne.
7. STUDENT RESOURCES

7.1 COURSE WEBSITE
All course materials, announcements, and grades for assessments will be posted on the
course website. The website should be checked regularly. It is accessible through
http://vista.elearning.unsw.edu.au

7.2 TEXTBOOK AND READINGS
The textbook for this course is:
Education Australia, Sydney. (Library Call No S330.5/701).

The publishers provide a range of support material for the textbook, including a study
guide, a book of topical applications, and an on-line suite of tools for students
(MyEconLab). Information on accessing this support material is provided in the
introduction to the text.
While the support material may provide useful additional assistance to your study of the
subject matter, the support material is not required reading. Students must make their
own judgement as to whether accessing and using the support material is worthwhile.
The examinable content of the textbook is defined by the Lecture Schedule and the
Tutorial Program (see below).

Other useful readings:
The library holds a wide range of alternative textbooks covering microeconomic
principles. While the text set for this course is sufficient reading, if you wish to
supplement this with additional readings, you may consult these alternative books.
Some useful texts are (with the Library Call Number shown in brackets):

Frank, Robert H. and Ben S. Bernanke 2nd Ed. (2004), Principles of Microeconomics,
McGraw-Hill Irwin. (SQ338.5/197)
Jackson J., and McIver, (later editions), Microeconomics,. (S338.5/155);
Macroeconomics (S339/246); Economics (S330/328) McGraw-Hill International
Book Co.,
Miles, D. and Scott, A. (2005), Macroeconomics: Understanding the Wealth of Nations,
John Wiley & Sons,
Stegman T and B Junor (1993), Introductory Macroeconomics, Harcourt Brace
(S339/212)
7.3 OTHER RESOURCES, SUPPORT AND INFORMATION

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

- Learning and study support;
- Counselling support;
- Library training and support services;
- Disability support services;

EDUCATIONAL DEVELOPMENT UNIT

Additional learning support, tailored to the needs of FCE students, is available from the Education Development Unit (EDU) in the Faculty. The EDU offers a range of services for FCE students including:

- academic skills workshops run throughout the session;
- printed and on-line study skills resources e.g. referencing guide, report writing and exam preparation;
- a drop-in resource centre containing books and audio visual material that may be borrowed;
- a limited consultation service for students with individual or small group learning needs.

More information about the EDU services including on-line resources, workshop details and consultation request forms are available from the EDU website.

Contacts and location:
EDU Web: http://education.fce.unsw.edu.au
EDU Location: Room 2039, Level 2 Quadrangle Building
EDU services are free and confidential and are available to students of the Faculty of Commerce and Economics.

OTHER UNSW SUPPORT

In addition to the EDU services, the UNSW Learning Centre provides academic skills support services for students. The Learning Centre is located on Level 2 of the Library and can be contacted by Phone: 9385 3890 or through their website: www.lc.unsw.edu.au.

Students experiencing problems of an academic or personal nature are encouraged to contact the Counselling Service at UNSW. This service is free and confidential and run by professional counsellors. The Counselling Service is located on Level 2, Quadrangle East Wing, and can be contact on 9385 5418.

Those students who have a disability that requires some adjustment in their teaching and learning environment are encouraged to discuss their study needs with the Lecturer in Charge or with the Equity Officer (Disability) prior to, or at the commencement of, their course. The Equity and Diversity Unit can be contacted through 9385 4734 or www.equity.unsw.edu.au/disabil.html.
Students should be aware of Faculty Occupational Health and Safety policies and expectations. See [www2.fce.unsw.edu.au/nps/servlet/portalservice?GI_ID=SystemLoggedOutInheritableArea&maxWnd=Staff_Info_OHS](http://www2.fce.unsw.edu.au/nps/servlet/portalservice?GI_ID=SystemLoggedOutInheritableArea&maxWnd=Staff_Info_OHS)

### 8. CONTINUAL COURSE IMPROVEMENT

Each year feedback is sought from students and other stakeholders about the courses offered in the School and continual improvements are made based on this feedback. UNSW's Course and Teaching Evaluation and Improvement (CATEI) Process ([http://www.ltu.unsw.edu.au/ref4-5-1_catei_process.cfm](http://www.ltu.unsw.edu.au/ref4-5-1_catei_process.cfm)) is one of the ways in which student evaluative feedback is gathered.
## 9. Lecture Schedule

### Part 1 – Micro-Economics

**Week 1**  
**Introduction to Economic Concepts**  
*Opportunity Cost, Efficiency, Comparative Advantage*  
McTaggart Chs 1, 2, 7 (pp 154-157), 9 (pp 200-201).

**Week 2**  
**The Competitive Market Model**  
*Demand, Supply; Elasticity*  
McTaggart Chs 3, 4

**Week 3**  
**Applications of the Competitive Model**  
*Floor and Ceiling Prices; Tax Incidence*  
McTaggart Chs 5, 6, 7

**Week 4**  
**Theory of the Firm and the Perfectly Competitive Market**  
*Production and Costs; The Perfect Competition Market Model*  
McTaggart Chs 9, 10

**Week 5**  
**Market Models**  
*Monopoly, Oligopoly and Monopolistic Competition*  
McTaggart Chs 11, 12

**Week 6**  
**Oligopoly Games and Strategy**  
*Game theory and application to strategic behaviour by firms*  
McTaggart Ch 13

**Week 7**  
**Market Failure**  
*Externalities and Public Goods*  
McTaggart Chs 15, 16, 17

**Week 8**  
**Mid Session Exam held this week.**  
**No lecture or Tutorials in this week**
Part 2 – Macro-economics  (provisional only)

Week 9  **Overview and Measuring Aggregate Economic Activity**  
*national accounting concepts, GDP as measure of economic welfare, inflation and unemployment*

McTaggart  Ch 19, 20, 21

Week 10  **Aggregate Demand and Aggregate Supply**  
*(A simple macro model)*  
*Aggregate demand, expenditure multipliers, aggregate supply, macroeconomic equilibrium*

McTaggart  Ch 22, 24

Week 11  **Fiscal and Monetary Policy**  
*Instruments of fiscal policy, fiscal policy and the economy, fiscal policy in Australia; Money, interest rates, monetary policy tools, monetary transmission mechanism*

McTaggart  Chs 25, 26, 27

Week 12  **Unemployment and Inflation**  
*Labour market indicators, causes of unemployment, Unemployment policy  
Causes and effects of inflation, inflation and unemployment*

McTaggart  Chs 29

Week 13  **Exchange Rates and Balance of Payments**  
*Demand and supply of foreign exchange, fixed and floating exchange rates, the Australian dollar; Balance of payments accounts, foreign debt*

McTaggart  Chs 28, 32

Week 14  **Long-term Economic Growth**  
*Long run aggregate supply, explaining economic growth, convergence of growth rates*

McTaggart  Chs 30

Additional references will be provided in classes.
**Topic 2: The factors determining movements in the general level of interest rates in Australia**

You work for an Australian company which has loans, some of which are floating rate (variable rate of interest reset every 90 days based on margin over the 90 day bank bill market rate) and the balance is at a 5-year fixed rate (set margin over 5 year bank bill swap rate). The fixed rate component is due to mature shortly and be refinanced and the senior management has asked their bank for advice on whether to increase or decrease the portion of their debt which is fixed.

You are asked to advise the senior management on the factors, and mechanisms by which those factors, determine the movement of:

(iii) short term interest rates

(iv) long term interest rates

The objective is to inform them so that they are able to understand/question the advice they receive from the bank, not to give an opinion on the direction of interest rates. That is, it is not your task to provide a prediction. Rather you are to provide a summary of the factors which determine movements in Australian interest rates, and the direction and mechanisms by which these factors affect interest rates.

This question will be covered in the second half of the course in Weeks 9-11. Reserve Bank Bulletin, and Statements on Monetary Policy (www.rba.gov.au – and follow links);
Stegman T and B Junor (1993), Introductory Macroeconomics, Harcourt Brace Ch 10. Additional references will be provided in class.

**Topic 1: Impact on business of policies to address climate change.**

You work for an Australian company which produces aluminium for both the domestic and export markets. All world governments, including the Australian Government announces that they intend to introduce policies designed to reduce the emission of carbon dioxide (greenhouse gases) by industry. To produce aluminium, your company operates an electricity generation plant which consumes brown coal (the highest output of carbon dioxide of all fuels). You are asked to advise the CEO and Board of the company on the implications and options for the company.

The report is to address the following:

(v) Explain why carbon dioxide emissions are a form of market failure.

(vi) Compare the options of a carbon tax and tradeable emission permits. What are the advantages/disadvantages of the two options? Why does the Productivity Commission prefer tradeable emission permits?

(vii) Discuss the impact on the business if tradeable emission permits are introduced.

(viii) What are the alternative strategies for the company?

The lecture notes in week 7 will cover this topic. McTaggart Chapter 16, pp 375-381 relate to this question.