

# [Assingment kushum paudyal student i.d: 129841 lecture’s](https://assignbuster.com/assingment-kushum-paudyal-student-id-129841-lectures/)

ASSINGMENT                                                                       ECONOMICS(ECOM4000)                                                              CAMPUS: ADELAIDESTUDENT NAME: KUSHUM PAUDYALSTUDENT I. D: 129841LECTURE’S NAME: DESS PEARSONSUBJECT CODE: ECOM4000SUBJECT TITLE: ECONOMICSASSESMENT TITLE: INDIVIDUAL ASSINGMENT              KAPLAN BUSINESS SCHOOL, ADELAIDE, SOUTHAUSTRALIA                                                       DECLARATION                                                    Iacknowledge that, this assignment is my own work, it has been expressed in myown words and has not previously been submitted for assessment. The informationI have provided herein is true and correct.                                                                         PART A  1.    Whatare economies of scale? In what market types (i. e. perfect competition, monopoly, oligopoly, monopolistic competition) are economies of scale mostimportant? Why? Accordingto Quarcoo, Bonsi, Tackie and Hunter (2017) economies of scale refers tothe concept of cost advantage that is attained when output or production ofa product or service is increased manifolds.

The theorybehind economies of scale is the inverse relationship thatexists between quantity produced and the fixed costof producing a unit. Whenthe quantity produced increases, the cost per unitdecreases and this leads to economies of scale (Quarcoo, Bonsi, Tackie andHunter 2017).                                               Likewise, according to Burke, Genn-Bash and Haines (2018) economies ofscale is most important for oligopoly. The reason is, ina oligopoly the economies of scale can lead toa drop in average total cost if the competitors are able toout manoeuvre each other . Such a situation ensuresthat the marginal cost is lower than the average total cost over the scope ofproduction run.

An economy of scale is not usefulfor monopolistic competition on a longer run and itis also not useful in perfect competition, asit does not affect the cost per unit production under theseconditions (Burke, Genn-Bash and Haines 2018).    2.    Basedon the article above and some limited research what type of market form youthink the airline industry in Australia was in 2002/03? Support your answerwith reference to theory.                              Inthe year 2002 -03 the Australian airlineindustry was oligopoly (Kain and Webb 2003). Although it wasnot a perfect oligopoly because there were small playerslike virgin blue, but because virgin blue was not ina position to challenge Qantas directly and evenly, thereforethe market structure was similar to a near oligopoly. Furthermore, as thesmall players were there, the market structure becameoligopoly because the competition was there to ensurethat no single player dictates the market.

However, as virgin blue limited itself to just a few routes ascompared to a full-fledged operation of Qantas. Therefore, it will be appropriate to state that Australianairline industry in the years 2002- 03 wasmore or less a near oligopoly (Kain andWebb 2003).  Accordingto Toshimitsu (2017) the  economic theory explainsthe market type by stating that the buyers and sellers ina competitive market decide the market type. For example, ifthere are only a handful of sellers with large market control and lots ofbuyers, an oligopoly may result. Likewise, one or two sellersand substantial number of buyers may createa duopoly and so on. The Australian airline industry in the year2002 – 03 was affected by the limited number of sellers or just one dominantseller and a large number of buyers, thus creating a oligopoly markettype (Toshimitsu 2017).

PART B  1.   Based on the current data forFrance what phase of the business cycle do you think this economy is in? Why?(Hint: Refer to the macroeconomic indicators)France at the given time is goingthrough a trough (depression) phase of business cycle. The main reason thecurrent business cycle phase is called trough because ·        Economicactivity is very low and interest rates are even lower (Dekimpe andDeleersnyder2018).·        Individualincome has gone down·        Nationaloutput has decreased dramatically.

·        Employmentlevels are very low.·        Lowconsumer demand(Dekimpe and Deleersnyder 2018)Therefore, these indicators all pointtowards a trough phase of business cycle. 2.   Basedon our answer in 1 represent the French economy in 2017 using the AD/AS model.

The graph isexhibiting the current state of French economy·        Atpresent economic activity of any kind is at its lowest in France.·        Likewise, the gap between outputs (which is difference between actual same potential outputs)is very high.·        Inthe graph the AD (aggregate demand) line is located near the left side of theaggregate supply curve. This indicates an extremely low level of economic activity, which also means low real GDP located at Y1 position (Mueller 2016).·        Furthermore, even if one or more components of aggregate demand are increased, it willaffect real GDP but there will be negligible impact on price levels in theeconomy because there are still unutilised resources in the economy.

Therefore, in the current scenario AD (aggregate demand) may not be able to improve pricesin the French economy (Mueller 2016). 3.   Whatfactors contribute to economic growth according to the AD/AS model? Accordingto the article above, what policy should the French government be undertakingto stimulate economic growth.                                                                                                                       Increase in real GDP is the mostimportant measure of economic growth. According to the AD/AS model factors thatcontribute to economic growth are (Dutt2016)·        Arise in national consumption of goods or service·        Increasein investment by public and private entities·        Increasein government spending in building infrastructure(infrastructure development ensureslong term growth)·        Anincrease in exports from the nation.

·        Reducedinterest rates.·        Increasein consumer confidence.·        Increasein asset price like house price.·        Increasein real wages.·        Improvementin human capital skills.·        Technologicaldevelopment to raise commerce and trade(Dutt 2016) TheFrench government must  ·        Increasegovernment spending in building infrastructure·        Developmeasures to increase consumer confidence·        Focuson increase in real wages·        Focuson human skills and in re skilling workers·        Investin technological development that can boost growth by improving avenues oftrade and commerce (Dutt 2016).

4.    Imagine that instead of his planned reforms tothe labour market, Macron invested in educating workersto increase their skills and in infrastructure. How would this affectFrance’s economy in the long-run? Demonstrate your answer with a diagram and explain your diagram.  If Macron invests ineducating workers to increase their skills and in infrastructure it will increasethe long run aggregate supply (LRAS), which can ensure long run economic growth(Mankiw 2017).

It is necessary that LRAS must increase, otherwise the AD(aggregate demand) will lead to inflation, something that is very detrimental. If Macron invests only in labour market, it will create a short-term improvement in economy and the results will beshort lived. Therefore, it will be wise to invest in infrastructure and up skillingemployees, for a long term economic growth(Mankiw 2017).                               References Burke, T., Genn-Bash, A. and Haines, B.

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