

Open University of Mauritius
Foundation Course
Foundation Level Economics-OUfc008

1. Introduction

In line with its philosophy to democratise access to university education, the Open University of Mauritius offers Foundation Courses. These courses aim at better preparing learners for higher education while allowing them to meet the minimum requirements to undertake undergraduate studies. They have been carefully developed by a team of experts to ensure smooth transition to university. They also motivate learners and give them a greater chance of succeeding. They play a pivotal role in helping learners to revisit lost skills, while giving them the necessary confidence and preparatory experience they need for success at university. However, they are not intended to replace secondary school courses. On successfully completing four foundation courses (8 modules) including English through Open Distance Learning (ODL), they can join degree programmes.

The ODL mode of delivery enables convenient self-study within a flexible framework. This mode of delivery allows learners to learn at their own pace, in their own place and time without disrupting their social, professional and domestic commitments hence, allowing them to earn while learning.

2. Aim

The aim of this foundation course is to provide learners with a basic knowledge and understanding of economic theories and their underlying implications for the smooth running of a country's economic system. It is in 2 parts. The first part pertains to the micro elements, i.e. behaviour of individuals, firms and role of the state and the second part focuses on the economy in the global world and discusses more in-depth issues related to macro economics and the development of a country.

3. Course requirements

- SC/GCE O-level with 3 credits + 1 A-level
(Applicants should be less than 25 years of age)
- Mature candidates will be considered on their own merit.

4. Course Duration

Minimum: 1 year
Maximum: 2 years

5. Minimum credits required for the awards

8 credits

Each credit in the University's system is equivalent to a minimum of 20 hours of study including all learning activities (i.e. reading and comprehending the print material, listening to audio, watching video, attending tutorials/counseling sessions, writing assignment responses and preparation for the examinations). Thus, this 8-credit course involves a minimum of 160 hours of study.

6. Assessment

- Assignments: 30%
- End of semester Examination: 70%
- Overall pass marks: 40% in each of the above components.

Assessments will be based on written examinations of 2/3-hr duration and continuous assessment. Continuous assessment will be based on assignments or class tests. To pass the Foundation Course, the learner should score a minimum of 40% in both continuous assessment and examinations.

7. Course structure

MODULE CODE	MODULE	Semester 1	Semester 2	Number of Credits
OUfc008111	Foundation in Economics I	√		4
OUfc008121	Foundation in Economics II		√	4

8. Module Outline

OUfc008111- Foundation in Economics I

Unit 1: Basic Economic Ideas

Unit objective & learning outcomes

This unit explains the basic concepts in economics, the different economic systems and the role of specialization and helps learners understand how scarce resources are allocated in order to maximize wealthfare.

On completion of this unit, learners should be able to:

- Define the problem of scarcity and choice
- Describe what economists mean by the economic problem
- Analyse the factors of production as economic resources
- Explain the concept of specialization and the economic benefits it offers
- Explain the concept of opportunity cost and the nature of trade offs
- Explain the principles underlying production possibility curves

Unit Content:

- a. Scarcity, Choice and Resource Allocation
- b. The nature of the basic economic problem and the production possibility curve
- c. Different allocative mechanisms – market economies, planned economies and mixed economies. Problems of transition.
- d. Positive and normative statements
- e. Factors of production – land, labour, capital and enterprise
- f. Division of Labour and Specialisation

Unit 2: The Price System**Unit objective & learning outcomes:**

This unit introduces the concept of the market and the two forces of demand and supply which influence the price level. It also explains how the equilibrium price is determined and discusses the concepts of elasticity.

On completion of this unit, learners should be able to:

- Define a competitive market
- Explain the role of markets
- Analyse the different objectives of consumers and producers in markets
- Draw individual demand and supply curves as well as market demand and supply curves
- Explain the factors influencing demand and supply
- Explain what is meant by the concept of price, income and cross elasticities of demand as well as the elasticity of supply and how they can be calculated
- Evaluate the business relevance of these elasticity estimates

Unit contents

- a. The concept of the market and the different types of markets
- b. Individual demand curves and market demand curves
- c. Factors influencing demand
- d. Price, income and cross elasticity of demand – meaning and calculations, factors influencing elasticity, implications for revenue and business relations, limitations of the use of elasticity concepts
- e. Individual supply curves and market supply
- f. Factors determining supply
- g. Price elasticity of supply
- h. Determination of equilibrium price – equilibrium and disequilibrium
- i. Consumers' surplus and producers' surplus

Unit 3: Government intervention in the price system

Unit objective & learning outcomes:

This unit introduces the cost benefit analysis and its importance in decision making. It also discusses different types of goods and the role of government in promoting social welfare.

On completion of this unit, learners should be able to:

- Describe what is meant by market failure and why they arise
- Describe what is meant by positive and negative externalities and explain them in terms of divergences
- Differentiate between public goods, private goods, merit goods and demerit goods
- Explain why public goods may not be provided by the State
- Explain how a cost benefit analysis exercise is carried out

Unit Contents

- a. Private, external and social costs and benefits
- b. The need for Government intervention in decision making in relation to externalities
- c. Decision making using cost benefit analysis
- d. Private goods and public goods and their provision
- e. Merit and demerit goods and the need for government intervention
- f. Different ways in which Government can intervene in the provision of such goods
- g. Agricultural goods and price and income stabilization schemes
- h. Market failures

Unit 4: International Trade

Unit objective & learning outcomes:

This unit focuses on the world of international trade and exchange and discusses various problems associated with international trade in terms of the balance of payments, the exchange rate and the need for protection versus free trade.

On completion of this unit, learners should be able to:

- Apply opportunity cost to international trade
- Explain the difference between absolute and comparative advantage
- Calculate the terms of trade and understand the meaning of changes in terms of trade
- Calculate the balance of payments
- Determine foreign exchange rate
- Explain why countries protect their local industries

Unit Content:

- a. Absolute and comparative advantage
- b. The terms of trade
- c. Components of the balance of payments and its calculation – equilibrium and disequilibrium in the balance of payments, policy measures to control disequilibrium in the balance of payments
- d. Foreign exchange rates and their determination – types of foreign exchange rates
- e. Free trade and protectionism

OUfc008121- Foundation in Economics II***Unit 5: Money, Employment and unemployment, labour & wages*****Unit objective & learning outcomes:**

This unit elaborates on why countries move money and how and why the value of money changes as well as their effects on the economy. It also discusses the concept of unemployment and wage determination including other influences on such wage determination.

On completion of this unit, learners should be able to:

- Define Money and explain the functions of money
- Calculate the price index
- Explain inflation and its causes
- Measure unemployment and understand the causes of unemployment
- Define the wage rate and differentiate between the different concepts of wages
- Explain how wages are determined
- Explain the role of trade unions and employers' association in a country

Unit Content:

- a. Money and its functions
- b. Measurement of changes in the internal value of money
- c. Inflation – types, causes, effects and policy measures to control inflation
- d. Employment statistics – measurement of unemployment and the labour force
- e. Labour and wages
 - i. Determination of wages - the marginal productivity theory of wages and its limitations
 - ii. Role of trade unions, employers' associations and government in wage determination
 - iii. The concept of national minimum wage and wage differentials

Unit 6: Consumer behavior and the theory of the firm

Unit objective & learning outcomes:

This unit analyses the theory of consumer behavior. It also focuses on the input output analysis, the different types of costs, revenue and the calculation of profits, the different types of markets and the size of firms.

On completion of this unit, learners should be able to:

- Explain the law of diminishing marginal utility
- Differentiate between the short run and the long run
- Differentiate between economies and diseconomies of scale
- Explain why some firms grow while others remain small
- Differentiate between different types of costs and revenue
- Calculate the profit of a firm
- Define the basic concepts of perfect competition, monopoly, monopolistic competition and oligopoly

Unit Content:

- a. Law of diminishing marginal utility and rational consumer behavior
- b. The short run and long run production functions and the types of factor inputs
- c. The law of variable proportions and the law of returns to scale
- d. Economies and diseconomies of scale and their impact on size of firms
- e. Short run and long run cost functions
- f. Concepts of revenue and calculation of profits
- g. Brief review of different market forms:
 - i. Perfect competition
 - ii. Monopoly and price discrimination
 - iii. Monopolistic competition
 - iv. Oligopoly
 - v. Objectives of firms

Unit 7: National income statistics and measurement in the macro economy

Unit objective & learning outcomes:

This unit describes the structure of the macro economy and its basic concepts including national income, circular flow of activity, consumption, savings, investment and the multiplier. It also assesses whether national income can reflect differences in living standards.

On completion of this unit, learners should be able to:

- Explain the difference between GDP, GNP, national income and disposable income
- Define the standard of living and explain its determinants
- Explain how national income fails to indicate living standards

- Differentiate between consumption, savings and investments
- Explain the operation of the multiplier
- Explain policy conflicts and give examples of such conflicts at the macro level

Unit Content:

- a. National income and its calculation
- b. Problems in calculation
- c. National income and living standards
- d. The circular flow of economic activity - role of households, firms, government and the international economy
- e. Introduction to aggregate expenditure functions – consumption, savings and investment
- f. The role of the Multiplier
- g. Macroeconomic objectives and policy conflicts

Unit 8: Economic growth and macro-economic policies

Unit objective & learning outcomes:

This unit explains the process of economic development and growth and discusses its advantages and disadvantages. It also analyses the different types of taxes and the reasons why they are imposed. It differentiates between monetary and fiscal policies and explains the operation and limitation of each.

Unit Content:

- a. Economic underdevelopment, economic development and economic growth – measurement of the rate of economic growth
- b. Factors contributing to development and growth
- c. Desirability and limitations of economic development
- d. Taxation and types
- e. The role and limitations of fiscal policy and monetary policy

8. Learning Outcomes

On completion of this unit, learners should be able to:

- Explain the difference between economic development and economic growth
- List the characteristics of underdeveloped countries
- Explain the advantages and disadvantages of economic development
- Differentiate between monetary and fiscal policy
- Discuss the problems associated with such policies
- Differentiate between the different types of direct and indirect taxes and their effects
- Assess why Government imposes taxes

9. Supporting Materials

Supporting Materials	
Manual	Open University of Mauritius
Video	
References	<ul style="list-style-type: none">•