

Fundamentals of Economics

Assignment Guidelines:

This assignment focuses on core micro- and macroeconomic concepts and how these concepts relate to business decisions, market forces, and public policy in the global air travel, tourism, and hospitality industries. Students will be able to critically evaluate the elasticities of supply and demand, market structures, price mechanisms, fiscal/monetary policies, and global economic indicators to influence the sustainable performance of tourism businesses and destination economies.

Submission Format:

- **Type:** Detailed project report
- **Font:** Times New Roman, Size 12, Double Spaced
- **Word count:** 4000 – 5000 words
- **Submission Deadline:** To be announced by the respective professors

Assessment Criteria:

- Understanding and application of foundational micro- and macroeconomic concepts – 20%
- Critical analysis of tourism market equilibrium, price mechanisms, and economic shocks – 25%
- Application of relevant academic literature, empirical data, and economic models – 20%
- Strategic insight into government policy, market structures, and managerial decision-making – 25%
- Structure, professional writing, graphical presentations, and APA referencing – 10%

Mandatory Sections:

- Title Page
- Table of Contents
- Executive Summary
- Introduction
- Microeconomic Analysis & Market Structure
- Macroeconomic Environment & Policy Impact
- Empirical Data & Case Study Analysis
- Strategic Implications for Tourism
- Conclusion & Recommendations
- References
- Appendices

Assignment Task – Choose ONE of the following written assignments:

Option 1: Price Elasticity, Market Equilibrium, and Dynamic Pricing in Tourism

Analyse how price mechanisms, consumer behaviour, and elasticity of demand influence market equilibrium and revenue strategies across tourism sectors. Your paper should:

- Identify and examine the factors affecting the price elasticity of demand (PED) and the income elasticity of demand (YED) for the luxury travel and the budget hospitality markets.
- Evaluate the move from traditional fixed-pricing systems to algorithmic (dynamic) pricing, given consumer surplus and deadweight loss in dynamic markets.
- Develop graphical models and case studies for real-life airlines or hotel chains employing dynamic pricing strategies, comparing revenue maximisation with consumer perception issues and barriers.
- Develop managerial advice for dynamic pricing policies that optimise firm profitability with long-run market demand.

Option 2: Market Structures, Competitive Conduct, and Monopoly Power in Travel

Evaluate how different market structures (perfect competition, oligopoly, monopoly) dictate pricing behaviour, barriers to entry, and market power in global travel and tourism. Your paper should:

- Compare the results of policy and firm behaviour in the local restaurant market (local restaurants) and oligopoly markets (e.g., global distribution systems, commercial airline alliances).
- Consider the deterrent effect of high fixed costs, economies of scale and network effects as barriers to entry for new tourism start-ups.
- Evaluate actual instances of regulatory interventions, antitrust litigation, or government subsidies intended to mitigate monopoly power or to sustain a troubled travel industry.

Option 3: Macroeconomic Indicators, Exchange Rates, and Tourism Demand

Evaluate how macroeconomic variables—such as inflation, exchange rate fluctuations, interest rates, and national income—impact international tourism flows and regional economies. Your paper should:

- Examine the transmission mechanism of how macroeconomic developments (e.g., currency depreciation, inflationary pressures) affect the number of international tourist arrivals.
- Discuss the role of government monetary and fiscal policies in countering macro-level economic downturns in destination economies.
- Explore recent empirical evidence and case studies of destination economies impacted by foreign exchange rate volatility or inflation crises (e.g., Turkey, Sri Lanka, or eurozone destinations).
- Recommend a macroeconomic risk mitigation strategy for destination management organisations (DMOs) and hospitality operators to protect against currency and business cycle volatility.