

# ECO 311: Economics

*Credits: 3*  
*Lecture Hours: 48*

## **Course objective**

The course will provide students an understanding as to what constitutes a good economic way of thinking in general and tourism and hospitality industry in particular. This course envisages the thought process grounded in the understanding of the use of several economic concepts, models and theories. Drawing on issues in both microeconomics and macroeconomics, fundamental principles and applications are shown to transcend particular examples and allow the field to be seen as a coherent, unified whole.

## **Course description**

The course will provide thorough and systematic understanding economic concepts, models, theories and their applications particularly useful to tourism and hospitality industry students. Starting with the basic information of what economics studies about, the course will broaden its horizon to incorporate resources in tourism, tourism demand and supply functions and their influencing variables, forecasting tourism demand, leisure and tourism and their markets, economic impacts of leisure and tourism on national economy and investment in leisure and tourism market.

## **Course Details**

### **Unit 1: Introduction**

**LH 8**

Concept of economy and economics, scope of the study of economics, The concept of opportunity cost, concept and scope of tourism economics, An overview of Nepalese Economy, Importance of tourism for Nepalese economy, Challenge for the development of tourism in Nepal, Needs and types for economic analysis in the tourism industry

### **Unit 2: Resources in Tourism**

**LH 3**

Composition of the tourism industry and its product: suppliers' and tourists' views, Concept of free and scarce resources in tourism, Controlling and rewarding resource use, Interrelationship between tourism and other sectors of the economy

### **Unit 3: Economics of Tourism Demand**

**LH 8**

Concept of demand for the tourism product, tourism demand function, Demand Curve and Law of Demand, Types of variables influencing tourism demand, Levels of choices affecting tourism demand, Factors constraining tourism demands, Concept of shift in the demand curve, Concept of elasticity of elasticity of demand for tourism products, Measurement of Price, Income and Cross Price Elasticity of Demand, Lancasterian demand analysis, movement along the demand curve.

### **Unit 4: Forecasting Tourism Demand**

**LH 4**

Meaning of tourism demand forecasting, Purpose/ Importance of tourism demand forecasting, Concept of Quantitative and Qualitative techniques of forecasting tourism demand, Concept of Time Series Model, Concept and importance of Survey Method for tourism demand forecasting

### **Unit 5: Supplying Tourism Products**

**LH 5**

Meaning of supply of tourism products, supply function, supply curve and Law of Supply, Costs in tourism: relationship among costs, total revenue and profit in the tourism industry, Concept of shift in supply curve and the factors shifting supply curve of the tourism products, Concept of elasticity of supply for tourism products, Challenges for the supply of tourism products, movement along the supply curve.

### **Unit 6: Leisure and Tourism**

**LH 2**

Meaning and determinants of leisure and tourism activities, Leisure and tourism growth in the world market

**Unit 7: Market Structure for Leisure and Tourism Products****LH 7**

Characteristics of the market with perfect competition, Price determination in the market with perfect competition, Concept of shortage and surplus in the market with perfect competition, Derivation of individual firm's demand curve from the market demand curve in perfectly competitive market, Price determination by a monopoly in leisure and tourism market, Price discrimination in leisure and tourism market, Price determination by a price discriminating monopolist in third degree price discrimination.

**Unit 8: Impact of Leisure and Tourism on National Economy****LH 8**

Concept of impact of leisure and tourism on national economy, Multiplier effects in tourism - income and employment multipliers, Impact of tourism on GDP, Impact of tourism on employment, Inflation and its causes, Impact of tourism on inflation, Impact of tourism on economic growth, Impact of tourism on Balance of Payment (BOP), Impact of tourism on foreign exchange rate

**Unit 9: Investment in Leisure and Tourism****LH 3**

Concept of investment and its principles, Investment appraisals by private sector in tourism, Investment appraisals by public sector in tourism, Factors affecting travel and tourism's yields and future

**Reference Books**

Bull, A. *The Economics of Travel and Tourism*, New Delhi: Pearson Longman

Adhikari, G. M. *Introductory Microeconomics*, Kathmandu: Asmita Publishers

Adhikari, G. M. *Macroeconomics*, Kathmandu: Asmita Publishers

Tribe, T. *The Economics of Recreation, Leisure and Tourism*, United Kingdom: Taylor & Francis

Mankiw, J. N. *Principles of Economics*, London: Thomson, South Western

Stabler, M, A. M. & Sinclair, T. *The Economics of Tourism*, London: Thomson, Routledge