

SAULT COLLEGE  
of Applied Arts and Technology  
Sault Ste. Marie

COURSE OUTLINE

AVIATION ECONOMICS

ECN 106-3

revised June, 1981 by R. Niessen

## Course Outline

COURSE TITLE: AVIATION ECONOMICS      COURSE NO.: ECN 106-3  
INSTRUCTOR: Ralph J. Niessen      REVISED: June 1981

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### Course Description

This course is designed to impress the students with the central role of economics in Aviation, where certain immutable laws may have more effects than in certain other fields of endeavour and since a captain of an airliner may not always be able to depend on input from head office, the students must be able to make decisions economically acceptable, on short notice.

### Objectives

1. To impress upon students the very great cost of time in connection with aviation, in view of the very high fixed costs and rapidly-climbing variable costs.
2. To be aware of the costs and benefits of lack of--or alternatively--the presence of efficiency.
3. To study pricing methodology in connection with seating capacity of commercial airplanes.
4. To stress international economics from the point of view of the seriousness with which certain "economic" crimes are viewed in various countries. The students should be totally convinced that in certain territories the "lay-overs" should be spent in their hotel rooms and that they, under no circumstances, should become involved in intimate settings with citizens of those countries and especially should not allow themselves to be swayed in their determination not to make black-market currency exchange transactions or smuggling in any form.
5. To make students aware of the imperfections of the market and the "unfair competition" frequently emanating from various dictator-run third-world countries.

### Course Content

1. Supply and Demand. The Theory of Diminishing Marginal Utility and the derivation of the Demand Curve from the DMU Curve. Indifference Curves and Consumer Equilibrium. Homogeneous Products pricing.
2. Costs: The FC, AFC, AVC, AC, MC. The optimum production points related to various costs. The long-run equilibrium of the Perfectly Competitive Firm.
3. Imperfections of competition and the effects thereof of profit maximization. The supply of factors. Trade-offs in order to obtain the right mix.
4. The Marginal Cost Curve and the derived Supply Curve.

## Course Content continued...

5. Monopolies and monopsonies. Are all monopolies necessarily bad? Collusion in price setting. Oligoplistic competition. The reasons for their existence.
6. Factor demands are derived demands. Demands for factors as opposed to the supply. External economies and dis-economies. Production functions and technological innovations as related to demand for and supply of factors. Marginal Physical Product. Pure Rent Theory.
7. The Production Possibilities Curve and the Diminishing Returns Curve. The implications that may be derived from the above-mentioned theories.
8. Money in all its aspects. How it is created, what constitutes Money Supply; the deposit creation by banks; the role of the Central Bank.
9. Savings and the Multiplier. Developed vs. underdeveloped countries and the effects of the different savings patterns. Laws emanating from poverty and how to relate them to aviation costs.
10. National Accounts and how they vary from one country and ideology to another.
11. Government's role in the economy and the diversity of these roles as the ideologies change from country to country.
12. International Trade and the barriers erected by various governments. The power of bureaucrats in underdeveloped countries and the relationship of this power to the costs of aviation.

Methodology

This course will be taught in the lecture fashion, interspaced with seminar and discussion periods. Students will be encouraged to do practical assignments applying their newfound knowledge.

Grading

- A - 80-100%
- B - 70- 79%
- C - 50- 69%
- I - 40- 49%
- R - Less than 40%

A student's grade will be determined by means of three tests. There will be no comprehensive final examination, but each test will cover the units already dealt with, so that the final test will cover the entire semester's work.

There are no so-called "re-writes", but a student with "I" standing may write a maximum of two more tests which, when averaged with the semester's other tests, will determine the final grade.