

School of Economics and Finance

ECON 140 Economics and Strategic Behaviour

Second Trimester 2005

COURSE OUTLINE

Contact Details

Paul Calcott	RH324	463-6585	course co-ordinator
Jerry Mushin	RH426	463-5884	stream B lectures
Penelope Proffitt	MY419/RH319	463-5818	course administrator
Adrian Slack	RH315	463-8571	stream A lectures

Class Times and Room Numbers

Stream A	CRN 8722:	Mon, Wed, Thur	10.00pm-10.50pm	MCLT103
Stream B	CRN 10037:	Mon, Wed, Thur	3.10pm-4.00pm	MCLT103

The course starts on Monday, July 4, 2005. If you wish to change streams (and there is space) you will need to obtain a change of course form for the Student Administration Office, RLWY.

ECON 140 is taught in the second and third trimesters

The final examination will be held in the period, 10 October to 5 November

Course Objectives

ECON 140 includes material from microeconomics (18 lectures) and macroeconomics (18 lectures).

Tutorials are groups of twelve to fifteen students and a tutor, meeting for fifty minutes once a week. They provide a forum for discussing problems and working through exercises. You will be allocated to a tutorial group during the first week of lectures. Instructions will be given on Blackboard as to how to sign up for these. Students who neglect to put their names on a tutorial list before Thursday of the first week, will have to contact Penelope Proffitt during that week to secure a place.

Tutorial lists will be posted on the Blackboard at the end of the first week of lectures. Tutorials begin the following Monday, 11 July. The purpose of posting these lists is to inform you of the group to which you have been assigned, and to enable students to check the spelling of their names. Any student who does not want their name to appear on the tutorial lists on Blackboard should contact Ms Proffitt prior to Friday 8 July.

Tutorial exercises and discussion material are specified in the coursebook. The exercises have been designed to give structure to the tutorial sessions and to provide a focus for discussion, but it is expected that tutorials will range beyond them.

You are expected to prepare for tutorials by keeping up with the prescribed reading and by attempting the exercises in advance of your session. You should attempt, in writing, the

questions before attending your tutorial. Tutorials are also your opportunity to raise and clarify any problems you may have with the material covered in lectures.

You must attend regularly the tutorial group to which you are assigned. If because of work or timetable clashes, you are no longer able to attend your allocated tutorial, you must notify Penelope Proffitt, and you may then be able to change your tutorial.

A weekly attendance record will be kept in all tutorials and it is your responsibility to ensure that this record is correct. **Failure to attend at least seven of the first ten tutorials may cost you any chance of passing the course (see under Mandatory Course Requirements below).** This means that you must, during at least seven weeks of the course, attend either your allocated tutorial or the "catch-up" tutorial session provided for those who, for reasons beyond their control, are unable to attend their regular group in a particular week.

The time for the catch-up tutorials will be posted on Blackboard at the beginning of the trimester. This session is provided specifically for those students unable to attend their regular tutorial because of sickness, bereavement, etc. No more than two attendances at these catch-up tutorials will be credited towards the course requirement unless Ms Proffitt has been notified beforehand and good reasons given.

Because of the number of students enrolled in ECON 140, and administrative problems caused by students attending tutorials other than their own, tutorial attendances will be recorded **only** at a student's allocated tutorial, or at one of the catch-up sessions for the corresponding week. You may attend tutorials other than the one you are assigned to (subject to availability of space and the consent of the relevant tutor) but **such attendances will not count towards your mandatory course requirement unless arranged in advance with the Tutorial Coordinator.** Lists of those who have satisfied the in-term course requirements will be posted not later than 7 October. **Please check this list!**

Course Content

Note that this is a broad outline only. It is sufficient to enable students to read ahead of lectures and put themselves in a position to benefit from lectures. However, individual lecturers will sometimes deviate from the order given here. NOTE: these are 50 minute lectures. **Lectures start on July 4 2005.**

Week	Topics	Reading
1	Asymmetric information rational search, the lemons problem the costly-to-fake principle, signaling, moral hazard, adverse selection.	Frank and Bernanke chapter 12
2	Pricing price discrimination, peak-load pricing, pricing at short- versus long-run marginal cost.	Begg §§8-9,14-3 and 18-2
3	Game Theory dominant-strategy equilibrium, Nash Equilibrium, Prisoners' Dilemma, co-operation, reaction function, commitment (not Bertrand)	Begg §§9-4 to 9-7

4	Efficiency, regulation and market power Pareto efficiency, market failure the second best, producer and consumer surplus, deadweight loss, social costs of monopoly, comp- tition policy, mergers, natural monopoly, nationalization, government failure, regulation.	Begg §§15-1 to 15-4, 17-3 to 18-3
5	Consumer Theory budget lines, indifference curves, a consumer's optimal choice, changes in income and prices.	Begg Ch 5
6	Application of indifference curves labour supply, isoquants, saving	Begg §10-4, app to ch 10, §12-3
7	Monetary and Fiscal Policy monetary policy, the transmission mechanism, the IS-LM model, Taylor rules, fiscal policy.	Begg §§23-3 to 23-7 and ch 24
8	The determination of output and inflation the macroeconomic demand schedule, long-run and short-run aggregate supply, determination of output and inflation, the Phillips curve.	Begg ch 25, §26-4, Mushin ch 9
9	Exchange rates, open economy macroeconomics fixed and floating exchange rates, monetary policy in an open economy.	Begg ch 29 and §34-3
10	Economic Growth determinants of growth, neo-classical growth, endogenous growth	Begg ch 30
11	Business Cycles trend vs. cycles, the output gap, the accelerator model, real business cycles, persistence.	Begg ch 31
12	Macroeconomic controversies hysteresis, endogeneity of expectations, extrapolative vs. rational expectations, schools of economic thought.	Begg ch 32

Readings

The textbook is the same as for ECON 130;

David Begg, Stanley Fischer and Rudiger Dornbusch, *Economics*, 7th ed, 2003, McGraw-Hill, ISBN 0-07-709947-8

You may also like to purchase a copy of the student workbook:

Damien Ward and David Begg, *Student Workbook for Economics*, 7th ed, 2003, McGraw-Hill, ISBN 0-07-7103661

The most appropriate **Supplementary reading**, which you will find helpful but which is not required, will vary according to your particular interests, experience and aptitude but may well include the following texts in the library.

William J Baumol and Alan S Blinder, *Economics: Principles and Policy*, (Harcourt), 5th edition, 1991

Jerry Mushin, *Income, Interest Rates and Prices: An Overview of Macroeconomic Theory* (Dunmore Press), third edition 1999.

Michael Parkin, *Microeconomics*, (Addison Wesley), 3rd edition, 1996

Alan C Stockman, *Introduction to Microeconomics and Introduction to Macroeconomics*, (Dryden Press/Harcourt Brace), 1999.

If you are in doubt about the meaning of any economic terms, we suggest that you consult D.W. Pearce (ed) *Macmillan Dictionary of Modern Economics* (1983) which is available in the Study Hall of the Library. However, do not expect too much of a dictionary - Economics deals with concepts and ideas rather than with words.

For those frightened of maths, we recommend

Penelope Proffitt, *Maths Made Easy* (Prentice Hall, 2002);

G. Kennedy, *Mathematics for Innumerate Economists* (Homes and Meier, 1982), especially Chapters 1-4.

A good guide to the recent developments in the New Zealand economy is

Paul Dalziel and Ralph Lattimore, *The New Zealand Macroeconomy: A Briefing on the Reform and their Legacy* (Fourth edition, Oxford University Press, 2001) - also contains a useful guide for further reading.

See also

Stuart Birks and Srikanta Chatterjee, (ed). *The New Zealand Economy: Issues and Policies* (Third edition, Dunmore Press, 1997)

Regular surveys of the New Zealand economy are produced by: The Reserve Bank of New Zealand *Bulletin* and *Annual Report* (<http://www.rbnz.govt.nz/>); the Organisation for Economic Co-operation and Development (OECD) in its *Economic Survey of New Zealand* (<http://www.oecd.org/>); and the New Zealand Institute of Economic Research in its *Quarterly Predictions*. Statistical sources for New Zealand include the *New Zealand Official Yearbook*, Statistics New Zealand's monthly *Key Statistics* (<http://www.stats.govt.nz/>) and the N.Z. Institute of Economic Research *Quarterly Survey of Business Opinion* (<http://www.nzier.org.nz/>).

Materials and Equipment

Silent non-programmable calculators may be taken into the test and examination.

Assessment Requirements

Assessment

Assignment	10%	5pm Monday 29 August, 2005
Multi choice test	30%	6.30pm Thursday, 1 September 2005
Exam:	60%	TBA

Previous years' tests and exams are posted on Blackboard (blackboard.vuw.ac.nz)

Important note: you will not be allowed to pass the course if you obtain a mark of less than 40% in the final examination.

The multi-choice test will be held on Thursday 1 September at 6.30pm. The format is multi-choice and the time allowed for completion of the test is 50 minutes. Last year's test is available on

Blackboard as a guide. The questions will be similar to the multi-choice questions in the Student Workbook

The test will cover the microeconomic component of the course. In particular, all the material covered in lectures up to the end of week 6, and all the reading which is specified in the lecture outline as relevant for those lectures will be examinable. A missed test will be entered as a zero unless either written permission has been granted **in advance** by the Course Administrator, or there are clear medical reasons for non-attendance, supported by written evidence from a doctor.

The assignment topic will be announced on Blackboard during week 1 of the course.

Reconsiderations

Students may ask for their assignments to be remarked. The course coordinator will do the remarking and provide comments. If the mark differs by 10% or less the two marks are averaged. If it exceeds 10% then it is independently marked by a third marker and the average of the two closest marks is taken. Experience from previous years is that almost all remarks are within 10% and where there is a change in mark, half the assignments go up and half go down. Occasionally there is a significant shift in the mark.

Applications for remarks must be made before the 2nd September. To apply for a remark, fill in the form available on Blackboard, noting why you think the mark does not, in your view, fairly reflect the quality of your work. Note also the comments on the form about what is acceptable and what is not. Hand this with your assignment to Penelope Proffitt. Allow for up to two weeks for remarks to be completed.

Penalties

Your mark will be decreased by 10% a day for three days after the submission time. After that the assignment is worth zero.

Mandatory Course Requirements

In order to pass ECON 140 you must satisfy all mandatory course requirements set out below. Failure to do so means that you will receive an ungraded Fail for the course, whether or not you choose to sit the final examination. ("Mandatory course requirements" were long known as "Terms" and that terminology, along with "keeping terms", is still frequently used. There is also an overlap with "internal assessment" or "in-term assessment", assessment results which contribute to final grades but which are earned during term time.)

To satisfy the mandatory course requirements for ECON 140 you require participation in **one** web experiment **and either** a mark of 50% in the Multi-Choice Test **or** attendance at a minimum of seven of the first ten tutorials held during the course. The three permitted absences include your allowance for illness during the trimester. **Do not expect an exemption from the requirement on the basis of any illness lasting three weeks or less.** Do not take chances by missing tutorials unnecessarily - you may later become ill or be otherwise forced to miss some tutorials, and then find that you have not accumulated enough attendances. Information on the web experiments will be on Blackboard later in the course.

At the end of the trimester when satisfaction of requirements is being decided, the attendance list as posted on Blackboard will be treated as the final and definitive record unless errors are notified immediately.

Communication of Additional Information

Additional information will be conveyed to students via Blackboard.

Faculty of Commerce and Administration Offices

Railway West Wing (RWW) - FCA Student Administration Office

The Student Administration Office is located on the ground and first floors of the Railway West Wing. The ground floor counter is the first point of contact for general enquiries and FCA forms. Student Administration Advisers are available to discuss course status and give further advice about FCA qualifications.

Easterfield (EA) - FCA/Law Kelburn Office

The Kelburn Campus Office for the Faculties of Commerce & Administration and Law is situated in the Easterfield Building - it includes the ground floor reception desk (EA005) and offices 125a to 131 (Level 1). The office, will be open from 9:00 am to 5:00 pm during Trimester 2, offers the following:

- Duty tutors for student contact and advice.
- Information concerning administrative and academic matters.
- FCA Student Administration forms (e.g. application for academic transcripts, requests for degree audit, COP requests).
- Examinations-related information during the examination period.

Please note:

There will be a Student Administration Adviser, from the RWW office, based in EA005 from Monday 27 June to Friday 1 July (9:00 am to 5:00 pm) and from Monday 4 July to Friday 22 July (11:00 am to 1:00 pm).

General University Policies and Statutes

Students should familiarise themselves with the University's policies and statutes, particularly those regarding assessment and course of study requirements, and formal academic grievance procedures.

Student Conduct and Staff Conduct

The Statute on Student Conduct together with the Policy on Staff Conduct ensure that members of the University community are able to work, learn, study and participate in the academic and social aspects of the University's life in an atmosphere of safety and respect. The Statute on Student Conduct contains information on what conduct is prohibited and what steps can be taken if there is a complaint. For queries about complaint procedures under the Statute on Student Conduct, contact the Facilitator and Disputes Advisor. This Statute is available in the Faculty Student Administration Office or on the website at:

www.vuw.ac.nz/policy/StudentConduct.

The policy on Staff Conduct can be found on the VUW website at:

www.vuw.ac.nz/policy/StaffConduct.

Academic Grievances

If you have any academic problems with your course you should talk to the tutor or lecturer concerned or, if you are not satisfied with the result of that meeting, see the Head of School or the Associate Dean (Students) of your Faculty. Class representatives are available to assist you with this process. If, after trying the above channels, you are still unsatisfied, formal grievance procedures can be invoked. These are set out in the Academic Grievances Policy which is published on the VUW website:

www.vuw.ac.nz/policy/AcademicGrievances.

Academic Integrity and Plagiarism

Academic integrity is about honesty – put simply it means **no cheating**. All members of the University community are responsible for upholding academic integrity, which means staff and students are expected to behave honestly, fairly and with respect for others at all times.

Plagiarism is a form of cheating which undermines academic integrity. Plagiarism is **prohibited** at Victoria.

The University defines plagiarism as follows:

Plagiarism is presenting someone else's work as if it were your own, whether you mean to or not.

'Someone else's work' means anything that is not your own idea, even if it is presented in your own style. It includes material from books, journals or any other printed source, the work of other students or staff, information from the Internet, software programmes and other electronic material, designs and ideas. It also includes the organization or structuring of any such material.

Plagiarism is not worth the risk.

Any enrolled student found guilty of plagiarism will be subject to disciplinary procedures under the Statute on Student Conduct (www.vuw.ac.nz/policy/studentconduct) and may be penalized severely. Consequences of being found guilty of plagiarism can include:

- an oral or written warning
- suspension from class or university
- cancellation of your mark for an assessment or a fail grade for the course.

Find out more about plagiarism and how to avoid it, on the University's website at: www.vuw.ac.nz/home/studying/plagiarism.html.

Students with Disabilities

The University has a policy of reasonable accommodation of the needs of students with disabilities. The policy aims to give students with disabilities an equal opportunity with all other students to demonstrate their abilities. If you have a disability, impairment or chronic medical condition (temporary, permanent or recurring) that may impact on your ability to participate, learn and/or achieve in lectures and tutorials or in meeting the course requirements, then please contact the Course Coordinator as early in the course as possible. Alternatively you may wish to approach a Student Adviser from Disability Support Services to confidentially discuss your individual needs and the options and support that are available. Disability Support Services are located on Level 1, Robert Stout Building, or phoning 463-6070, email: disability@vuw.ac.nz. The name of your School's Disability Liaison Person can be obtained from the Administrative Assistant or the School Prospectus.

Student Support

Staff at Victoria want students' learning experiences at the University to be positive. If your academic progress is causing you concern, please contact the relevant Course Co-ordinator, or Associate Dean who will either help you directly or put you in contact with someone who can.

The Student Services Group is also available to provide a variety of support and services. Find out more at www.vuw.ac.nz/st_services/ or email student-services@vuw.ac.nz.

VUWSA employs two Education Coordinators who deal with academic problems and provide support, advice and advocacy services, as well as organising class representatives and faculty delegates. The Education Office is located on the ground floor, Student Union Building, phone 463 6983 or 463 6984, email education@vuwsa.org.nz.

Maori and Pacific Mentoring programme (Manaaki Pihipihinga)

This is a free programme of mentoring for Maori and Pacific students doing first year courses within the Faculty of Commerce and Administration. Weekly one hour mentoring sessions: drafting and editing assignments/discussing any questions that you might have from tutorials or lectures and going over every aspect of essay writing, either in small group sessions or on a one-to-one basis.

This includes:

- A computer suite hooked up to cyber commons for students to use to produce their assignments.
- Regular skill-based workshops with a learning adviser from Student Learning Support Services.
- Networking with other Maori and Pacific support groups throughout the university.

For more information please contact:

Melissa Dunlop, Programme Coordinator

Ph: 463 6015 or Email: Maori-Pacific-Mentoring@vuw.ac.nz