

School of Economics and Finance

ECON 130 Economics and Strategic Behaviour

First Trimester 2006

COURSE OUTLINE

Contact Details

Paul Tompkinson	RH403	463-5737	course co-ordinator
Penelope de Boer	EA128/RH319	463-7449/5818	course administrator, 1:10pm stream
Jerry Mushin	RH426	463-5884	2:10pm stream
Adrian Slack	RH315	463-5233 ext 8571	3:10pm stream
Richard Martin	RH331	463-6903	4:10pm stream (micro)
Muge Adalet	RH429	463-7486	4:10pm stream (macro)

Class Times and coursebook colours - note – all lectures are in KKLT303

1:10pm stream CRN 8721:	Mon, Wed, Thur	1.10pm-2.00pm	Violet
2:10pm stream CRN 10034:	Mon, Wed, Thur	2.10pm-3.00pm	Spring green
3:10pm stream CRN 10035:	Mon, Wed, Thur	3.10pm-4.00pm	Poppy (red)
4:10pm stream CRN 10036:	Mon, Wed, Thur	4.10pm-5.00pm	Citrus yellow

You must purchase the correctly coloured coursebook as it represents your “ticket” to enter the room.

The course starts on Monday, February 27, 2006. If you wish to change streams (and there is space) you will need to obtain a change of course form from the Student Administration Service, RLWY, or EA005.

ECON 130 is taught in the first and third trimesters

The final examination will be held in the period, 5 June to 25 June.

Course Objectives

ECON 130 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 choose 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 de Boer during that week to secure a place.

Tutorial lists will be posted on the notice board in EA005 at the end of the first week of lectures. Tutorials begin the following Monday, 6 March. The purpose of posting these lists is to remind you of the group to which you signed up. Any student who does not want their name to appear on the tutorial lists on the noticeboard should contact Mrs de Boer prior to Friday 3 March.

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 will also need to check Blackboard at the end of each week for the “extra topic” to be discussed at the following week’s tutorial.

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 de Boer, and you may then be able to change your tutorial.

If for reasons beyond your control, you are unable to attend their regular group in a particular week then you can attend one of the two catch-up tutorials. 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 allowed unless Mrs de Boer has been notified beforehand and good reasons given.

Because of the number of students enrolled in ECON 130, 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.

LECTURE OUTLINE

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. The page references are from Begg, "Economics" 8th edition. (7th edition references will be on BB).

L 1 and 2 Economics and the Economy pp 3-13

- economic issues
- scarcity
- the role of the market
- positive and normative statements
- microeconomics and macroeconomics

L 3 and 4 Tools of Economic Analysis pp15-27

- data
- index numbers
- nominal and real variables
- measuring changes in economic variables
- economic models
- models and data
- diagrams, lines and equations
- ceteris paribus
- economic theories
- criticisms of economics and economists

L 5 and 6 Demand, supply and the market pp30-38

- the market
- demand, supply and equilibrium
- demand and supply curves
- behind the demand curve
- shifts in the demand curve
- behind the supply curve
- shifts in the supply curve

L7 - free markets and price controls pp38-46

- what, how and for whom
- market demand curve

p 78

Elasticities of demand and supply pp47-53

- price responsiveness of demand
- price, quantity demanded and total expenditure

L8 - examples of demand elasticity pp53-61

- short-run and long-run
- cross-price elasticity of demand
- effect of income on demand
- inflation and demand
- elasticity of supply
- who really pays the tax?

L9 and 10	Introducing supply decisions	pp86-98
	<ul style="list-style-type: none"> - business organisation - a firm's accounts - firms and profit maximisation - the firm's supply decision - marginal cost and marginal revenue - marginal cost and marginal revenue curves 	
L11, 12 and 13	Costs and Supply	pp102-117
	<ul style="list-style-type: none"> - input and output - costs and the choice of technique - long-run, total, marginal and average costs - returns to scale - average cost and marginal cost - the firm's long-run output decision - short-run costs and diminishing marginal returns - a firm's output decision in the short run - short-run and long-run costs 	
L14, 15 and 16	Perfect competition and pure monopoly	pp121-136
	<ul style="list-style-type: none"> - perfect competition - perfectly competitive firm's supply decision - industry supply curves - comparative statics for a competitive industry - pure monopoly - profit-maximising for a monopolist - output and price under monopoly and competition - a monopoly has no supply curve 	
L17	Market structure and imperfect competition	pp143-150
	<ul style="list-style-type: none"> - why market structures differ - monopolistic competition - oligopoly and interdependence (but not concentration ratios) 	
L18	Externalities	pp267-273
	<ul style="list-style-type: none"> - market failure - externalities 	
L19 and 20	Introduction to macroeconomics	pp335-350
	<ul style="list-style-type: none"> - the big issues - NZ economic facts - An overview of the economy - National Income accounting - What GDP measures 	
L21 and 22	Output and aggregate demand	pp353-365
	<ul style="list-style-type: none"> - components of aggregate demand - aggregate demand - planned spending and actual output - planned saving and planned investment - a fall in aggregate demand - the multiplier - the paradox of thrift. 	

L23 and 24	Fiscal policy and foreign trade	pp367-381
	<ul style="list-style-type: none"> - Government and the circular flow - The government and aggregate demand - The government budget - Budget deficits - Automatic stabilisers and discretionary fiscal policy - The national debt and the deficit - Foreign trade and income determination 	
L25 and 26	Money and banking	pp385-397
	<ul style="list-style-type: none"> - money and its functions - how banks create money - the monetary base and the money multiplier - measures of money - competition between banks - the demand for money 	
L27 and 28	Interest rates and monetary control	
	<ul style="list-style-type: none"> - The Reserve bank of NZ - OCR and monetary control - Other possible ways to control the money supply - Equilibrium in financial markets 	<p>pp407-8 pp404-407</p>
L29 and 30	Inflation, expectations and credibility	pp447-462
	<ul style="list-style-type: none"> - Money and inflation - Inflation and interest rates - Inflation, money and deficits - Inflation, unemployment and output - Costs of inflation 	
L31 and 32	Unemployment	pp469-482
	<ul style="list-style-type: none"> - the labour market - types of unemployment - changes in unemployment - cyclical fluctuations in unemployment - the cost of unemployment 	
L33	Exchange rates and the Balance of Payments	pp484-494
	<ul style="list-style-type: none"> - foreign exchange market - exchange rate regime - Balance of Payments - The Real Exchange Rate - Determinants of the current account - The capital account 	
L34, 35 and 36	International trade	pp567-587
	<ul style="list-style-type: none"> - Trade patterns - Comparative advantage - Intra-industry trade - Gains and losses from trade - Economies of tariffs - Arguments for and against tariffs - Other trade policies 	

Readings

The textbook is the same as for ECON 140;

David Begg, Stanley Fischer and Rudiger Dornbusch, *Economics*, 8th ed, 2005, McGraw-Hill, ISBN 1 3;978-007710775-8

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

Damien Ward and David Begg, *Student Workbook for Economics*, 8th ed, 2005, McGraw-Hill, ISBN 10;0-07-7107802

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

Assignments	15%	as announced on Blackboard - see below
Multi choice test	25%	6.30pm Thursday, 27 April 2006
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 at 6.30pm Thursday, 27 April 2006. The format is multi-choice and the time allowed for completion of the test is 50 minutes. Last year's test will be 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 assignments consist of short tests to be completed at the end of each chapter as it is taught from the text. You will complete them via Blackboard. There are 18 such tests and your assessment will be based on the best 15 marks you obtain. The tests will be made available as the material is taught with all the tests for the relevant half trimester due at the end of that half trimester. In other words, ALL tests on the chapters taught before the mid-term break must be completed by 23 April, and ALL tests on the chapters taught after the mid-term break must be completed by 4 June.

Mandatory Course Requirements

There are no mandatory course requirements for ECON 130 other than sitting the exam.

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. To check for opening hours call the office on (04) 463 5376.

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 is available for 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.

Check with the Student Administration Office for opening times (04) 463 5376.

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.

Manaaki Pihipihinga Maori and Pacific Mentoring programme (Faculties of Humanities and Social sciences and Commerce and Administration).

- **What:** Academic Mentoring for Maori and Pacific students studying at all levels in the above faculties. Weekly sessions for an hour with a mentor to go over assignments and any questions from tutorials or lectures. Registered students can use the faculty's study rooms and computer suite at any time at Kelburn and Pipitea.
- Mature student and Post grad network

If you would like to register as a mentor or mentee please contact the coordinator.

Where:

Melissa Dunlop
Programme Coordinator
Room 109 D
14 Kelburn Parade: back courtyard
Ph: (04) 463 6015
Email: Maori-Pacific-Mentoring@vuw.ac.nz

Please Note: A mentoring room will also be running at Pipitea Campus starting January. Please contact the Programme Coordinator for details.