

**School of Government**  
**MAPP 521 ECONOMICS**  
**Trimester 1 2006**  
**COURSE OUTLINE**

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**Contact Details**

**Course Co-ordinator:** **Dr Antong (Andres G) Victorio**  
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**Module Dates, Times and Location**

**Module One:** Wednesday 22 February 2006 8.30am-6.00pm

**Module Two:** Tuesday 11 April 2006 8.30am-6.00pm

**Module Three:** Wednesday 7 June 2006 8.30am-6.00pm

**Location:** Classes will normally be held on the Pipitea Campus and you will be advised of your classroom one week prior to each module by email.

## **Course Objectives and Content**

This course introduces concepts, frameworks, and ways of economic reasoning from the discipline of economics. An excellent intuitive grasp of these ideas is essential to understanding policy debates and the analysis of public policy issues. MAPP 521 *Economics* will focus on the key ideas themselves, while MAPP 522 *Economics and Public Policy* will place greater emphasis on applications within specific policy contexts. Those with previous study in economics may be exempted from the course, but must substitute another course in its place.

The ideas are introduced and discussed under the broad headings of microeconomics and macroeconomics. Microeconomics is the study of how households and firms make value-maximizing decisions when faced with markets and governments and in the context of bargaining against one another. Course participants will become familiar with different approaches to the role and impact of government in the economy. The notion of a market failure will be explored as a unifying framework for examining how government can improve individual and collective well-being. Macroeconomics is the study of the economy-wide implications of market-oriented individual-and-firm interactions, and their measurement in terms of growth, unemployment, inflation, interest rates and exchange rates. The strategic behaviour and operational flexibility of public policy analysts and private sector decision makers, are affected to varying degrees by fluctuations in, and shocks to, these and other macroeconomic variables. Outcomes will also depend on government policy decisions; judgements about how well goods, labour and financial markets function; the relative adjustment speeds of quantities and prices; the ways individuals form expectations; and the time horizons under consideration.

By the end of the course, it is expected that course participants will be able to:

- Understand and explain basic concepts and ideas from the discipline of economics, and their relevance to public policy analysis;
- Discuss key micro and macroeconomic approaches to analysis and ways of reasoning, and the implications of these for the appropriate role of government in the economy;
- Identify the key policy goals and instruments of government, the likely impact of government interventions on the economy, and the degree to which they can and cannot improve economic welfare.

## **Readings**

- Texts:** N. Gregory Mankiw, Principles of Economics, Thomson Southwestern, 2004 (third edition)
- A. Victorio, Applied Models in Public Policy, Ateneo University and Macklev Books, New York, 2004 (second edition)

And the following articles sent with this course outline:

Pool, J.C. and R.M. La Roe, "What every manager should know about macroeconomics", Chapter 1 in Pool and La Roe, *The instant economist*, Addison-Wesley, pp 3 - 29 (to be read prior to the session)

*The Economist*, 10 April 1999, "Desperately seeking a perfect model", pp 67 - 69

Victorio, Antong (Andres G) (2005), "Contemporary Economic Games", *Policy Quarterly* Vol. 1 No. 3, pp 16-22, Institute of Policy Studies, Victoria University of Wellington.

Both texts are available from VicBooks, situated on the Ground Floor of Rutherford House on the Pipitea Campus or at the Student Union Building of the Kelburn Campus. You can purchase textbooks in person or by mail order, telephone (04) 463-5515, fax (04) 471-2124, email [yuwtexts@vicbooks.co.nz](mailto:yuwtexts@vicbooks.co.nz) or online at [www.vicbooks.co.nz](http://www.vicbooks.co.nz). Some copies are also available on loan at the Victoria University Library.

Additional readings will be provided as the course progresses, to supplement the material in the texts. Chapters from this text will also be key readings for MAPP 522. For preliminary or supplementary material, the following are recommended:

Callander, Andrew (2004), *Understanding the Economic Environment*, 2<sup>nd</sup> Ed, Wellington, LexisNexis NZ.

Dalziel, Paul and Ralph Lattimore (2004), *The New Zealand Macroeconomy: Striving for Growth with Equity*, 5th Ed, Melbourne, Oxford University Press.

Dalziel, Paul and John B. Taylor (2002), *Macroeconomics: New Zealand edition*, Milton, Wiley.

## **Assessment Requirements**

Two pieces of work are required:

- One in-class test, worth 50%
- One take-home assignment, worth 50%, consisting of both test and essay questions

Due dates are as follows:

- *The in-class test, worth 50%, will be held during module two on Tuesday 11 April 2006.*
- *The take-home assignment, worth 50%, will be due on Wednesday 21 June 2006 (two weeks after module three).*

**Please send / hand-in ALL assignments (unless instructed otherwise by the course co-ordinator) to:**

Francine McGee,  
School of Government,  
Victoria University of Wellington,  
Level 8 Reception,  
Rutherford House,  
23 Lambton Quay,  
P.O. Box 600,  
Wellington.  
Email: [francine.mcgee@vuw.ac.nz](mailto:francine.mcgee@vuw.ac.nz)

**Students should keep a copy of all submitted work.**

ANZSOG candidates taking this course as an elective should note that they take it for 24 points, and not 15 points. Accordingly, the learning outcomes to be achieved by ANZSOG candidates are wider and deeper than those expected for non-ANZSOG candidates. The content of those learning outcomes, and the means whereby they will be assessed, will be negotiated and confirmed with the course co-ordinator at the start of the course.

## **Penalties**

The ability to plan for and meet deadlines is a core competency of both advanced study and public management. Failure to meet deadlines disrupts course planning and is unfair on students who do submit their work on time. It is expected therefore that you will complete and hand in assignments by the due date. Marks will be deducted at the rate of five for every working day by which the assignment is late (weekends and public holidays excluded) and no assignments will be accepted after five working days beyond the date they are due. For out of town students, two calendar days' grace is given to allow for time in the post. Electronic versions of assignments may be submitted by email but should be followed by a hard copy.

If ill-health, family bereavement or other personal emergencies prevent you from meeting the deadline for submitting a piece of written work or from attending class to take a test, you can apply for and may be granted an extension to the due date or a make-up test. Note that this applies only to extreme unforeseen circumstances and is not necessarily awarded. You should let your course co-ordinator know as soon as possible in advance of the deadline if you are seeking an extension or a make-up test.

## **Course Structure**

Ralph Lattimore will begin with six consecutive sessions on macroeconomics and Antong Victorio will follow with six consecutive sessions on microeconomics. The sessions are as follows:

## **MODULE ONE      Wednesday 22 February 2006**

**Session 1:**      8.30am-10.30am      Measuring and monitoring the macroeconomy (Lattimore)

Pool, J.C. and R.M. La Roe, “What every manager should know about macroeconomics”, Chapter 1 in Pool and La Roe, *The instant economist*, Addison-Wesley, pp 3 - 29 (to be read prior to the session)

*The Economist*, 10 April 1999, “Desperately seeking a perfect model”, pp 67 - 69

Mankiw:      Chapters 23, 24

The measurement of total production (GDP), the business cycle, national “economic well-being”, inflation; the distinction between nominal and real measurements; NZ economic growth and inflation performance; macroeconomic forecasting

**Session 2:**      11.00am-12.30pm      Production and employment in the long run (Lattimore)

Mankiw:      Chapters 25, 26 (pp 561 - 570), 28

Key determinants of long run real GDP growth; productivity, and why it is an important influence on living standards; the extent to which public policy can influence long run growth and productivity; what determines unemployment and its “natural rate”

**Session 3:**      1.30pm-3.30pm      Money and prices in the long run (Lattimore)

Mankiw:      Chapters 29 (pp 627 - 635, 639 - 642), 30

What is money, how is it determined, why is it important? The role of the banking system, including Central banks and key interest rates; the relationship between money, prices and inflation; the consequences of inflation

**Session 4:**      4.00pm-6.00pm      Money and prices in the long run (Lattimore)

## **MODULE TWO      Tuesday 11 April 2006**

**Session 5:**      8.30am-10.30am      The open economy (Lattimore)

Mankiw:      Chapter 31

Key introductory concepts and features of open economies, including what drives international trade, international capital flows, nominal and real exchange rates, and interest rate differentials; the role of purchasing-power parity

**Session 6:** 11.00am-12.30pm Booms, recessions and macroeconomic policy (Lattimore)

Mankiw: Chapters 33, 34 (pp 755 - 771), 35

The basic AD-AS model underpinning business cycle fluctuations; short run and long run relationships between inflation and unemployment; how fiscal and monetary policy can influence real GDP growth and inflation, in the short run and the long run

**Session 7:** 1.30pm-3.30pm Value-maximization by consumers and the demand curve (Victorio)

Mankiw: Chapter 21

Victorio: Chapter 2

The consumer's budget constraint from income and prices. Utility as a measure of satisfaction. Indifference curves as quantity combinations of the same total utility. Utility-maximization. The demand curve as utility-maximizing quantities from different prices. The market demand curve as the horizontal sum of individual consumer demand curves. The height of a demand curve as a measure of consumers' willingness-to-pay and their marginal benefit from consuming more.

**Session 8:** 4.00pm-6.00pm Profit-maximization by firms and the supply curve. Market equilibrium prices, quantities and shifts (Victorio)

Mankiw: Chapter 14, 4

A price-taking firm's total revenue, total cost, marginal revenue and marginal cost. The profit-maximizing quantity as an equality between the marginal revenue and the marginal cost of selling any more. The firm's marginal cost as effectively its supply curve. The market supply curve as the horizontal sum of firm supply curves. A market equilibrium price and quantity. Changes in market equilibrium from shifts in either market supply or demand.

### **MODULE THREE Wednesday 7 June 2006**

**Session 9:** 8.30am-10.30am Welfare-maximization and government-induced inefficiencies (Victorio)

Mankiw: Chapters 7, 8, 5, 6

Victorio: Chapter 3

Consumer surplus, producer surplus and the efficiency of perfect competition. The deadweight loss of taxation. Elasticity and the sharing of a tax burden between buyers and sellers. Government-instigated (price or quantity) controls and their consequences upon efficiency.

**Session 10:** 11.00am-12.30pm Monopoly and other forms of imperfect competition (Victorio)

Mankiw: Chapters 15, 16  
Victorio: Chapter 4

The market demand curve for a competitive firm versus that for a monopolist. A monopolist's total revenue and marginal revenue. The profit-maximizing equality of marginal revenue and marginal cost under a monopoly. The divergence of market price from marginal cost. The deadweight loss of a monopoly. Price discrimination and its benefits.

**Session 11:** 1.30pm-3.30pm Externalities and public goods as sources of market-failure inefficiencies (Victorio)

Mankiw: Chapters 10, 11  
Victorio: Chapters 5, 6

The unit cost of an externality as a component of social marginal cost. Efficiency as the equality of social marginal cost with the marginal benefit from any more. Subtracting the unit externality cost from the marginal benefit of demanders. Taxation and subsidy remedies. The Coase theorem as an alternative to government intervention. Altruism as another alternative. Non-rivalry and non-excludability as the sources of a market failure in public goods.

**Session 12:** 4.00pm-6.00pm Equilibrium concepts in game theory and collective inefficiency (Victorio)

Victorio: Chapter 15

Victorio, Antong (Andres G) (2005), "Contemporary Economic Games", *Policy Quarterly* Vol. 1 No. 3, pp 16-22, Institute of Policy Studies, Victoria University of Wellington.

Prisoners'-dilemma types of games. Dominant versus weakly-dominant strategies. The dominant-strategy equilibrium. The Nash equilibrium. Game trees and the method of backward induction. Perfect Bayesian Equilibrium for games with subjective probabilities about future events.

## **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 (EA 005) and offices EA 125a to EA 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 on (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](http://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](http://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](http://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](http://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](http://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 Co-ordinator 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 (04) 463-6070, email: [disability@vuw.ac.nz](mailto: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/](http://www.vuw.ac.nz/st_services/) or email [student-services@vuw.ac.nz](mailto:student-services@vuw.ac.nz).

VUWSA employs two Education Co-ordinators 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 (04) 463-6983 or (04) 463-6984, email [education@vuwsa.org.nz](mailto: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 co-ordinator.

### **Where:**

Melissa Dunlop  
Programme Co-ordinator  
Room 109 D  
14 Kelburn Parade: back courtyard  
Phone: (04) 463-6015  
Email: [Maori-Pacific-Mentoring@vuw.ac.nz](mailto:Maori-Pacific-Mentoring@vuw.ac.nz)

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