

School of Economics and Finance

## **ECON 140 ECONOMICS AND STRATEGIC BEHAVIOUR**

Trimester Two 2006

### **COURSE OUTLINE**

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#### **Contact Details**

Paul Calcott	RH324	463-6585	course coordinator
Jerry Mushin	RH426	463-5884	L2 CRN 10037
Penelope de Boer	EA128/RH319	463-7449/5818	course administrator
Adrian Slack	RH315	463-8571	L1 CRN 8722
Jaromír Kovářik	RH312	463-6944	L2 CRN 10037

#### **Class Times and Room Numbers**

L1 (CRN 8722) Tue, Wed, Thu	8am – 8.50am KKLT303
L2 (CRN 10037) Tue, Wed, Thu	10am – 10:50am KKLT303

The final examination will be in the period 19 October – 11 November 2006

#### **Course Objectives**

The course covers consumer choice, behaviour of firms under different market structures, public choice, implications for management, marketing and public policy decisions, and the design of regulatory, fiscal and monetary policies, and the responses of the economy to macroeconomic shocks.

## 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 11 2006. Bb refers to readings in the appropriate section on Blackboard.**

<b>Week</b>	<b>Topics</b>	<b>Reading</b>
1	<b>Asymmetric information</b> rational search, the lemons problem the costly-to-fake principle, signaling, moral hazard, adverse selection.	Frank and Bernanke chapter 12 Bb
2	<b>Pricing</b> price discrimination, peak-load pricing, pricing at short- versus long-run marginal cost.	Begg §§8-9,14-3 and 18-2
3	<b>Game Theory</b> dominant-strategy equilibrium, Nash Equilibrium, Prisoners' Dilema, co-operation, reaction function, commitment (not Bertrand).	Begg §§9-4 to 9-7
4	<b>Efficiency, regulation and market power</b> 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	<b>Consumer Theory</b> budget lines, indifference curves, a consumer's optimal choice, changes in income and prices.	Begg Ch 5
6	<b>Application of indifference curves</b> labour supply, isoquants, saving.	Begg §10-4, app to ch 10, §12-3
7	<b>Monetary and Fiscal Policy</b> monetary policy, the transmission mechanism, the IS-LM model, Taylor rules, fiscal policy.	Begg §§23-3 to 23-7 and ch 24
8	<b>The determination of output and inflation</b> 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 Bb

9	<b>Exchange rates, open economy macroeconomics</b> fixed and floating exchange rates, monetary policy in an open economy.	Begg ch 29 and §34-3
10	<b>Economic Growth</b> determinants of growth, neo-classical growth, endogenous growth.	Begg ch 30
11	<b>Business Cycles</b> trend vs. cycles, the output gap, the accelerator model, real business cycles, persistence.	Begg ch 31
12	<b>Macroeconomic controversies</b> hysteresis, endogeneity of expectations, extrapolative vs. rational expectations, schools of economic thought.	Begg ch 32

### Expected Workload

You should expect to spend 4 hours in class per week (3 lectures and 1 tutorial) and to spend 10 – 11 hours per week reading, studying and completing assignments.

### Readings

The textbook for this course is Begg, David (2005) *Economics* ISBN 978-007710775-8 . There is also an accompanying study guide/workbook but this is not compulsory.

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), 5<sup>th</sup> edition, 1991

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

Michael Parkin, *Microeconomics*, (Addison Wesley), 3<sup>rd</sup> 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

Your performance will be evaluated on the basis of:

- 10% - Assignment, due 5pm Aug 18
- 30% - Test, Thursday 7 September 6.30 pm
- 60% - Final Exam, tba - 70% of the exam will be multichoice.

Previous years' tests and exams are posted on Blackboard ([blackboard.vuw.ac.nz](http://blackboard.vuw.ac.nz))

The multi-choice test will be held on Thursday 7 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.

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 22<sup>nd</sup> 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 de Boer. 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

1. **either** obtain a mark of 50% in the Multi-Choice Test **or** attend a minimum of seven of the first ten tutorials held during the course **AND**
2. obtain a mark of at least 40% in the final 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 and Academic Services Office

The Faculty's Student and Academic Services 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 Student and Academic Services Office on (04) 463 5376.

#### Easterfield (EA) - FCA/Education/Law Kelburn Office

The Kelburn Campus Office for the Faculties of Commerce and Administration, Education 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.
- Forms for FCA Student and Academic Services (e.g. application for academic transcripts, requests for degree audit, COP requests).
- Examinations-related information during the examination period.

To check for opening hours call the Student and Academic Services Office on (04) 463 5376.

### **General University Policies and Statutes**

Students should familiarise themselves with the University's policies and statutes, particularly the Assessment Statute, the Personal Courses of Study Statute, the Statute on Student Conduct and any statutes relating to the particular qualifications being studied; see the Victoria University Calendar available in hard copy or under 'About Victoria' on the VUW home page at [www.vuw.ac.nz](http://www.vuw.ac.nz).

### **Student 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 are to be taken if there is a complaint. For information about complaint procedures under the Statute on Student Conduct, contact the Facilitator and Disputes Advisor or refer to the statute on the VUW policy 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; class representatives may be able to help you in this. If you are not satisfied with the result of that meeting, see the Head of School or the relevant Associate Dean; VUWSA Education Coordinators are available to assist in 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 at [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. The University defines plagiarism as follows:

*The presentation of the work of another person or other persons as if it were one's own, whether intended or not. This includes published or unpublished work, material on the Internet and the work of other student or staff.*

It is still plagiarism even if you re-structure the material or present it in your own style or words.

*Note: It is however, perfectly acceptable to include the work of others as long as that is acknowledged by appropriate referencing.*

Plagiarism is prohibited at Victoria and is not worth the risk. Any enrolled student found guilty of plagiarism will be subject to disciplinary procedures under the Statute on Student Conduct and may be penalised severely. Consequences of being found guilty of plagiarism can include:

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

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 Impairments**

The University has a policy of reasonable accommodation of the needs of students with

disabilities. The policy aims to give students with disabilities the same opportunity as 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, 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 (DSS) to discuss your individual needs and the available options and support on a confidential basis. DSS are located on Level 1, Robert Stout Building, telephone (04) 463 6070, email [disability@vuw.ac.nz](mailto:disability@vuw.ac.nz). The name of your School's Disability Liaison Person is in the relevant prospectus or can be obtained from the School Office or DSS.

### **Student Support**

Staff at Victoria want students to have positive learning experiences at the University. Each Faculty has a designated staff member who can either help you directly if your academic progress is causing you concern, or quickly put you in contact with someone who can. Assistance for specific groups is also available from the Kaiwawao Māori, Manaaki Pihipihinga or Victoria International.

In addition, the Student Services Group (email [student-services@vuw.ac.nz](mailto:student-services@vuw.ac.nz)) is 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/).

VUWSA employs 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 (tel. (04) 463 6983 or (04) 463 6984, email [education@vuwsa.org.nz](mailto:education@vuwsa.org.nz)) is located on the ground floor, Student Union Building.

### **Manaaki Pihipihinga - Māori and Pacific Mentoring Programme (Faculty of Commerce and Administration)**

This is a mentoring service for Māori and Pacific students studying at all levels. Weekly one hour sessions are held at the Kelburn and Pipitea Campuses in the Mentoring Rooms, 14 Kelburn Parade, and Room 210 and 211, Level 2, Railway West Wing. Sessions cover drafting and discussing assignments, essay writing, and any questions that may arise from tutorials and/or lectures. A computer suite networked to Cyber Commons is available for student use.

To register with Manaaki Pihipihinga, please contact one of the following:

Puawai Wereta  
Room 210, Level 2  
Railway West Wing  
Tel. (04) 463 8997  
Email: [Puawai.Wereta@vuw.ac.nz](mailto:Puawai.Wereta@vuw.ac.nz)

Fa'afai Seiuli  
Room 109 B  
14 Kelburn Parade  
Tel. (04) 463 5842  
Email: [Faafoi.Seiuli@vuw.ac.nz](mailto:Faafoi.Seiuli@vuw.ac.nz)