

School of Economics and Finance

ECON130 ECONOMIC PRINCIPLES AND ISSUES

Trimester Three 2006

COURSE OUTLINE

Contact Details

Penelope de Boer	EA128/RH319 463-7449/5818	Lecturer weeks 2 – 5,
Jerry Mushin	RH426 463-5884	Lecturer week 1
Penelope de Boer	course coordinator	

Class Times and Room Numbers

Lectures: Monday, Tuesday, Wednesday, Thursday 4.10pm-6.00pm KKLT303
Tutorials: tba

The final exam will be held in the period 18 December – 21 December

Course Objectives

ECON 130 includes material from microeconomics (18 lectures) and macroeconomics (18 lectures).

The course is an introduction to economic principles and their application to issues facing households, businesses and government in the NZ economy and the international environment.

Course Content

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
	- 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
	- 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
	- 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
	- why market structures differ	
	- monopolistic competition	
	- oligopoly and interdependence (but not concentration ratios)	
L18	Externalities	pp267-273
	- market failure	
	- externalities	
L19 and 20	Introduction to macroeconomics	pp335-350
	- 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
	- 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 	pp407-8 pp404-407
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

Expected Workload

You should expect to spend eight hours in lectures a week and one hour in tutorials. You should then expect to spend at least a further ten to twelve hours reading, studying and completing assignments.

Readings

The text for the course is:

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

Assignments	15%	as given on Blackboard, under Course materials
Multi choice test	25%	6.30pm Thursday, 30 November 2006
Exam:	60%	TBA

The test will cover the microeconomic component of the course. In particular, all the material covered in lectures up to the end of lecture 18, 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. If you choose to complete only 15 assignments, then those 15 marks will be included. If you choose to do all 18, then the marks of the best 15 assignments will be included. The tests will be made available as the material is taught with all the tests being due by midnight on 16th December.

VERY IMPORTANT NOTE – you will need to regularly check your marks (under “Tools” and then “My Grades” on Blackboard) to make sure that all tests are submitted correctly. If any of your marks show as a padlock symbol, then you must contact Penelope de Boer as soon as possible. The padlock symbol means that while you were submitting your assignment some problem happened with your internet connection OR you accidentally exited the test before completion by using the navigation buttons of your browser rather than those within the test.

Mandatory Course Requirements

There are no mandatory course requirements for ECON 130.

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.

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. 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; 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.

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.

Notice of Turnitin Use

(All courses which make use of Turnitin must inform students prior to collection of work for assessment. The following paragraph (modified as necessary for particular circumstances) should appear in course outlines.)

Student work provided for assessment in this course maybe checked for academic integrity by the electronic search engine <<http://www.turnitin.com>>. Turnitin is an on-line plagiarism prevention tool which identifies material that may have been copied from other sources including the Internet, books, journals, periodicals or the work of other students. Turnitin is used to assist academic staff in detecting misreferencing, misquotation, and the inclusion of unattributed material, which maybe forms of cheating or plagiarism. At the discretion of the Head of School, handwritten work maybe copy typed by the School and subject to checking by Turnitin. You are strongly advised to check with your tutor or the course coordinator if you are uncertain about how to use and cite material from other sources. Turnitin will retain a copy of submitted materials on behalf of the University for detection of future plagiarism, but access to the full text of submissions will not be made available to any other party.

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. 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) is available to

provide a variety of support and services. Find out more at 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) is located on the ground floor, Student Union Building.

Manaaki Pihipihinga - Maori and Pacific Mentoring Programme (Faculty of Commerce and Administration)

This is a mentoring service for Maori 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
Manaaki Pihipihinga Coordinator
Room 210, Level 2
Railway West Wing
Tel. (04) 463 8997
Email: Puawai.Wereta@vuw.ac.nz

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

The Pacific Support Coordinator is also available on the Pipitea Campus, Room 212, Level 2, Railway West Wing, every Thursday, 1-4pm. No appointment is necessary. You can either come in, email or phone with any issue that you need help with. Fa'afai links Pacific students to the services and support they need while studying at Victoria.