

School of Economics and Finance

ECON 140 ECONOMICS AND STRATEGIC BEHAVIOUR

Trimester Three 2006

COURSE OUTLINE

Contact Details

Penelope de Boer EA128/RH319 463-7449/5818 course administrator
Adrian Slack RH315 463-5233 x 8571 lecturer

Class Times and Room Numbers

Lectures: Mon, Tue, Wed, Thu 4:10pm – 6:00pm KKL303

Tutorials: Times and days to be advised. Signup for tutorials can be done by going to signups.vuw.ac.nz (and following the on-screen instructions), after 8pm on Wednesday 3 January.

The final examination will be in the period 12 – 18 February 2007

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, and there will be two each prescribed lecture time. **Lectures start on January 3, 2007. Bb refers to readings in the appropriate section on Blackboard.**

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 Bb
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’ Dilema, 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 Bb
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

Expected Workload

You should expect to spend 9 hours in class per week (8 hours of lectures and 1 tutorial) and to spend 20-22 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), 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

Your performance will be evaluated on the basis of:

- 10% - Assignment, due 5pm 18 January 2007
- 30% - Test, Tuesday 23 January 2007 4:10pm
- 60% - Final Exam, tba - 70% of the exam will be multichoice.

Previous years' tests and exams are posted on Blackboard (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. 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 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.

Students may ask for their assignments to be remarked. The course coordinator or lecturer 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 9th February 2007. 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 four of the five 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.

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

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.