

## School of Government

# MAPP 521 ECONOMICS (15 Points)

Trimester One 2007

## COURSE OUTLINE

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### Contact Details

**Course Coordinator:** **Dr Antong (Andres G) Victorio**  
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### Module Dates, Times and Locations

<b>Module One:</b>	Sessions 1-4	Wednesday 21 February 2007	8.30am – 6.00pm
<b>Module Two:</b>	Sessions 5-8	Wednesday 18 April 2007	8.30am – 6.00pm
<b>Module Three:</b>	Sessions 9-12	Wednesday 6 June 2007	8.30am – 6.00pm

**Location:** Classes will normally be held on the Pipitea Campus of Victoria University 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 core ideas, while MAPP 522 *Economics and Public Policy* will place greater emphasis on extensions and applications. 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 also in the context of bargaining against one another. For microeconomics, the notion of a market failure will be explored as a unifying framework for examining how government can improve upon 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 appreciate 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 some examples 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.

## **Learning Commitment**

The learning objectives set for each course are demanding and, to achieve them, candidates must make a significant commitment in time and effort to reading, studying, thinking, and completion of assessment items outside of contact time. Courses vary in design but all require preparation and learning before the first module. Regular learning is necessary between modules (students who leave everything to the last moment rarely achieve at a high level). Expressed in input terms, the time commitment required usually translates to 65-95 hours (excluding class contact time) per course.

## Readings

**Texts:** N. Gregory Mankiw, Principles of Economics, Thomson South-Western, 2007 (4<sup>th</sup> ed.), or 2004 (3<sup>rd</sup> ed.), or Harcourt, 1998 (2<sup>nd</sup> ed.)

A. Victorio, Applied Models in Public Policy, Ateneo University and Macklev Books, New York, 2004 (2<sup>nd</sup> edition)

Both textbooks are available from Vicbooks, Ground Floor, Rutherford House, on the Pipitea Campus or at the Student Union Building, Gate 3, Kelburn Parade, on the Kelburn Campus. Purchases can be made in person or by mail order, telephone (04) 463 5515, fax (04) 471 2124, email [vuwtexts@vicbooks.co.nz](mailto:vuwtexts@vicbooks.co.nz) or online [www.vicbooks.co.nz](http://www.vicbooks.co.nz). Some copies are also available on loan at the Victoria University library, particularly for Applied Models in Public Policy and for the earlier editions of Principles of Economics.

The revisions introduced in the third and fourth editions of Principles of Economics are not essential for achieving the learning objectives of the course. Chapter headings and numbers are identical across the third and fourth editions. For users of the second edition, the corresponding chapter numbers are matched in the reading list below.

Additional readings may be provided as the course progresses, to supplement the material in the textbooks. For preliminary or supplementary material in macroeconomics, 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.

Mankiw, N Gregory, Debasis Bandyopadhyay and Paul Wooding (2006), *Principles of Macroeconomics in New Zealand*, Sydney, Thomson Learning Australia.

## Course Structure and Reading List

Each module, organized according to the topics below, will consist equally of microeconomic topics by Antong Victorio and macroeconomic topics by Viv Hall:

### **MODULE ONE      Wednesday 21 February 2007**

**Session 1:** 8.30am – 10.30am    Macroeconomics: Measuring and monitoring the macroeconomy (Hall)

Pool, J.C. and R.M. La Roe, “What every manager needs to 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 (to be read prior to the session)

Mankiw: Chapters 23, 24  
(Or 2<sup>nd</sup> edition: Chapters 22, 23)

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 Macroeconomics: Production and employment in the long run (Hall)

Mankiw: Chapters 25, 26, 28  
(Or 2<sup>nd</sup> edition: Chapters 24, 25, 26)

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 Microeconomics: Supply, demand, market equilibrium and utility-maximization underlying demand decisions (Victorio)

Mankiw: Chapters 4, 21 (or identical chapters for the 2<sup>nd</sup> edition)  
Victorio: Chapter 2

The demand curve as quantities demanded in relation to price. The supply curve as quantities supplied in relation to price. The equilibrium of market prices and quantities. Predicting changes in market equilibrium from shifts in either market supply or demand. The consumer’s budget constraint from income and prices. Utility as a measure of satisfaction. Consumer choice as utility-maximization.

**Session 4:** 4.00pm – 6.00pm Microeconomics: Utility-maximization (continued), profit- maximization by firms and the supply curve. (Victorio)

Mankiw: Chapter 21 (continued), 14 (or identical chapters for the 2<sup>nd</sup> edition)

Indifference curves as quantity combinations of the same total utility. Utility-maximization in terms of indifference curves and a budget line. 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. 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 supplies.

## **MODULE TWO    Wednesday 18 April 2007**

**Session 5:**    8.30am – 10.30am    Macroeconomics: Money and prices in the long run (Hall)

Mankiw:        Chapters 29, 30  
(Or 2<sup>nd</sup> edition: 27, 28)

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 6:**    11.00am – 12.30pm    Macroeconomics: Money and prices in the long run (Hall, continued)

**Session 7:**    1.30pm – 3.30pm        Microeconomics: Welfare-maximization and economic efficiency (Victorio)

Mankiw:        Chapters 7, 8, 5, 6 (or identical chapters for the 2<sup>nd</sup> edition)  
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 8:**    4.00pm – 6.00pm        Microeconomics: Monopoly and other forms of imperfect competition (Victorio)

Mankiw:        Chapters 15, 16 (or identical chapters for the 2<sup>nd</sup> edition)  
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.

## **MODULE THREE    Wednesday 6 June 2007**

**Session 9:**    8.30am – 10.30am        Macroeconomics: The open economy (Hall)

Mankiw:        Chapter 31 (or 2<sup>nd</sup> edition: Chapter 29)

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 10:** 11.00am – 12.30pm Macroeconomics: Booms, recessions and macroeconomic policy (Hall)

Mankiw: Chapters 33, 34, 35  
(Or 2<sup>nd</sup> edition: Chapters 31, 32, 33)

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

Mankiw: Chapters 10, 11 (or identical chapters for the 2<sup>nd</sup> edition)  
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 Microeconomics: Equilibrium concepts in game theory and collective inefficiency (Victorio)

Victorio: Chapter 15

Prisoners'-dilemma types of games. Dominant versus weakly-dominant strategies. The dominant-strategy equilibrium. The Nash equilibrium. Other equilibrium concepts in game theory.

## **Assessment Requirements**

There are three pieces of assessment for the course, all “take-home” and totalling 100% of the course grade:

1. **Test/Essay**, 35% of course grade, due Wednesday 14 March 2007, three weeks after module one.

2. **Test/Essay**, 35% of course grade, due Wednesday 9 May 2007, three weeks after module two.
3. **Test/Essay**, 30% of course grade, due Monday 18 June 2007, twelve days after module three.

The three pieces of assessment will vary somewhat in format. Possibilities include multiple-choice testing, essay-writing, short answer-questions with or without calculations, quantitative case studies and questions from previously-assigned or additional readings.

**Please post / hand-in ALL assignments to:**

Francine McGee,  
School of Government,  
Victoria University of Wellington,  
Level 8 Reception,  
Rutherford House,  
23 Lambton Quay,  
P.O. Box 600,  
Wellington.

**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 Coordinator 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 may be deducted where assignments are submitted after the due date. For out of town students, two calendar days' grace is given to allow for time in the post.

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 make a presentation, you can apply for and may be granted an extension to the due date. Note that this applies only to extreme unforeseen circumstances and is not necessarily awarded. You should let your Course Coordinator know as soon as possible in advance of the deadline if you are seeking an extension.

## **Mandatory Course Requirements**

To fulfil the mandatory course requirements for this course, you are required to:

1. Submit all assignments by the due date, unless you have been granted an extension;
2. Attend all contact sessions of the course. If you are unable to attend a session, you must inform the Course Coordinator as soon as possible and you may be required to submit a further item of assessment.

## **Communication of Additional Information**

Additional information may be provided in class, by post, by email or 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 (EA 005) 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).

## **Notice of Turnitin Use**

Student work provided for assessment in this course may be checked for academic integrity by the electronic search engine Turnitin ([www.turnitin.com](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 may be forms of cheating or plagiarism. At the discretion of the Head of School, handwritten work may be 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](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 (telephone (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 Programme**

Manaaki Pihipihinga is an academic mentoring programme for undergraduate Māori and Pacific students in the Faculties of Commerce and Administration, and Humanities and Social Sciences. Sessions are held at the Kelburn and Pipitea Campuses in the Mentoring Rooms, 14 Kelburn Parade (back courtyard), Room 109D, and Room 210, Level 2, Railway West Wing. There is also a Pacific Support Coordinator who assists Pacific students by linking them to the services and support they need while studying at Victoria. Another feature of the programme is a support network for Postgraduate students with links to Postgraduate workshops and activities around Campus.

For further information, or to register with the programme, email [manaaki-pihipihinga-programme@vuw.ac.nz](mailto:manaaki-pihipihinga-programme@vuw.ac.nz) or telephone (04) 463 5233 extension 8977. To contact the Pacific Support Coordinator, email [pacific-support-coord@vuw.ac.nz](mailto:pacific-support-coord@vuw.ac.nz) or telephone (04) 463 5842.