

FACULTY OF COMMERCE AND ADMINISTRATION
STUDENT AND ACADEMIC SERVICES

Course Outline Approval Form

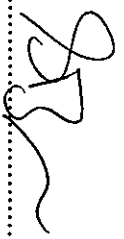
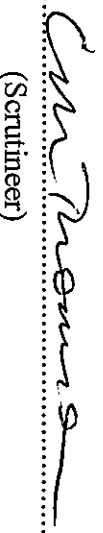
(Please complete one of these forms for each course)

| | | | |
|--|-------------------------------------|------------------|----------|
| Course Code (not CRN) | <u>ECON 130</u> | Trimester taught | <u>3</u> |
| Course Title | <u>Economic Principles + Issues</u> | | |
| Course Coordinator Name (please print) | <u>Stephe Brunell</u> | | |
| Scrutineer Name (please print) | <u>Cashla Thomson</u> | | |

We confirm that the Outline for the above course meets Faculty and University requirements as set out in the Course Outline Template, and as described in detail in the Assessment Handbook 2006, Section 3 *Course Outlines*.

Please note in particular paragraph 3.4 of the 2006 Assessment Handbook, that each course outline must be carefully checked and signed off as correct by another academic staff member (the scrutineer).

Please ensure that this completed form is sent, duly signed, to Laura Woodward, Room RW111, by Friday 7 July 2008 for Second Trimester courses.

| | | | |
|--------|---|--|--|
| Signed |  | |  |
| | (Course Coordinator) | | (Scrutineer) |
| Date | <u>12/11/08</u> | | <u>Cashla Thomson</u> |

School of Economics and Finance

ECON130 ECONOMIC PRINCIPLES AND ISSUES

Summer Trimester 2008

COURSE OUTLINE

Names and Contact Details

The Course Coordinator is: Stephen Burnell
Room RH 305 in Rutherford House, 23 Lambton Quay
Telephone (04) 463 5764
Email: stephen.burnell@vuw.ac.nz

Lectures 1– 4 will be presented by:
Jerry Mushin
Room RH 426 in Rutherford House, 23 Lambton Quay
Telephone (04) 463 5884
Email: jerry.mushin@vuw.ac.nz

Students who wish to see Jerry Mushin should telephone or email to arrange an appointment.

Lectures 5 – 18 will be presented by:
Cushla Thomson
Room RH 402 in Rutherford House, 23 Lambton Quay
Telephone (04) 463 6855
Email: cushla.thomson@vuw.ac.nz

Cushla's office hours will be in Easterfield 128 on Mondays from 2.30 – 4 and on Thursdays from 10-11.30. Easterfield 128 is accessible only through the main Commerce Faculty office in Easterfield 005.

The course administrator for ECON 130 is:
Francine McGee
Room RH 319 in Rutherford House, 23 Lambton Quay
Telephone (04) 463 5818
Email francine.mcgee@vuw.ac.nz

The duty tutor for this course is Michael Pearce. He will be available on Wednesdays 10.00am – 10.50am and Thursdays 11.00am – 11.50am in Easterfield 005.

The best way to contact any of the teaching or administration team for ECON 130 is by email.

Trimester Dates

The summer trimester begins on Monday, 17 November, 2008 and runs until Saturday, 21 February 2009. However, ECON 130 lectures and the exam will be held from Monday, 17 November until Monday, 22 December 2008.

Course Dates, Times and Location

Lectures for ECON 130 start on Monday, 17 November, 2008. The last lecture will be held on Tuesday, 16 December, 2008.

There will be four lectures per week. Lectures will be held from 12 p.m. to 1.50 p.m in Hugh Mackenzie Lecture Theatre 206.

Lecture slides for Lectures 5 to 18 will be available before class on Blackboard at www.blackboard.vuw.ac.nz. You may find it useful to print these before the lecture.

Withdrawal dates

Information on the procedure for withdrawing from ECON 130 is available at <http://www.victoria.ac.nz/home/admission/control/payments/withdrawalsrefunds.aspx>

(Note that the spelling of withdrawals in the link above is accurate, albeit incorrect.)

Course Objectives and Course Content

This course is intended to be a first course in microeconomics and macroeconomics. The overriding goal of the course is to provide you with a sense of economic reasoning. We hope that the ideas you encounter in ECON 130 will stay with you for many years, and will help you to analyse a wide range of problems across many subject areas in your day-to-day life and career.

By the end of the course, students should:

- Understand the underpinnings of market, demand, supply, and equilibrium
- Be able to apply economic models of supply and short run costs
- Be able to explain the economic analysis of revenue, costs, and profit maximisation
- Comprehend and be able to apply analysis of perfect competition, monopoly, and equilibrium
- Comprehend and be able to apply analysis of market failures and the role of government policy
- Be able to explain basic concepts of macroeconomics
- Understand and be able to explain the roles in the economy of money and the financial system
- Be able to explain basic concepts and effects of fiscal policy
- Be able to explain and apply elementary concepts of finance
- Be able to explain and articulate the effects of international trade and government policies

- Be able to explain balance of payment statistics and the determinants of exchange rates

The first five of these objectives relate to microeconomics and will be covered in Lectures 1 to 9. The second six objectives relate to macroeconomics and will be covered in Lectures 10 to 18.

The online tests and the final exam will cover all of these objectives. The mid-course test will cover the first five objectives.

Expected Workload

ECON 130 is an 18 point course. Victoria University has designated ten hours of work for one point, so the total expected workload for the course should be 180 hours. If you spread that workload evenly over five weeks, you should expect to spend around 35 hours per week on the course. This is a guideline only, and students' individual requirements may vary from this. However, you should be prepared for a very intensive introduction to economics.

Every week, you should expect to spend eight hours in lectures, one hour in a tutorial, and the rest of the time preparing for lectures and tutorials, completing the online tests, and revising for the mid-course test and final exam.

Assessment requirements

Your grade in ECON 130 will be based on three components:

| | |
|-------------------|-----|
| Online tests | 15% |
| Mid-course test | 25% |
| Final examination | 60% |

Online tests

There will be 11 online tests to be completed as each chapter of the textbook is covered. The deadlines for these and the procedure for completing them is set out at the back of this outline. Your best ten online tests will count for 15% of your grade.

Mid-course test

There will be a mid-course test on **Monday 8th December at 4 pm**. The test will consist of 40 multi-choice questions. It will cover material from Lectures 1 to 9. It will be 50 minutes long. We will advise you of the test location on Blackboard and in lectures.

The mid-course test will count for 25% of your grade. If you do not sit the test you will receive a mark of 0%, unless permission not to sit the test has been granted **in advance** by the Course Administrator, or you have a medical reason for not attending the test and a medical certificate from a doctor.

Final Examination

The final examination will take place on **December 22** (time to be advised). The exam will be 2 hours long. The exam location will be advised nearer the time. The final examination will count for 60% of your grade. The exam will cover the whole course, with more emphasis on macroeconomics. The format will be multi-choice questions and short essays. More detail will be given in class and on Blackboard nearer the time.

Tutorials

Tutorials are groups of twelve to sixteen students and a tutor, meeting for fifty minutes once a week. They provide a forum for discussing problems and working through exercises.

Tutorials are not compulsory but are highly recommended. We expect students to attend one tutorial per week. There will be four tutorials.

Tutorials will begin in Week 2 on Tuesday November 25. Details of tutorial locations will be provided on Blackboard once details have been finalised.

Tutorial 1 – Tuesday November 25 – Friday November 28
This tutorial will cover Lectures 1-4.

Tutorial 2 – Tuesday December 2 – Friday December 5
This tutorial will cover Lectures 5-8.

Tutorial 3 - Tuesday December 9 –Friday December 12
This tutorial will cover Lectures 9-12.

Tutorial 4 – Tuesday December 16 – Friday December 19
This tutorial will cover Lectures 13-17.

Tutorial rooms and times will be available on signups.vuw.ac.nz after 2 p.m. on Monday 17 November. You should go to this website and follow the instructions to sign up to a tutorial. Tutorial signup must be completed by 2 p.m. on Wednesday 19 November 2008. Anybody not having signed up for a tutorial by that time will need to contact Francine McGee.

Tutorial exercises and discussion material are specified on Blackboard. This can be accessed at www.blackboard.vuw.ac.nz. The exercises have been designed to give structure to the tutorial sessions and to provide a focus for discussion, but it is expected that tutorials will range beyond them.

You are expected to prepare for tutorials by keeping up with the prescribed reading and by attempting the exercises in advance of your session. You should attempt, in writing, the questions before attending your tutorial. Note that in the final exam you will be required to write short essays on the topics covered in the course. Preparing for the tutorials is your best opportunity to practise this.

Tutorials are also your main opportunity to raise and clarify any problems you may have with the material covered in lectures.

You must attend regularly the tutorial group to which you are assigned. If because of work or timetable clashes, you are no longer able to attend your allocated tutorial, you must notify Francine McGee, and you may then be able to change your tutorial.

Course textbook

The textbook for this course is:

John Sloman and Keith Norris, *Principles of Economics (1st edition)*, Pearson Prentice-Hall, 2005. Victoria University Book Centre has copies available.

For the pages to be covered in each lecture, see the lecture schedule near the end of this course outline.

The textbook does not cover the finance material taught in Lecture 14. Detailed notes (as well as the usual lecture slides) for this lecture will be provided on Blackboard. For additional examples, you can refer to Penelope de Boer and Mohammed Khaled, *Mathematics for Business and Economics (2nd edition)*, Pearsoned, 2007.

Other reading

You may find supplementary reading interesting and useful for helping you to understand the material.

There are many economics textbooks in the university library, including the following:

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.

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: Striving for Sustainable Growth with Equity* (Oxford UP, 2004).

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

You may take a silent non-programmable calculator into the test and exam. You must clear its memory beforehand.

Mandatory Course Requirements

There are no mandatory requirements for this course.

Communication of Additional Information

Additional information will be placed on Blackboard, www.blackboard.vuw.ac.nz, from time to time. You will also receive emails sent to the email address recorded on Student Records. Please check at the start of the course that this is the address you want us to use.

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 on the ground floor (EA005). This counter is the first point of contact for :

- 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.

Use of Turnitin

Student work provided for assessment in this course may be 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 mis-referencing, 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.

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 or go to www.victoria.ac.nz/home/about/policy/students.aspx

For information on the following topics, go to the Faculty's website www.victoria.ac.nz/fca under Important Information for Students:

- Academic Grievances
- Student and Staff Conduct
- Meeting the Needs of Students with Impairments
- Student Support

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 students or staff.

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

Note: including the work of others will not be considered plagiarism as long as the work 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:

www.victoria.ac.nz/home/studying/plagiarism.html

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 or phone (04) 463 6015. To contact the Pacific Support Coordinator, email pacific-support-coord@vuw.ac.nz or phone (04) 463 5842.

LECTURE OUTLINE – ECON 130 – SUMMER TRIMESTER 2008

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, the lecturers will sometimes deviate from the outline given here. The page references are from Sloman and Norris, *Principles of Economics*, first edition.

| Lecture | Date | Topic | Page references (Sloman & Norris 1 st edition) |
|---------|-------------|---|---|
| 1 | November 17 | Economic issues | Chapter 1: pp. 3-16 |
| 2 | November 18 | Markets, demand and supply | Chapter 2: pp. 35-63 |
| 3 | November 19 | Markets in action | Chapter 3: pp. 66-80, 87-94 |
| 4 | November 20 | Background to supply (short run cost function) | Chapter 4: pp. 97-105 |
| 5 | November 24 | Profit maximisation | Chapter 5: pp. 119-133 |
| 6 | November 25 | Perfect competition and monopoly | Chapter 6: pp. 135-156 |
| 7 | November 26 | Market failures and government policy | Chapter 9: pp. 211-229 |
| 8 | November 27 | The environment Applications of microeconomics | Chapter 9: pp. 230-242 |
| 9 | December 1 | Revision | |
| 10 | December 2 | Intro to macroeconomics | Chapter 10: pp. 245-272; Chapter 12: pp. 300-310 |
| 11 | December 3 | Money, interest rates and the financial system | Chapter 13: pp. 313-323 |
| 12 | December 4 | Money, interest rates and the financial system | Chapter 13: pp. 323 – 330 Chapter 14: pp. 342-346 |
| 13 | December 8 | Fiscal policy | Chapter 14: pp. 333-342; 346 - 349 |
| 14 | December 9 | Introduction to finance | See handout on BB |
| 15 | December 10 | International trade | Chapter 15: pp.361-378 |
| 16 | December 11 | International trade/balance of payments | Chapter 15: pp.379-393; Chapter 16: pp.395-398 |
| 17 | December 15 | Balance of payments and the exchange rate | Chapter 16: pp. 398-411 |
| 18 | December 16 | Revision | |

Economic Issues

pp 3-16

L1

The economic problem

- The problem of scarcity
- Demand and supply

Dividing up the subject

- macroeconomics
- microeconomics

Illustrating economic issues

- the production possibility curve
- the circular flow of goods and services

Markets, demand and supply

pp 35-63

L2

Economic systems

- The command economy
- The free market economy

Demand

- The relationship between demand and price
- The demand curve
- Other determinants of demand
- Movements along and shifts in the demand curve

Supply

- The relationship between supply and price
- The supply curve
- Other determinants of supply
- Movements along and shifts in the supply curve

The determination of price

- Equilibrium price and output
- Movement to a new equilibrium

The free market economy

- Advantages of a free market economy
- Problems with a free market economy
- The mixed economy

Markets in action

pp 66-80, 87-94

L3

Elasticity of demand

- Measurement, determinants
- Relationship with total consumer expenditure
- Elastic and inelastic
- Special cases

Elasticity of supply

- Measurement, determinants

Other elasticities

- Income elasticity of demand
- Cross-price elasticity of demand

Controlled prices

- Price ceilings
- Price floors

Background to supply

pp 97 – 105

L4

Short-run costs

- Short-run and long-run changes in production
- Production in the short-run: the law of diminishing returns
- Costs and inputs
- Total costs
- Average and marginal costs

Profit maximisation

pp 119 – 133

L5

Revenue

- Total, average and marginal revenue
- Revenue when price is not affected by the firm's output
- Revenue curves when the price varies with output
- Shifts in revenue curves

Revenue costs and profit

- Short-run profit maximisation using total curves
- Short-run profit maximisation using average and marginal curves
- Some qualifications

Perfect competition and monopoly

pp 135 – 156

L6

Perfect competition

- The short-run equilibrium of the firm
- The short-run supply curve
- The long-run equilibrium of the firm
- Is perfect competition good for consumers?

Monopoly

- What is a monopoly?
- Barriers to entry
- Equilibrium price and output
- Monopoly versus perfect competition
- Contestable markets

Market failures and government policy

pp 211 – 242

L7-8

Market failures

- Externalities
- Public goods
- Monopoly power
- Deadweight loss under monopoly
- Ignorance and uncertainty
- The principal-agent problem
- Poor economic decision making

Government intervention

- The uses of taxes and subsidies
- Disadvantages of taxes and subsidies
- Laws prohibiting undesirable behaviour
- Regulation of monopolies and restrictive practices
- Changes in property rights
- Provision of information
- Direct provision of goods and services
- Can the government always put things right?

The environment: a case study in market failure

Applications

L9

Revision

Introduction to Macroeconomics

pp 245 – 272

L10

Macroeconomic objectives

The circular flow of income

- The inner flow, withdrawals and injections
- The relationship between withdrawals and injections
- Equilibrium in the circular flow
- The NZ picture

Unemployment

- The meaning of unemployment
- Equilibrium (or natural unemployment)
- Disequilibrium unemployment

Inflation

- The costs of inflation
- The causes of inflation

The measurement of GDP

Inflation

L10

Demand-pull inflation

Cost-push inflation

pp 300-310

Interest rates and Money

pp 313 – 330

L11-12

The meaning and functions of money

- The functions of money
- What should count as money?

The financial system in NZ

- The role of the financial sector
- Banks
- Non-bank financial intermediaries
- The Reserve Bank of New Zealand

The supply of money

- The creation of credit
- The relationship between the money supply and the rate of interest

The demand for money

- What determines the size of the demand for money?

Equilibrium

- Equilibrium in the money market
- The full effect of changes in the money supply
- The Reserve bank of NZ
- OCR and monetary control
- Other ways to control the monetary supply

Fiscal policy

pp 333 – 342

L13

Fiscal policy

- Deficits and surpluses
- The use of fiscal policy

The effectiveness of fiscal policy

- Discretionary fiscal policy: problems of magnitude
- Discretionary fiscal policy: problems of timing
- Side effects of discretionary policy

Demand side policies

pp 346 – 349

L13

Attitudes towards demand management

The case for rules

The case for discretion

Finance

L14

Introduction to basic finance

see handout

International trade

pp 361 – 393

L15-16

- The gains from trade**
- Specialisation as the basis for trade
- The gains from trade based on comparative advantage
- The terms of trade
- Other reasons for gains from trade
- Arguments for restricting trade**
- Methods of restricting trade
- Arguments in favour of restricting trade
- Problems with protection
- World attitudes towards trade and protection**
- History of protectionism
- The Uruguay round and the WTO
- Trading Blocs**
- Types of preferential trading arrangement
- The direct effects of a customs union: trade creation and trade diversion
- Long-term effects of a customs union
- Preferential trading in practice
- Trade and developing countries**
- Trade strategies
- Exporting primaries – exploring comparative advantage
- Import substituting industrialisation
- Exporting manufactures – a possible way forward?

Balance of payments and exchange rates

pp 395 – 411

L16-17

- The balance of payments account**
- The current account
- The capital account
- The financial account
- Exchange rates**
- Determination of the rate of exchange in a free market
- Exchange rates and the balance of payments**
- No government or central bank intervention
- With government or central bank intervention
- Fixed versus floating exchange rates**
- Advantages of fixed exchange rates
- Disadvantages of fixed exchange rates
- Advantages of a free-floating exchange rate
- Disadvantages of a free-floating exchange rate
- Exchange rates in practice

L18

Revision

Online tests

Part of your assessment or ECON 130 is a series of online tests to be completed at the end of each chapter as it is taught from the text. You will complete them via Blackboard. Follow the link from the Announcements page for Test One. There are 11 such tests and your assessment will be based on the best 10 marks you obtain. If you choose to complete only 10 tests, then those 10 marks will be included. If you choose to do all 11, then the marks of the best 11 tests will be included. The tests will be made available as the material is taught (see the schedule on page 15 for due dates)

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 the course administrator (by email **ONLY**) as soon as possible. She will delete the padlock so that you can retry the test. The padlock symbol means that while you were submitting your assignment some problem occurred 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. If your mark shows as an “!” it means that you exceeded the time limit. You can attempt each test as many times as you like, but remember that individually they count for a very small part of your grade.

KEY DATES

Online Tests

| DATE TEST BECOMES AVAILABLE | | DATE DUE (Midday) |
|-----------------------------|-----------------------|-------------------|
| 19/11 | Online test – chap 1 | 3/12 |
| 19/11 | Online test – chap 2 | 4/12 |
| 19/11 | Online test – chap 3 | 8/12 |
| 19/11 | Online test – chap 4 | 8/12 |
| 24/11 | Online test – chap 5 | 15/12 |
| 24/11 | Online test – chap 6 | 15/12 |
| 24/11 | Online test – chap 9 | 15/12 |
| 28/11 | Online test – chap 10 | 19/12 |
| 28/11 | Online test – chap 13 | 19/12 |
| 28/11 | Online test – chap 14 | 19/12 |
| 28/11 | Online test – chap 15 | 19/12 |
| 28/11 | Online test – chap 16 | 19/12 |

Mid course test

Monday 8th December at 4 p.m.

Exam

Monday 22nd December (time and rooms to be advised).