

School of Economics and Finance

**ECON 130**  
**ECONOMIC PRINCIPLES AND ISSUES**  
Trimester two 2011  
**COURSE OUTLINE**

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**Names and Contact Details**

Paul Tompkinson	RH212	463-5737	Lecturer
Stephen Burnell	RH205	463-5764	Course Coordinator
Francine McGee	RH319	463-5818	Course Administrator

**Trimester Dates**

Teaching Period: Monday 11 July– Friday 14 October

Study Period: Monday 17 October – Thursday 20 October

Examination Period: Friday 21 October – Saturday 12 November (inclusive)

**Withdrawal from Course**

1. Your fees will be refunded if you withdraw from this course on or before 22 July 2011.
2. The standard last date for withdrawal from this course is 23 September. After this date, students forced to withdraw by circumstances beyond their control must apply for permission on an ‘*Application for Associate Dean’s Permission to Withdraw Late*’ including supporting documentation

The application form is available from either of the Faculty’s Student Customer Service Desks.

**Class Times and Room Numbers**

Monday and Wednesday                      10:00 – 10:50    MCLT103

**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. The chapter references provide the general background and are from Stiglitz and Walsh, *Economics* (International Student Edition), 4<sup>th</sup> edition. The page references indicate where the textbook addresses the specific issues.

## Course outline ECON 130

### ***Thinking like an economist***

**Chapters 1, 2**  
**pp.6-15, 25-32, 34-39**

- L1 -2      Self interest (greed)  
              Choices and tradeoffs  
              Choices and incentives  
              Choices and information  
              Voluntary exchange  
              The distribution of resources  
              The logic of rational choice

### ***Consumer choice***

**Chapters 5, 8, 9**  
**pp.101-107, 109-116, 124-129, 188-189, 209-211**

- L3 -6      The budget line  
              Preferences and utility  
              The optimal consumption plan: equalise the marginal utility per dollar  
              What happens if income rises?  
              What happens if the price of one good increases?  
              The choice between leisure and consumption  
              The choice between consumption today and consumption tomorrow

### ***Producer choice***

**Chapters 6, 7**  
**pp.131-148, 155-169**

- L7 -10     Production functions: inputs and outputs  
              Fixed versus variable costs  
              Cost minimisation: equalise the marginal output per dollar  
              Profit maximisation: marginal cost equals marginal revenue  
              What happens if the price of an input increases?  
              What happens if the price of the output increases?  
              Short-run and long-run responses

### ***Equilibrium***

**Chapters 3, 4, 10**  
**pp.53-70, 88-95, 221-229**

- L11 -12    Demand and supply  
              Equilibrium: demand equals supply  
              The equilibrium and changes in demand  
              The equilibrium and changes in supply  
              Is the market efficient?

### ***International trade***

**Chapter 19**  
**pp.423-431, 439-443**

- L13 -14    Comparative advantage and the gains from trade

Does everyone benefit from free trade?

**The government**

**Chapter 17**  
**pp.375-395**

L15 -16      Taxation  
                  Government spending  
                  Why does the government fund health and education?  
                  Taxation, tax evasion, and efficiency

**Finance**

**Chapters 9, 39**  
**pp.191-197, 211-212, 865-871, 885-886**

L17 -18      Time and interest rates  
                  The present discounted value of revenue streams  
                  Types of assets  
                  Expected returns: risk, liquidity, and taxation

**Saving and investment**

**Chapters 9, 24**  
**pp.209-211, 536-539**

L19 -22      The supply of loans: saving  
                  The demand for loans: borrowing and investment  
                  Equilibrium in the loans market  
                  What happens if there is a technological improvement (in the investment technology)?

**Growth**

**Chapters 8, 20, 27**  
**pp.188-189, 453-457, 467-468, 585-592, 599-601**

L23 -24      The capital stock  
                  Technological change  
                  Do people in rich countries work less than people in poor countries?

**Course Learning Objectives**

ECON 130 is an introduction to economic principles and their application to issues facing households, businesses and government in the New Zealand economy and the international economic environment.

At the end of this course, students should be able to:

- Explain and assess the key principles of economics
- Explain and analyse the optimal choices of consumers
- Explain and analyse the optimal production plan of a firm
- Identify an equilibrium and analyse the main influences on equilibrium prices and quantities
- Assess the benefits and costs of international trade
- Assess the role of the government in the economy
- Explain the basic concepts of finance
- Assess and analyse the main influences of national saving and investment

- Assess the causes and consequences of economic growth

### **Course Delivery**

The course material will be delivered via 24 lectures (two a week for 12 weeks), plus eight tutorial sessions. It will be essential that students have access to the course Blackboard site.

### **Expected Workload**

The expected workload for ECON 130 is 150 hours in aggregate; 10 hours per week during term, plus 30 hours (in total) during the break and study period. You should expect to spend ten hours per week on this subject during term, two hours in lectures, one hour in a tutorial (for eight of the weeks), and seven-eight hours reading and preparing for lectures and tutorials.

### **Group Work**

There is no group work for ECON 130.

### **Readings**

The required textbook for the course is:

Joseph E Stiglitz and Carl E Walsh, *Economics* (W W Norton), 4<sup>th</sup> Edition (International Student Edition), 2006, ISBN 0-393-92622-2.

Some streams may have extra lecturer-prepared material on Blackboard. If you cannot find what you are looking for in your stream's Blackboard, please feel free to explore the folders for other streams. Notice, the textbook does not cover all the material in the course, so lectures and lecture material will be crucial to passing the course.

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.

Robert H Frank and Ben S Bernanke, *Principles of Economics* (McGraw Hill/Irwin), 2<sup>nd</sup> edition, 2004.

Jerry Mushin, *Income, Interest Rates and Prices: An Overview of Macroeconomic Theory* (Dunmore Press), 3<sup>rd</sup> edition 1999.

Michael Parkin, *Microeconomics*, (Addison Wesley), 3<sup>rd</sup> edition, 1996.

John Sloman and Penelope de Boer, *Economics* (Pearson Education), 2009.

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 an online dictionary or a book such as D.W. Pearce (ed) *Macmillan Dictionary of Modern Economics* (1983). 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:

Pat Belgrave and Colin Jeffcoat, *You can do maths: Introductory maths for tertiary students* (Dunmore Press, 1995).

G. Kennedy, *Mathematics for Innumerate Economists* (Homes and Meier, 1982), especially Chapters 1-4.  
Penelope Proffitt, *Maths Made Easy* (Prentice Hall, 2002).

Some guides to the recent developments in the New Zealand economy include:

Paul Dalziel and Ralph Lattimore, - *The New Zealand Macroeconomy: Striving for Sustainable Growth with Equity* (Oxford UP, 2004).

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 (<http://www.stats.govt.nz/>) and the New Zealand Institute of Economic Research (<http://www.nzier.org.nz/>).

### **Materials and Equipment**

Silent non-programmable calculators may be taken into the test and examination. You may find a calculator useful, but they are by no means compulsory.

### **Assessment Requirements**

Online tests	15%	via Blackboard – see below
Multi-choice test	25%	Thursday 15 September at 6.30pm (50 minutes)
Examination	60%	Friday 21 October – Saturday 12 November (2 hours)

The test will consist of 40 multi-choice questions and cover the first six weeks of the course. In particular, all the material covered in lectures up to the end of lecture 12, and the application materials and all the reading specified in the course 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 final examination will be two hours. It will consist of 70 multi-choice questions and two written answers (to be chosen from four).

The online tests consist of 20 multi-choice questions to be completed at the end of each section of work. You will complete them via Blackboard. They can be found in the content area called *Online tests*. There are 10 such tests and your assessment will be based on all of these. Each test will be available for two teaching weeks after the relevant material has been taught. Each test will be shut down just before midnight on the announced Sunday. On the Monday morning, the test will then be available for study purposes, in the content area called *Tests for study purposes*.

**Important note.** You may sit each online test as many times as you like. However, for each test, your final attempt will be the one recorded and used to determine your assignment grade. This is due to technical difficulties associated with using your best score. If your final attempt does not

display a numerical score (for example, a padlock symbol or an exclamation mark), then you will need to resit the test or have your score recorded as zero. Each test must be submitted within 20 minutes, otherwise your mark will show as an exclamation mark (“!”), which will be interpreted as a score of zero.

### **Numeracy test**

In order to understand what we teach you, you will need to have a working understanding of some basic mathematical and logical concepts. So that we can identify (and then help) those who need the help, an online numeracy test is available for you on the course Blackboard site. Click on the content area, *Numeracy test*, and answer the 20 questions by midnight, Sunday 17 July. The test must be completed within 20 minutes. You can sit the numeracy test as many times as you wish. Students who struggle with the test are strongly encouraged to attend an extra mathematics lecture. The notes for this lecture (and to assist you with the online test) can be found in the Blackboard contents area, *Numeracy test*.

### **Tutorials**

Tutorials are groups of approximately 15-18 students and a tutor, meeting for fifty minutes, for eight weeks of the course. They provide a forum for discussing problems and working through exercises. You will choose a tutorial group during the first week of lectures.

Tutorial rooms and times will be available on <https://signups.victoria.ac.nz> from 12:00pm on 6 July 2011. You can sign up to a tutorial at this site. Tutorial signup must be completed by 14 July 2011. Anybody not having signed up for a tutorial by that time will need to see the Course Administrator.

Tutorial exercises and discussion material are specified on Blackboard. This can be accessed at [www.blackboard.vuw.ac.nz](http://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.

There are eight weeks of tutorials. Tutorials will be held in weeks 3, 4, 5, 7, 9, 10, 11, 12.

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. Tutorials are also your 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 not longer able to attend your allocated tutorial, you must notify the course administrator, to assist you to find a suitable tutorial time.

### **Quality Assurance**

Your assessed work may also be used for quality assurance purposes, such as to assess the level of achievement of learning objectives as required for accreditation and audit purposes. The findings may be used to inform changes aimed at improving the quality of FCA programmes. All material used for such processes will be treated as confidential, and the outcome will not affect your grade for the course.

## **Examinations**

Students who enrol in courses with examinations are obliged to attend an examination at the University at any time during the formal examination period. The final examination for this course will be scheduled at some time during the period from Friday 21 October – Saturday 12 November 2011.

## **Penalties**

Late submission of the online tests is not technically feasible. Failure to attend the multi-choice test on 12 May will normally earn a grade of zero.

## **Mandatory Course Requirements**

There are no mandatory course requirements for ECON 130.

## **Class Representative**

A class representative will be elected in the first class, and that person's name and contact details made available to VUWSA, the Course Coordinator and the class. The class representative provides a communication channel to liaise with the Course Coordinator on behalf of students.

## **Communication of Additional Information**

Additional information will regularly be placed on the course Blackboard site. 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.

**For the following important information follow the links provided:**

### **Academic Integrity and Plagiarism**

<http://www.victoria.ac.nz/home/study/plagiarism.aspx>

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

Find key dates, explanations of grades and other useful information at [www.victoria.ac.nz/home/study](http://www.victoria.ac.nz/home/study)

Find out about academic progress and restricted enrolment at <http://www.victoria.ac.nz/home/study/academic-progress.aspx>

The University's statutes and policies are available at [www.victoria.ac.nz/home/about/policy](http://www.victoria.ac.nz/home/about/policy), except qualification statutes, which are available via the Calendar webpage at <http://www.victoria.ac.nz/home/study/calendar.aspx> (See Section C).

Further information about the University's academic processes can be found on the website of the Assistant Vice-Chancellor (Academic) at [www.victoria.ac.nz/home/about\\_victoria/avcacademic/default.aspx](http://www.victoria.ac.nz/home/about_victoria/avcacademic/default.aspx)

### **AVC (Academic) Website: information including: Conduct, Academic Grievances, Students with Impairments, Student Support**

[http://www.victoria.ac.nz/home/about\\_victoria/avcacademic/Publications.aspx](http://www.victoria.ac.nz/home/about_victoria/avcacademic/Publications.aspx)

### **Faculty of Commerce and Administration Offices**

<http://www.victoria.ac.nz/fca/studenthelp/>

### **Te Putahi Atawhai**

#### **Maori and Pacific Mentoring Programme**

[http://www.victoria.ac.nz/st\\_services/tpa/index.aspx](http://www.victoria.ac.nz/st_services/tpa/index.aspx)