

School of Economics and Finance

ECON 130
ECONOMIC PRINCIPLES AND ISSUES
Trimester Three 2011
COURSE OUTLINE

Names and Contact Details

Course Lecturer:	Dr Adrian Slack Email: adrian.slack@vuw.ac.nz Office hours: Contact via email	RH315 Ph: 463-5233 ext 8571
Course Coordinator:	Dr Stephen Burnell Email: stephen.burnell@vuw.ac.nz Office hours: Contact via email	RH205 Ph: 463-5764
Course Administrator:	Francine McGee Email: Francine.McGee@vuw.ac.nz Office hours: 8:00am – 4:00pm	RH319 Ph: 463-5818

Francine is the appropriate person to see about organisational and administrative matters, such as tutorials signups, absence from the test or problems with submitting the assignment. If you would like an economic concept explained, then please address it to your lecturer or your tutor. Stephen is responsible for the course materials.

Trimester Dates

Teaching Period: Monday 14 November – Friday 16 December
Examination Period: Monday 19 December

Withdrawal from Course

1. Your fees will be refunded if you withdraw from this course on or before Friday 18 November 2011.
2. The standard last date for withdrawal from this course is Friday 9 December 2011. 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

CRN 8827 Tuesday, Wednesday and Friday 4:10 – 6:00 KKLT303

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 are from Stiglitz and Walsh, *Economics* (International Student Edition), 4th edition.

Course outline ECON 130, 2011

Thinking like an economist

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

- L1 -2 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
Tariffs
Some arguments against globalisation

The government

Chapter 17

pp.375-395

- L15 -16 Taxation
Government spending
Why does the government fund health and education?
Market failures and government intervention

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 the supply or demand of loans increases?

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 assess the optimal choices of consumers
- Explain and assess the optimal production plans of firms
- Identify an equilibrium and 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 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, plus eight tutorial sessions (2 per week for 4 weeks, starting in week 2). It will be essential that students have access to the course Blackboard site.

Date	Lecture	Topic	Text	Page refs	Tutorial
15-Nov	L1	Economic problems	Ch 1	6-15	
	L2	Thinking like an economist	Ch 2	25-32, 34-39	
16-Nov	L3	Preferences and utility	Ch 5	101-107, 109-116,	
	L4	Budget sets/lines		124-129	
18-Nov	L5	The optimal consumption plan			
	L6	Leisure and labour supply	Ch 8	175-181, 188-189	
22-Nov	L7	Production functions	Ch 6	131-148	L1-2
	L8	Production costs			L3-6
23-Nov	L9	Revenue and profit maximisation	Ch 7	155-169	
	L10	Competitive firms			
25-Nov	L11	Demand and supply	Ch 3	53-70	
	L12	Equilibrium	Ch 4, 10	88-95, 216, 221-229	
27-Nov		<i>Topic tests 1-2 close</i>			
29-Nov	L13	International trade - motivation	Ch 19	423-431, 439-443	L7-10
	L14	International trade - restrictions			L11-12
30-Nov	L15	Government fiscal policy	Ch 17	375-381	
	L16	Government intervention			
02-Dec		<i>No lecture - School closed for the day</i>			
04-Dec		<i>Topic tests 3-5 close</i>			
06-Dec	L17	Finance - concepts	Ch 9, 39	193-197, 211-212,	L13-14
	L18	Finance - applications		865-871, 885-86	L15-16
07-Dec		<i>Multi-choice test (covers L1-12)</i>			
09-Dec	L19	The saving-consumption choice	Ch 9, 24	191-193, 196-201,	
	L20	Supply of loanable funds		209-211, 536-539	
11-Dec		<i>Topic tests 6-8 close</i>			
13-Dec		<i>No lecture - Graduation Day</i>			
14-Dec	L21	Demand for loanable funds			L17-20
	L22	Saving and investment			L21-24
16-Dec	L23	Growth - theory	Ch 8, 20, 27	188-189, 453-454,	
	L24	Growth - issues		467-468, 585-595,	
18-Dec		<i>Topic tests 9-10 close</i>			
				599-601	

Expected Workload

The expected workload for ECON 130 is 150 hours in aggregate; 30 hours per week over the 5 week segment of part A of the 2011 summer semester. Each week you should expect to spend: 4-6 hours in lectures, 2 hours in tutorials and the remainder in independent study, reading, preparing for lectures and tutorials, and completing the required assessment.

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), 4th 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.

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.

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

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

Michael Parkin, *Microeconomics*, (Addison Wesley), 3rd 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%	Wednesday 7 December, 5pm (50 minutes)
Examination	60%	19 December (two hours)

The multi-choice test will consist of 40 multi-choice questions and cover the first two 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*. The test must be completed within 20 minutes. You can sit the numeracy test as many times as you wish. The notes for an extra online mathematics lecture (and to assist you with the online test) can be found in the Blackboard contents area, *Numeracy test*.

Note: 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.

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 **Tuesday 8 November**. You can sign up to a tutorial at this site. Tutorial sign up must be completed by 3pm on Thursday 3 March. 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. 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. 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 on Monday 19th December 2011.

Penalties

Late submission of the online tests is not technically feasible. Failure to attend the multi-choice test 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

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, 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

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

http://www.victoria.ac.nz/home/about_victoria/avcacademic/Publications.aspx

Faculty of Commerce and Administration Offices

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

Manaaki Pihipihinga Programme

http://www.victoria.ac.nz/st_services/mentoring/