

School of Economics and Finance

ECON 140
ECONOMICS AND STRATEGIC BEHAVIOUR

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, and you may contact him if you have a question about the interpretation of the assignment.

Trimester Dates

Teaching Period: Monday 9 January 2012 – Friday 17 February 2012

Examination Period: Monday 20 February – Saturday 25 February 2012 (inclusive)

Withdrawal from Courses:

1. Your fees will be refunded if you withdraw from this course on or before 18 November 2011.
2. The last date for withdrawal from this course is Friday 20 February 2012. 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

Class Times and Room Numbers

CRN 9310 Thursday and Friday 0800-0950 KKLT303

Course Content

Chapter references give the broad picture for the course, page references indicate what will be emphasised during the course.

Strategic behaviour

Chapter 14
pp.311-328

Lectures 1-2 Some simple games
Strategies
Nash equilibrium
Time inconsistency and commitment

Imperfect information

Chapter 15
pp.333-350

Lectures 3-4 Adverse selection and signalling
Moral hazard and incentives
Solutions to incentive problems

Monopoly and oligopoly

Chapters 11, 12
pp.261-270, 274-284

Lectures 5-8 The market equilibrium with a monopoly supplier
Comparing the equilibria under competition and monopoly
Markets with two suppliers
Collusion and entry deterrence

Government policies towards competition

Chapter 13
pp.289-299

Lectures 9-10 Drawbacks of limited competition
Natural monopolies
Public ownership, regulation, or encouraging competition

Aggregate expenditure and income

Chapters 21, 22, 30, 31
pp.485-496, 661-684, 689-697

Lectures 11-14 GDP: Income and expenditure approaches
Consumption and imports as functions of GDP
The equilibrium level of output
Investment (and, possibly, consumption) as a function of the real interest rate
The Aggregate Demand-Inflation (ADI) curve

Fiscal policy

Chapters 25, 30, 33
pp.547-554, 729-736

Lectures 15-18 Automatic stabilisers
Discretionary fiscal policy to combat a recession
Expenditure increases or tax cuts?
Government debt

Inflation

Chapters 23, 31
pp.509-516, 692-696

Lectures 19-20 Defining the Consumer Price Index
Nominal and real interest rates
The consequences of inflation

Monetary policy

Chapters 28, 32, 33, 35, 37
pp. 736-751, 822-833

Lectures 21-24 Inflation targeting and policy rules
The short-run inflation adjustment curve
Nominal interest rates and the Official Cash rate
The consequences of a change in the Official Cash Rate

Chapter and page references are to Stiglitz and Walsh, *Economics* (International Student Edition).

Course Learning Objectives

This course continues the introduction to economics begun in ECON 130. It is not intended as a first course in economics, and we will presume knowledge of material covered in ECON 130. We will cover further topics in both micro and macroeconomics.

In addition the course exposes students to the use of simple economic models, and so prepares students for further study in ECON and FINA courses. Analysis of these models will sometimes require knowledge of elementary mathematics, such as graphing lines.

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

- Solve and comment on simple games
- Explain and discuss solutions to problems arising from imperfect information
- Explain and address the implications of imperfect competition in markets
- Describe and explain key macroeconomic variables
- Analyse the basic income-expenditure model of macroeconomics
- Analyse the macroeconomic impact of fiscal policy
- Assess the consequences of inflation
- Analyse the macroeconomic impact of monetary policy

Course Delivery

The course will have two lectures per week (24 in total) plus eight tutorials in total. It is expected that students will be prepared for their tutorials and actively participate in them.

Date	Lecture	Topic	Text	Page refs	Tutorial
12-Jan	L1	Strategic behaviour	Ch 14	311-328	
	L2				
13-Jan	L3	Imperfect information	Ch 15	333-350	
	L4				
19-Jan	L5	Monopoly	Ch 11	261-270	L1-2
	L6				L3-4
20-Jan	L7	Oligopoly	Ch 12	274-284	
	L8				
26-Jan	L9	Government policies towards competitive	Ch 13	289-299	L5-6
	L10				L7-8
27-Jan	L11	Aggregate expenditure	Ch 21, 22, 30	485-496, 661-684, 689-697	
	L12				
29-Jan		<i>On-line tests 1 and 2 close</i>			
02-Feb	L13	Aggregate expenditure and income			L11-12
	L14				L13-14
03-Feb	L15	Fiscal policy	Ch 25, 30, 33	547-554, 729-736	
	L16				
03-Feb		Assignment due (12pm, midday)			
05-Feb		<i>On-line test 3 closes</i>			
09-Feb	L17	Fiscal policy			
	L18				
10-Feb	L19	Inflation	Ch 23, 31	509-516, 692-696	
	L20				
10-Feb		<i>Multi-choice test (covers L1-10)</i>			
12-Feb		<i>On-line test 4 closes</i>			
16-Feb	L21	The money supply	Ch 28, 32, 33,	736-751, 822-833	L15-18
	L22				35, 37
17-Feb	L23	Monetary policy			
	L24				
19-Feb		<i>On-line tests 5 and 6 close</i>			

Expected Workload

The expected workload for ECON 140 is 150 hours in aggregate; 24 hours per week over the 6 week segment of part B of the 2011 summer semester. You should expect to spend: 4 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 140.

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.

Lecture notes, including key definitions and concepts for the course, have been placed on the ECON 140 Blackboard site. These will be essential for many of the examples given in the course, and for the assignment.

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.

David Begg, Stanley Fischer and Rudiger Dornbusch, *Economics*, (McGraw-Hill), 9th edition, 2008.

Robert Frank and Ben Bernanke, *Principles of Economics*, (McGraw-Hill), 3rd edition, 2007 or 2nd edition, 2004.

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

Michael Parking, *Microeconomics*, (Addison Wesley), 3rd edition, 1996.

John Sloman and Keith Norris, *Principles of Economics and Introduction to Macroeconomics*, (Dryden Press/Harcourt Brace), 1999.

Materials and Equipment

Silent non-programmable calculators may be taken into the test and examination.

For tutorials and study, students should be familiar with basic Excel skills.

Assessment Requirements

Your performance will be evaluated on the basis of:

- 6% Written assignment, due 11:55am, **Friday 3 February** – submitted via Blackboard by 12.00pm
- 9% Six online tests each worth 1.5% submitted via Blackboard
- 25% Test, **Friday 10 February**, 11.00am (50 minutes). Note: the test will consist solely of 40 multi-choice questions
- 60% Final Examination (120 minutes). Note: 70% of the examination will be multi-choice

The assignment topic will be available on Blackboard. You will be asked to submit your assignment electronically through Blackboard. Please ensure that you submit it as either a doc or pdf file, as we cannot guarantee that the assignment markers will be able to read other formats. Your assignment mark plus comments from the marker will also be communicated through Blackboard.

The assignment may require you to draw a diagram. It is important that such a diagram is accurate and so using Excel – or similar software – will be desirable. Handwritten diagrams, of which photocopies can be submitted on pdf files, are acceptable.

Assignments that are submitted late will be awarded a zero mark unless the course co-ordinator has approved an extension. Extensions are granted if there is a problem that is severe and unavoidable, and for which evidence is available. A zero mark will be awarded for plagiarised assignments.

Students may ask for their written assignments to be remarked. It is quite possible for an assignment to receive a lower mark after this process. Applications for remarks must be made before 5pm on Friday 3 February. 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 Francine McGee. Allow for up to two weeks for remarks to be completed.

The format of all six online tests is multi-choice. All six tests will be available from the start of term. You can take each test as many times as you like. However, only your final attempt will count towards your final grade (if your final attempt is invalid then the score from your last valid attempt will be recorded). Each test consists of twenty questions chosen randomly from a test bank. You will have twenty minutes to complete the test. If you fail to submit within the deadline, your attempt will be recorded as invalid. Each test will shut down at 11:55pm on the Sunday specified. At 1:00am on the following Monday, the test will reopen for study purposes.

The multi-choice test will consist of 40 multi-choice questions and cover the first three weeks of the course. In particular, all the material covered in lectures up to the end of lecture 10, 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.

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 **Monday 20 February – Saturday 25 February 2012 (inclusive)**.

Tutorials

Tutorials are groups of approximately 15-18 students and a tutor, meeting for fifty minutes once a week. 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 noon on **Saturday 31 December 2011**. You can sign up to a tutorial at this site. Tutorial signup must be completed by **12pm on Monday 9 January 2012**. 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 the course Blackboard site. 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 no longer able to attend your allocated tutorial, you must notify the course administrator, to assist you to find a suitable tutorial time.

There will be eight tutorial sessions during the course, held during **weeks 2, 3, 4, and 6**.

Penalties

Assignments that are submitted late will be awarded a zero mark unless the course coordinator has approved an extension.

Each online test will specify a closing date. Failure to successfully submit a test by this time will result in a grade of zero being awarded.

Mandatory Course Requirements

There are no mandatory course requirements for ECON 140.

Class Representative

A class representative will be elected in the first class, and that person's name and contact details will be 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.

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.

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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/