

School of Economics and Finance

ECON 130
ECONOMIC PRINCIPLES AND ISSUES

Trimester 2 2012

COURSE OUTLINE

Names and Contact Details

Course Lecturers:	Martin Berka (lecturing weeks 1-6) Email: martin.berka@vuw.ac.nz Office hours: Monday & Wednesday 9:45-10:45 in EA119	RH202 Ph: 463-5893
	Ilan Noy (lecturing weeks 7-12) Email: ilan.noy@vuw.ac.nz Office hours: Monday & Wednesday 9:45-10:45 in EA119	RH212 Ph: 463-5737
Course Coordinator:	Stephen Burnell Email: stephen.burnell@vuw.ac.nz	RH 205 Ph: 463-5764
Course Administrator:	Francine McGee francine.mcgee@vuw.ac.nz Office hours: 8.00am – 4.00pm	RH319 Ph: 463-5818

Trimester Dates

Teaching Period: Monday 16 July – Friday 19 October

Study Period: Monday 22 October – Thursday 25 October (Monday 22 October is a public holiday, Labour Day)

Examination Period: Friday 26 October – Saturday 17 November (inclusive)

Withdrawal from Course

1. Your fees will be refunded if you withdraw from this course on or before Friday 27 July 2012.
2. The standard last date for withdrawal from this course is Friday 28 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 11.00-11.50 HMLT206

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. The page references indicate where the textbook addresses the specific issues.

Course outline

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 assess the optimal choices of consumers
- Explain and assess the optimal production of plans of firms
- Identify and 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 (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), 4th Edition (International Student Edition), 2006, ISBN 0-393-92622-2.

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).

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).

Regular surveys of the New Zealand economy are produced by: The Reserve Bank of New Zealand *Bulletin* and *Annual Report* (www.rbnz.govt.nz/); the Organisation for Economic Co-operation and Development (OECD) in its *Economic Survey of New Zealand* (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 (www.stats.govt.nz) and the New Zealand Institute of Economic Research (www.nzier.org.nz).

Materials and Equipment

No electronic calculators will be allowed.

Assessment Requirements

Online tests	15%	via Blackboard – see below
Multi-choice test	25%	Wednesday 19 September (50 minutes)
Examination	60%	TBA (two hours)

The test on Wednesday 19 September 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 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 *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 22 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 Blackboard contents area, *Numeracy test*.

An additional mathematics lecture will be held at a date and time to be announced.

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 10 July. You can sign up to a tutorial at this site. Tutorial signup must be completed by 3pm Friday 20 July. 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 no longer able to attend your allocated tutorial, you must notify the course administrator, to assist you to find a suitable tutorial time.

Tutorials will be held in weeks 3, 5, 6, 7, 9, 10, 11, and 12.

Quality Assurance 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 FCom 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 26 October – Saturday 17 November (inclusive).

Penalties

Late submission of the online tests is not technically feasible. Failure to attend the multi-choice test on Wednesday 19 September 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 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 Office

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

Te Putahi Atawhai

Maori and Pacific Mentoring Programme

<http://www.victoria.ac.nz/tpa/>