

School of Economics and Finance

**ECON 140**  
**ECONOMICS AND STRATEGIC BEHAVIOUR**

Trimester 2 2012

**COURSE OUTLINE**

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**Names and Contact Details**

Course Lecturers:	Jerry Mushin (CRN 10037) Email: <a href="mailto:jerry.mushin@vuw.ac.nz">jerry.mushin@vuw.ac.nz</a> Office hours: Contract via email	RH211 Ph: 463-5884
	Stephen Burnell (CRN 8722) Email: <a href="mailto:stephen.burnell@vuw.ac.nz">stephen.burnell@vuw.ac.nz</a> Office hours: 9:30-10:30, Tuesday, Thursday	RH205 Ph: 463-5764
Course Coordinator:	Stephen Burnell Email: <a href="mailto:stephen.burnell@vuw.ac.nz">stephen.burnell@vuw.ac.nz</a>	RH205 Ph: 463-5764
Course Administrator:	Francine McGee Email: <a href="mailto:francine.mcgee@vuw.ac.nz">francine.mcgee@vuw.ac.nz</a> Office hours: 8.00am – 4.00pm	RH319 Ph: 463-5818

Francine is the appropriate person to see about organisational and administrative matters, such as tutorial 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. Stephen is also responsible for the course materials. If you have a question about the interpretation of the assignment, or think you have found a mistake in the tutorial questions, then you might like to send him an email.

**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 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.

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

### Class Times and Room Numbers

(CRN 10037)	Tuesday and Thursday	9.00-9.50	MCLT103
(CRN 8722)	Tuesday and Thursday	11.00-11.50	MCLT103

### 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.

### **Expected Workload**

You should expect to spend 3 hours in class per week (2 lectures per week, plus 1 tutorial for eight of the weeks) and to spend 7-8 hours per week reading, studying and completing assignments. While lectures run for 12 weeks (and tutorials for 8), it is expected that study outside lectures and tutorials will be spread over a 15-week period.

### **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, 4<sup>th</sup> 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), 5<sup>th</sup> edition, 1991.

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

Robert Frank and Ben Bernanke, *Principles of Economics*, (McGraw-Hill), 3<sup>rd</sup> edition, 2007 or 2<sup>nd</sup> 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 21 September** – submitted via Blackboard
- 9% Six online tests each worth 1.5% submitted via Blackboard.
- 25% Test, **Wednesday 26 September**, 6:30pm (50 minutes).
- 60% Final Examination, Friday 26 October – Saturday 17 November (inclusive). 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 30 September. 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 the 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 the following Monday, the test will reopen for study purposes.

A midterm test will be held on **Wednesday 26 September** at 6.30pm. The format is multi-choice and the time allowed for completion of the test is 50 minutes. Last year's test is available on Blackboard as a guide. All the material covered in lectures up to the end of week 6, and all the reading which is specified in the lecture 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.

### 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.

### **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 **Wednesday 11 July 2012**. You can sign up to a tutorial at this site. Tutorial signup must be completed by **3pm on 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 the course Blackboard site. 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.

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. Tutorials will be held during **weeks 3, 4, 6, 7, 8, 10, 11 and 12**.

### **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**

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 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 be conveyed to students via Blackboard. Emails may also be sent to you from time to time to the email address recorded under Student Records.

**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 Office**

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

### **Te Putahi Atawhai**

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

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