

School of Economics and Finance

ECON 140
ECONOMICS AND STRATEGIC BEHAVIOUR
Trimester 3 2012

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 deals with 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 discuss it with your tutor.

Trimester Dates

Teaching Period: Monday 19 November – Friday 15 February

Examination Period: Monday 18 February – Sunday 24 February (inclusive)

Withdrawal from Course

1. Your fees will be refunded if you withdraw from this course on or before one full week after the first class.
2. The standard last date for withdrawal from this course is 5 February.

After the last date stated in #2, 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

Tuesday and Friday 4.10pm-6.00pm HMLT206

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 material will be delivered via 24 lectures (2 sessions per week for 6 weeks), 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. It is expected that students will prepare for their tutorials and actively participate in them.

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

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), 4th Edition (International Student Edition), 2006, ISBN 0-393-92622-2.

Supplementary reading that you may find helpful, depending on your interests, experience and aptitude (not required reading):

Karl E. Case, Ray C Fair, and Sharon C Oster. *Principles of Economics*, 10th edition (Pearson).
Begg, David K. H; Fischer, Stanley; Dornbusch, Rudiger. *Economics* (McGraw-Hill Higher Education), 9th edition, 2008.

Mankiw, N. Gregory; Bandyopadhyay, Debasis; Wooding, Paul. *Principles of macroeconomics in New Zealand* (Cengage Learning), 2nd edition, 2009.

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

If you are in doubt about the meaning of any economic terms, we suggest that you consult 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 definitions.

For those concerned about their math ability, we recommend

Penelope Proffitt, *Maths Made Easy* (Prentice Hall, 2002);

G. Kennedy, *Mathematics for Innumerate Economists* (Holmes and Meier, 1982).

Regular surveys of the New Zealand economic include: The Reserve Bank of New Zealand's *Bulletin* and *Annual Report* (<http://www.rbnz.govt.nz/>); the Organisation for Economic Co-operation and Development's *Economic Survey of New Zealand* (<http://www.oecd.org/>); the New Zealand Institute of Economic Research's (NZIER) *Quarterly Predictions*; and BERL's (Business and Economic Research Ltd) *Monthly Monitor* (<http://www.berl.co.nz/>).

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 12:00pm, Friday 1 February – submitted via Blackboard
- 9% Six online tests each worth 1.5% submitted via Blackboard.
- 25% Multi-choice test, Monday 4 February, 11.00am (50 minutes).
- 60% Final Examination, Monday 18 February – Sunday 24 February (inclusive). Note: 70% of the examination will be multi-choice.

The **assignment** questions will be posted 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 Monday 11 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 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.

The **multi-choice test** will consist of 40 multi-choice questions and cover the four topics 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).

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 **Monday 7 January**. You can sign up to a tutorial at this site. Tutorial sign up must be completed by **3pm on Thursday 10 January**. 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 four tutorial sessions during the course. During summer trimester, each session will cover two standard tutorials.

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 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.

Link to general information

For general information about course-related matters, go to

<http://www.victoria.ac.nz/vbs/studenthelp/general-course-information>