

School of Economics and Finance

ECON 130
ECONOMIC PRINCIPLES AND ISSUES

Trimester 1, 2013

COURSE OUTLINE

Names and Contact Details

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Trimester Dates

Teaching Period: Monday 4 March – Friday 7 June

Study Period: Monday 10 June – Thursday 13 June

Examination Period: Friday 14 June – Wednesday 3 July (inclusive)

Withdrawal from Course

1. Your fees will be refunded if you withdraw from this course on or before Friday 15 March 2013.
2. The standard last date for withdrawal from this course is Friday 17 May. 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 10034	Monday and Wednesday	8.00-8.50	MCLT103
CRN 10035	Monday and Wednesday	1.10-2.00	MCLT103
CRN 10036	Monday and Wednesday	3.10-4.00	MCLT103

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 Case, Fair and Oster, *Principles of Economics*, (Global Edition), 10th edition. The page references indicate where the textbook addresses the specific issues.

Course outline ECON 130

Thinking like an economist

**Chapters 1, 2, 3
pp. 58-70, 103**

L1 - 2 Self interest (greed)
 Scarcity and choice
 Opportunity costs
 Marginalism
 No free lunch

Consumer choice

**Chapter 6
pp. 154-176**

L3 – 6 The budget constraint
 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 7, 8, 9
pp. 184-190, 194-198, 200-208, 211-213, 227-235**

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, 12
pp. 97-104, 285-294**

L11 – 12 Demand and supply
 Equilibrium: demand equals supply
 The equilibrium and changes in demand
 The equilibrium and changes in supply
 General equilibrium
 Pareto efficiency

International trade

Chapter 34

pp. 697-714

L13 – 14 Comparative advantage and the gains from trade
Does everyone benefit from free trade?

The government

Chapters 16, 19

pp. 378-381, 424-438, 686

L15 – 16 Taxation
Government spending
Why does the government fund health and education?
Taxation, tax evasion, and efficiency

Finance

Chapters 11, 17

pp. 280-283, 386-389

L17 – 18 Time and interest rates
The present discounted value of revenue streams
Types of assets
Expected returns: risk, liquidity, and taxation

Growth

Chapters 22, 32

pp. 484-486, 669-676, 164-167

L19 – 20 The capital stock
Technological change
Do people in rich countries work less than people in poor countries?

Exchange rates

Chapters 34, 35

pp. 72-722, 731-737

L21 – 24 Definitions of exchange rates and the foreign exchange market
Do prices of goods differ between countries, or does the law of one price hold?

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 the course, students should be able to:

- Explain and assess the key principles of economics
- Explain and analyse the optimal choice of a consumer
- Explain and analyse the optimal production plan of a firm
- Identify an equilibrium and analyse 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 and analyse the main influences on 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 tutorials sessions. It will be essential that students have access to the course Blackboard site.

Group Work

There is no group work for ECON 130.

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 the trimester, 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.

Readings

The require textbook for the course is:

Karl E Case, Ray C Fair, and Sharon M Oster, *Principles of Economics* (Pearson), 10th Edition (Global Edition), 2012, ISBN 10: 0-273-75372-X.

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

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

Online tests	15%	via Blackboard – see below
Multi-choice test	25%	Monday 6 May (50 minutes) at 6.15pm
Examination	60%	Friday 14 June – Wednesday 3 July (inclusive)

The test on **Monday 6 May at 6.15pm** 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 seven 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. One 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 10 March. 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 are, *Numeracy test*.

***Additional mathematics lectures will be held at dates 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 <http://signups.victoria.ac.nz> from 12.00pm on Monday 25 February. You can sign up to a tutorial at this site. Tutorial signup must be completed by Wednesday 6 March at 3.00pm. 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 to 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.

Penalties

Late submission of the online tests is not technically feasible. Failure to attend the multi-choice test on Monday 6 May will normally earn a grade of zero.

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 following period:

- 14 June – 3 July

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.

Link to general information

For general information about course-related matters, go to

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

Note to Students

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 academic audit. The findings may be used to inform changes aimed at improving the quality of VBS programmes. All material used for such processes will be treated as confidential, and the outcome will not affect your grade for the course.
