

School of Economics and Finance

ECON 130
ECONOMIC PRINCIPLES AND ISSUES

Trimester 2, 2013

COURSE OUTLINE

Names and Contact Details

Course Coordinator/Lecturer:	Adrian Slack Email: adrian.slack@vuw.ac.nz Office hours: by appointment	RH315 Ph: 463-5233 ext 8571
Course Administrator:	Francine McGee Email: francine.mcgee@vuw.ac.nz Office hours: Monday- Friday 8.00am-4.00pm	RH319 Ph: 463-5818

Trimester Dates

Teaching Period: Monday 15 July – Friday 18 October

Study Period: Monday 21st October – Thursday 24 October

Examination Period: Friday 25 October – Saturday 16 November (inclusive)

Withdrawal from Course

1. Your fees will be refunded if you withdraw from this course on or before Friday 26 July 2013.
2. The standard last date for withdrawal from this course is Friday 27 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

Wednesday and Friday 11.00-11.50 KKLT303

Prescription

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.

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 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 the causes and consequences of economic growth
- Explain and analyse the economic functions of exchange rates.

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.

1. 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

2. 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

3. 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 or of the output increases?
 Short-run and long-run responses

4. 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

5. International trade

Chapter 34
pp. 697-714

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

6. 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

7. 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

8. 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?

9. Exchange rates

Chapters 34, 35
pp. 717-721, 726-733

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

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.

Week	Lecture	Topic	Text references	Tutorial
Week 1	L1	Economic problems	58-70, 103	
	L2	Thinking like an economist		
Week 2	L3	Preferences and utility	154-176	1: L1-2
	L4	Budget sets/lines		
Week 3	L5	The optimal consumption plan		2: L3-4
	L6	Leisure and labour supply		
	<i>Online test 1 closes</i>			
Week 4	L7	Production functions	184-190, 194-198, 200-208, 211-213, 227-235	3: L5-6
	L8	Production costs		
Week 5	L9	Revenue and profit maximisation		
	L10	Competitive firms		
	<i>Online test 2 closes</i>			
Week 6	L11	Demand and supply	97-104, 285-294	4: L7-10
	L12	Equilibrium		
	<i>Online test 3 closes</i>			
<i>Mid-trimester break (2 weeks)</i>				
Week 7	L13	International trade - motivation	697-714	5: L11-12
	L14	International trade - restrictions		
	<i>Online test 4 closes</i>			
Week 8	L15	Government fiscal policy	378-381, 424-438, 686	
	L16	Government intervention		
	<i>Multi-choice test</i>			
Week 9	L17	Finance - concepts	280-283, 386-389	6: L13-16
	L18	Finance - applications		
Week 10	L19	Growth - theory	484-486, 669-676, 164-167	
	L20	Growth - issues		
	<i>Online test 6 closes</i>			
Week 11	L21	Exchange rates	717-721, 726-733	7: L19-20
	L22	Forex market		
	<i>Online test 7 closes</i>			
Week 12	L23	Law of one price; PPP		8: L21-22
	L24	Exchange rate regimes; BoP		

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.

Readings

The required 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).

Tutorials

Tutorials will be held in weeks 2, 3, 4, 6, 7, 9, 11, 12 (starting week 2).

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 discussion and to work through set exercises.

You will need to 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 Wednesday 10 July. You can sign up to a tutorial at this site. Tutorial signup must be completed by 3pm Friday 19 July. If you have not signed up by that time, you 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 tutorials 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, in writing.

You must attend 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.

Group Work

There is no group work for ECON 130.

Materials and Equipment

No electronic calculators will be allowed.

Assessment

Online tests	15%	via Blackboard – see below
Multi-choice test	25%	Tuesday 17 September (50 minutes)
Examination	60%	TBA (two hours)

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 you can identify whether you need to seek 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 21 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 contact Student Learning Support Services (http://www.victoria.ac.nz/st_services/slss/), and to use the recommended resources above. **Note:** The numeracy test is not assessed.

Online tests: The online tests consist of 20 multi-choice questions to be completed after studying the relevant topic. You will complete them via Blackboard. They can be found in the content area called *Online tests*. There are 7 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 tests as many times as you like. For each test, your final attempt will be the one recorded and used to determine your 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 tests must be submitted within 20 minutes, otherwise your mark will show as an exclamation mark (“!”), which will be interpreted as a score of zero.

Multi-choice test: The test on Tuesday 17 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 writer 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.

Examination: The final examination will be two hours. It will consist of 70 multi-choice questions and two written answers (to be chosen from four).

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:

Friday 25 October – Saturday 16 November (inclusive)

Mandatory Course Requirements

There are no mandatory course requirements for ECON 130.

If you cannot complete an assignment or sit a test or examination, in the first instance, contact the Course Administrator to discuss the options. In the case that you wish to consider applying for an aegrotat, refer to www.victoria.ac.nz/home/study/exams-and-assessments/aegrotat.

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.

Student feedback

Student feedback on University courses may be found at
www.cad.vuw.ac.nz/feedback/feedback_display.php

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.
