

School of Economics and Finance

ECON 140
ECONOMICS AND STRATEGIC BEHAVIOUR

Trimester 2, 2013

COURSE OUTLINE

Names and Contact Details

Course Lecturers:	Jerry Mushin (CRN 10037) Email: jerry.mushin@vuw.ac.nz Office hours: Contract via email	RH211 Ph: 463-5884
	Stephen Burnell (CRN 8722) Email: stephen.burnell@vuw.ac.nz Office hours: 9:30-10:30, Tuesday, Thursday	RH205 Ph: 463-5764
Course Coordinator:	Stephen Burnell Email: stephen.burnell@vuw.ac.nz	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 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 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

Tuesday and Thursday	8.00am-8.50am (CRN 8722)	MCLT103
Tuesday and Thursday	11.00am-11.50am (CRN 10037)	MCLT103

Course Delivery

24 lectures, 8 tutorials.

Group Work

There is no group work in this course.

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.

Prescription

Consumer choice, the strategic behaviour of firms under different market structures, public choice. Implications for management, marketing and public policy decisions, and the design of regulatory, fiscal and monetary policies. Responses to macroeconomic shocks.

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 Content

Chapter references give the broad picture for the course, page references indicate what will be emphasised during the course.

Game theory		Chapter 14 pp. 332-337
Lectures 1-2	Some simple games Strategies Nash equilibrium Time inconsistency and commitment	
Monopoly and oligopoly		Chapters 13, 14 pp. 303-317, 326-332
Lectures 3-6	The market equilibrium with a monopoly supplier Comparing the equilibria under competition and monopoly Markets with two suppliers Collusion and entry deterrence	
Asymmetric information		Chapter 17 pp. 389-395
Lectures 7-8	Adverse selection and signalling Moral hazard and incentives Solutions to incentive problems	
Government regulation		Chapters 13, 14 pp. 317-319, 339-342
Lectures 9-10	Drawbacks of limited competition Natural monopolies Public ownership, regulation, or encouraging competition	
Introduction to macro		Chapters 20, 21 pp. 444-449, 455-464
Lectures 11-12	GDP: Expenditure and income Consumption, government spending, investment, exports, imports	
The IS curve		Chapters 23, 24, 27 pp. 491-505, 510-519, 574-576, 587-588
Lectures 13-14	Equilibrium output Interest rates, investment, and consumption The IS curve	
The LM curve		Chapters 26, 27 pp. 558-567, 588
Lectures 15-16	The transactions and speculative motives for money Equilibrium in the money market The LM curve	
The AD curve		Chapter 27 pp. 581-585
Lectures 17-18	The price level and the LM curve The AD curve	

The AS curve

Chapters 28, 29
pp. 592-597, 599-603, 616-627

Lectures 19-20 The short-run AS curve
 The long-run AS curve
 Inflation
 The short-run and long-run Phillips curves

The dynamics of a shock to the economy

Chapters 28, 30
pp. 610

Lectures 21-24 The short-run and long-run dynamics of a shock
 What caused the economy to slow down in 2009?

Chapter and page references are to Case, Fair, and Ostler, *Principles of Economics, Global Edition*.

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.

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 available in the library.

William J Baumol and Alan S Blinder, *Economics: Principles and Policy*, (Harcourt), 5th edition, 1991.

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

Robert Frank and Ben Bernanke, *Principles of Economics*, (McGraw-Hill), 3rd edition, 2007 or 2nd 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.

Joseph E Stiglitz and Carl E Walsh, *Economics* (W W Norton), 4th Edition (International Student Edition), 2006, ISBN 0-393-92622-2.

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

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 25 September**, 6:15pm (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 18 October. 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 11.30pm 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 25 September** at 6:15pm. 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.

Tutorials.

Tutorials are voluntary and do not count towards the final grade. Topics and questions are designed to assist your study and preparation for the mid-term test and the final examination. Tutorials will be held in weeks 3, 4, 5, 6, 9, 10, 11, and 12.

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.

Use of Turnitin

Student work provided for assessment in this course may be checked for academic integrity by the electronic search engine <http://www.turnitin.com>. Turnitin is an on-line plagiarism prevention tool which compares submitted work with a very large database of existing material. At the discretion of the Head of School, handwritten work may be copy-typed by the School and submitted to Turnitin. A copy of submitted materials will be retained on behalf of the University for detection of future plagiarism, but access to the full text of submissions will not be made available to any other party.

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 140.

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 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.

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.