

School of Economics and Finance

ECON 140

ECONOMICS AND STRATEGIC BEHAVIOUR

Trimester 3, 2013

COURSE OUTLINE

Names and Contact Details

Course Coordinator/Lecturer:	Adrian Slack	RH315
	Email: adrian.slack@vuw.ac.nz	Ph: 463-5125
	Office hours: by appointment	
Course Administrator:	Francine McGee	RH319
	Email: francine.mcgee@vuw.ac.nz	Ph: 463-5818
	Office hours: Monday- Friday 8.00am-4.00pm	

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. Adrian 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 6 January – Friday 14 February

Examination Period: Monday 17 February – Saturday 22 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 2014. 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 Friday 8:00am-9:50am KKLT303

Course Delivery

24 lectures (2 x 2 hour sessions per week), 8 tutorials (2 per week for 4 weeks). It is expected that students will prepare for their tutorials and actively participate in them.

Week	Lecture	Lecture topic	Text references	Tutorial
Week 1	L1	Game theory	332-337	
	L2			
	L3	Monopoly	303-317	
	L4			
Week 2	L5	Oligopoly	326-332	1: L1-2
	L6			2: L3-4
	L7	Asymmetric information	389-395	
	L8			
19-Jan	Online test 1 closes			
Week 3	L9	Government regulation		3: L5-6
	L10			4: L7-8
	L11	Introduction to macro	444-449, 455-464	
	L12			
26-Jan	Online tests 2 and 3 close			
Week 4	L13	The IS curve	491-505, 510-519, 574-576, 587-588	
	L14			
28-Jan	Multi-choice test			
	L15	The LM curve	558-567, 588	
31-Jan	L16			
	Assignment due (12pm, midday)			
Week 5	L17	The AD curve	581-585	5: L11-12
	L18			6: L13-16
	L19	The AS curve	592-597, 599-603, 616-627	
	L20			
9-Feb	Online test 4 closes			
Week 6	L21	The dynamics of a shock to the economy	605-606, 636-644	7: L17-20
	L22			8: L21-24
	L23			
	L24			
16-Feb	Online tests 5 and 6 close			
Exam period, 17 February 2014 to 22 February 2014				

Group Work

There is no group work in this course

Expected Workload

You should expect to spend around 6 hours in class per week (4 hours of lectures per week, plus 2 hours of tutorials for four of the weeks) and to spend 15 hours per week reading, studying and completing assignments. While lectures run for 6 weeks (and tutorials for 4), it is expected that study outside lectures and tutorials will be spread over the trimester.

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.

1. Game theory

Chapter 14
pp. 332-337

Lectures 1-2 Some simple games
Strategies
Nash equilibrium
Time inconsistency and commitment

2. 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

3. Asymmetric information

Chapter 17
pp. 389-395

Lectures 7-8 Adverse selection and
signalling
Moral hazard and incentives
Solutions to incentive
problems

4. 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

5. Introduction to macro

Chapters 20, 21
pp. 444-449, 455-464

Lectures 11-12 GDP: Expenditure and income
Consumption, government spending, investment, exports, imports

6. 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

**7. 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

**8. The AD
curve**

Chapter 27
pp. 581-585

Lectures 17-18 The price level and the LM
curve
The AD curve

9. 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

10. The dynamics of a shock to the economy

Chapters 28, 30
pp. 605-606, 636-644

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 Oster, *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, will be put on [Blackboard](#). These will be essential for many of the examples given in the course, and for the assignment.

You may find the **supplementary reading** below helpful, depending on your interests, experience and aptitude. This material is not required reading.

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

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

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 31 January, submitted via Blackboard
- 9% Six online tests each worth 1.5%, submitted via Blackboard; see below.
- 25% Test, Tuesday 28 January, 12:00pm (50 minutes).
- 60% Final Examination, Monday 17 February – Saturday 22 February (inclusive).

Assignment: The assignment topic will be available on Blackboard. You will be asked to submit your assignment electronically via Blackboard. Please ensure that you submit it as either a doc or pdf file; 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 given 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 possible for an assignment to receive a lower mark after this process. Applications for remarks must be made before 5pm on Friday 7 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 in with your assignment to the Course Administrator. Allow for up to two weeks for remarks to be completed.

Online tests: The six online tests can be found in the content area called *Online tests* on Blackboard. All six on-line tests will be available from the start of the trimester. Each test will be shut down just before midnight on the announced Sunday (see Course Delivery schedule). On the Monday morning, the test will be available for study purposes, in the content area *Tests for study purposes*.

Each test consists of twenty multi-choice questions. You will have twenty minutes to complete the test. If you fail to submit within the deadline, your attempt will be recorded as invalid. You can take each test as many times as you like. 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).

Test: A multi-choice test will be held on **Tuesday 28 January** at 12:00pm. The format is 40 multi-choice questions and the time allowed for completion of the test is 50 minutes. Last trimester's test is available on Blackboard as a guide. All the material covered in lectures up to the end of topic 4 (lecture 10), and all the reading that is specified in the Course Content 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.

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).

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. The tutorial exercises will be posted on Blackboard before your tutorial. Bring a copy of the exercises with you to your tutorial.

Tutorials will be held in weeks 2, 3, 5, 6; *they are not held every week.*

You will need to choose a tutorial group during the first week of lectures. You can sign up to a tutorial at <https://signups.victoria.ac.nz> from 12.00pm on Wednesday 1 January until 3pm Wednesday 8 January. If you have not signed up by that time, you will need to see the Course Administrator.

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:

Monday 17 February – Saturday 22 February (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, 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.
