

School of Economics and Finance

ECON 130

ECONOMIC PRINCIPLES AND ISSUES

Trimester 1, 2014

COURSE OUTLINE

Names and Contact Details

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Trimester Dates

Teaching Period: Monday 3rd March – Friday 6th June

Study Period: Monday 9th June – Thursday 12th June

Examination Period: Friday 13th June – Wednesday 2nd July (inclusive)

Withdrawal from Course

1. Your fees will be refunded if you withdraw from this course on or before Friday 14th March 2014.
2. The standard last date for withdrawal from this course is Friday 16th 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 10035	Wednesday and Friday	8.00-8.50	KKLT303
CRN 10036	Wednesday and Friday	11.00-11.50	MCLT103
CRN 10034	Wednesday and Friday	2.10-3.00	KKLT303

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.

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.

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 (CLOs)

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 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.

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
 Logic

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

<i>Producer choice</i>		<i>Chapters 7, 8, 9</i>
		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	
<i>Equilibrium</i>		<i>Chapters 3, 12</i>
		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	
<i>International trade</i>		<i>Chapter 34</i>
		pp. 697-714
L13-14	Comparative advantage and the gains from trade Does everyone benefit from free trade?	
<i>The government</i>		<i>Chapters 16, 19</i>
		pp. 378-381, 424-438, 686
L15-16	Taxation Government spending Why does the government fund health and education? Taxation, tax evasion, and efficiency	
<i>Finance</i>		<i>Chapters 11, 17</i>
		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	
<i>Growth</i>		<i>Chapters 22, 32</i>
		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?	
<i>Exchange rates</i>		<i>Chapters 34, 35</i>
		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?	

Week	Lecture	Topic	Text references	Tutorial
Week 1	L1	Economic problems	58-70, 103	
	L2	Thinking like an economist <i>Sit the numeracy and Econ pretest</i>		
Week 2	L3	Preferences and utility	154-176	
	L4	Budget sets/lines		
Week 3	L5	The optimal consumption plan		1
	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	2
	L8	Production costs		
Week 5	L9	Revenue and profit maximisation		3
	L10	Competitive firms <i>Online test 2 closes</i>		
Week 6	L11	Demand and supply	97-104, 285-294	4
	L12	Equilibrium <i>Online test 3 closes</i>		
Week 7	L13	International trade	697-714	
	L14	No lecture due to Easter <i>Online test 4 closes</i>		
<i>Mid-trimester break (Friday 18 April – Sunday 4 May)</i>				
Week 8	L15	Government fiscal policy	378-381, 424-438, 686	
	L16	Government intervention <i>Multi-choice test – Monday 5 May</i>		
Week 9	L17	Finance – concepts	280-283, 386-389	5
	L18	Finance – applications <i>Online test 5 closes</i>		
Week 10	L19	Growth – theory	484-486, 669-676, 164-167	6
	L20	Growth - issues <i>Online test 6 closes</i>		
Week 11	L21	Exchange rates	717-721, 726-733	7
	L22	Forex market <i>Online test 7 closes</i>		
Week 12	L23	Law of one price; PPP		8
	L24	The Balance of Payments		

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).

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

From Trimester 1, 2014, a revised Assessment Handbook will apply to all VUW courses: see <http://www.victoria.ac.nz/documents/policy/staff-policy/assessment-handbook.pdf>.

In particular, there will be a new grade scheme, in which the A+ range will be 90-100% and 50-54% will be a C-.

Online tests	15%	CLOs 1-7, via Blackboard – see below
Multi-choice test	25%	CLOs 1-4, Monday 5 May (50 minutes) at 6.30pm
Examination	60%	CLOs 1-9, Friday 13 th June – Wednesday 2 nd July (inclusive)

The test on **Monday 5 May at 6.30pm** 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 test 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. 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 9 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 area, *Numeracy test*.

*** An additional mathematics lecture will be held at dates and time to be announced, most likely the second week of term.**

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 24 February. You can sign up to a tutorial at this site. Tutorial signup must be completed by Wednesday 5 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 sessions. 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 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.

Early Alerts (Course Signals)

This course is trialing the Early Alerts (Course Signals) System which aims to help students to be successful in their study at VUW. The system is designed to help students assess their progress in their study, so that they can adjust their work effort or seek support early in the semester, to help them succeed.

Students will receive a traffic light signal through the course Blackboard page:



Green tick means high likelihood of succeeding in the course (if your progress does not decline).



Yellow triangle means potential problem with succeeding in the course (if your progress

does not improve); and



Red cross means high likelihood of failing the course (if your progress does not improve);

Students will also receive email messages from their Course Coordinator via their Blackboard email address, which by default is their @myVUW account.

Student feedback is an important part of our evaluation of the Early Alert (Course Signals) System, and students will be invited to participate in a student survey at the end of the course.

If you would like to find out more about this pilot please contact Sheila Law, Team Lead, +64 4 463 5233 ext. 4845, or email sheila.law@vuw.ac.nz

Information on resources and support services are available at www.victoria.ac.nz/students/support

There will be two tests to be taken in week 1 that will drive the first email sent to students; the numeracy test, plus a pre-test for introductory economics. It is not obvious how the results of these tests will correlate with your final grade, now that they play a feedback role in the course.

Penalties

Late submission of your online tests is not technically feasible. Failure to attend the multi-choice test on Monday 5 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:

Friday 13th June – Wednesday 2nd July (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.
