

School of Economics and Finance

**ECON 140**  
**ECONOMICS AND STRATEGIC BEHAVIOUR**

Trimester 2, 2014

**COURSE OUTLINE**

---

**Names and Contact Details**

Course Lecturers:	Jerry Mushin (CRN 10037) Email: <a href="mailto:jerry.mushin@vuw.ac.nz">jerry.mushin@vuw.ac.nz</a> Office hours: Contact via email	RH211 Ph: 463-5884
	Stephen Burnell (CRN 8722) Email: <a href="mailto:stephen.burnell@vuw.ac.nz">stephen.burnell@vuw.ac.nz</a> Office hours: 9:30-10:30, Tuesday, Thursday	RH205 Ph: 463-5764
Course Coordinator:	Stephen Burnell Email: <a href="mailto:stephen.burnell@vuw.ac.nz">stephen.burnell@vuw.ac.nz</a>	RH205 Ph: 463-5764
Course Administrator:	Pinky Shah Email: <a href="mailto:pinky.shah@vuw.ac.nz">pinky.shah@vuw.ac.nz</a>	RH319 Ph: 463-5818

Pinky 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 14 July – Friday 17 October

Study Period: Monday 20 October – Thursday 23 October

Examination Period: Friday 24 October – Saturday 15 November (inclusive)

**Withdrawal from Course**

1. Your fees will be refunded if you withdraw from this course on or before Friday 25 July 2014.
2. The standard last date for withdrawal from this course is Friday 26 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**

Monday and Wednesday	1.10-2.00	KKLT303 (CRN8722)
Monday and Wednesday	5.10-6.00	KKLT303 (CRN 10037)

### **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.

<b>Game theory</b>		<b>Chapter 14</b> <b>pp. 332-337</b>
Lectures 1-2	Some simple games Strategies Nash equilibrium Time inconsistency and commitment	
<b>Monopoly and oligopoly</b>		<b>Chapters 13, 14</b> <b>pp. 303-319, 326-332</b>
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	
<b>Asymmetric information</b>		<b>Chapter 17</b> <b>pp. 389-396</b>
Lectures 7-8	Adverse selection and signalling Moral hazard and incentives Solutions to incentive problems	
<b>Government regulation</b>		<b>Chapters 13, 14</b> <b>pp. 317-319, 339-342</b>
Lectures 9-10	Drawbacks of limited competition Natural monopolies Public ownership, regulation, or encouraging competition	
<b>Introduction to macro</b>		<b>Chapters 20, 21</b> <b>pp. 442-451, 455-469</b>
Lectures 11-12	GDP: Expenditure and income Consumption, government spending, investment, exports, imports	
<b>The IS curve</b>		<b>Chapters 23, 24, 27</b> <b>pp. 491-505, 510-519,</b> <b>574-576, 574-581</b>
Lectures 13-14	Equilibrium output Interest rates, investment, and consumption The IS curve	
<b>The LM curve</b>		<b>Chapter 26, 27</b> <b>pp. 558-567</b>
Lectures 15-16	The transactions and speculative motives for money Equilibrium in the money market The LM curve	

<b>The AD curve</b>		<b>Chapter 27 pp. 576-583</b>
Lectures 17-18	The price level and the LM curve The AD curve	
<b>The AS curve</b>		<b>Chapters 27, 28, 29 pp. 573-576, 592-598, 619-621, 616-627</b>
Lectures 19-20	The short-run AS curve The long-run AS curve Inflation The short-run and long-run Phillips curves	
<b>The dynamics of a shock to the economy</b>		<b>Chapters 28, 30 pp. 597-302, 626-639</b>
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*, 11<sup>th</sup> edition.

### Readings

The required textbook for the course is:

Karl E Case, Ray C Fair, and Sharon M Oster, *Principles of Economics* (Pearson), 11<sup>th</sup> edition (Global Edition), 2014, ISBN 10: 0-273-78999-6. The 10<sup>th</sup> edition can also be used.

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 in the library.

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

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

Robert Frank and Ben Bernanke, *Principles of Economics*, (McGraw-Hill), 3<sup>rd</sup> edition, 2007 or 2<sup>nd</sup> 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), 4<sup>th</sup> 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

From Trimester 1, 2014, a revised Assessment Handbook will apply to all Victoria 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-.

Your performance will be evaluated on the basis of:

- 6% Written assignment, due 11:55am, Friday 19 September – submitted via Blackboard
- 9% Six online tests each worth 1.5% submitted via Blackboard.
- 25% Test, Wednesday 24 September, 6:30pm (50 minutes).
- 60% Final Examination, Friday 25 October – Saturday 16 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 coordinator 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. Applications for remarks must be made before 5pm on Friday 10 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 Pinky Shah. 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 24 September at 6:30pm. 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, 8, 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](http://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](http://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.

\*\*\*\*\*