

School of Economics and Finance

ECON 130 ECONOMIC PRINCIPLES AND ISSUES

Trimester 3, 2014

COURSE OUTLINE

Names and Contact Details

Course Coordinator/Lecturer:	Dr Adrian Slack adrian.slack@vuw.ac.nz Office hours: by appointment	RH315 463 5125
Course Administrator:	Pinky Shah pinky.shah@vuw.ac.nz	RH319 463 5818

Trimester Dates

Teaching Period: Monday 17 November 2014 – Thursday 5 February 2015 (inclusive)

Study Period: Monday 9 February 2015 – Sunday 15 February 2015

Examination Period: Monday 16 February 2015 – Saturday 21 February 2015 (inclusive)

Withdrawal from Course

1. Your fees will be refunded if you withdraw from this course on or before 28 November 2014.
2. The standard last date for withdrawal from this course is 27 January 2015.

After the last date stated in #2, 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

Wednesdays 11:00am-12.50pm KKL303

Thursdays 2.10pm-3:00pm KKL303

Expected Workload

The expected workload for ECON 130 is 150 hours in aggregate; 15 hours per week for the eight weeks of lectures, plus 30 hours (in total) during the break and study period (week 10). During the lecture weeks, you should expect to spend three hours in lectures, one hour in a tutorial (starting in week 2 through to week 10), and ten to twelve hours reading, preparing, and completing assessment.

Course Delivery

The course material will be delivered via 24 lectures (three hours of lectures per week for 8 weeks), plus eight tutorial sessions. It will be essential that students have access to the course Blackboard.

Week	Lecture	Lecture topic	Text references	Tutorial
Week 1	L1	Economic problems	34-36, 40-43, 58-	
	L2	Thinking like an economist	71, 102	
	L3	Preferences and utility	154-169, 173-176	
Week 2	L4	Budget sets/lines		1: L1-2
	L5	The optimal consumption plan		
	L6	Leisure and labour supply		
<i>Online test 1 closes 30 November</i>				
Week 3	L7	Production functions	180-190, 194-198,	2: L3-4
	L8	Production costs	200-208, 211-213,	
	L9	Revenue and profit maximisation	216, 227-235	
<i>Online test 2 closes 7 December</i>				
Week 4	L10	Competitive firms		3: L5-6
	L11	Demand and supply	82-104, 285-294	
	L12	Equilibrium		
<i>Online test 3 closes 14 December</i>				
Week 5	L13	International trade - motivation	697-714	4: L7-10
	L14	International trade - restrictions		
	L15	Government fiscal policy	378-381, 422-438, 685-686	
<i>Online test 4 closes 21 December</i>				
<i>Mid-trimester break</i>				
Week 6	<i>Extended break for ECON130 (22 Dec 2014 - 9 Jan 2015 inclusive)</i>			
Week 7	L16	Government intervention		5: L11-12
	L17	Finance - concepts	280-283, 386-389	
	L18	Finance - applications		
<i>Multi-choice test - Monday 12 January 2015</i>				
Week 8	L19	Growth - theory	484-486, 669-676	6: L13-16
	L20	Growth - issues		
	L21	Exchange rates	702-704, 719-721, 729-738	
<i>Online test 5 closes 25 January</i>				
Week 9	L22	Forex market		7: L19-20
	L23	Law of one price; PPP		
	L24	Exchange rate regimes; BoP		
<i>Online test 6 closes 1 February</i>				
Week 10	Tutorials as scheduled, no lectures			8: L21-24
<i>Online test 7 closes 8 February</i>				

Group Work

There is no group work for ECON 130.

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), 11th edition. The page references indicate where the textbook addresses the specific issues.

1. *Thinking like an economist*

Chapters 1, 2, 3
pp. 34-36, 40-43, 58-71, 102

L1 - 2 Self interest (greed)
 Scarcity and choice
 Opportunity costs
 Marginalism
 Efficient markets - no free lunch

2. *Consumer choice*

Chapter 6
pp. 154-169, 173-176

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. 180-190, 194-198, 200-208, 211-213, 216, 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. 82-104, 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, 422-438, 685-686

- 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, 667-673

- 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. 702-704, 719-721, 729-738

- 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?

Readings

The required textbook for the course is:

Karl E Case, Ray C Fair, and Sharon M Oster, *Principles of Economics* (Pearson), 11th 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 run each week from week 2 to week 10 except for the break (22 December to 9 January).

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 1:00pm on Wednesday 12 November. You can sign up to a tutorial at this site. Tutorial signup must be completed by 2:00pm Thursday 20 November. If you have not signed up by that time, email SEF-Tutorials@vuw.ac.nz.

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.

Materials and Equipment

Silent non-programmable calculators may be taken into the test and examination. You may find a calculator useful, but they are not compulsory.

Assessment

Online tests	10%	via Blackboard – see below
Multi-choice test	25%	11:00-11.50am, Monday 12 January (50 minutes)
Examination	65%	TBA (two hours)

Numeracy test: **Note:** The numeracy test is not assessed. 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 your numerical capability, 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. 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 encouraged to:

- read the online Numeracy Lecture notes. The notes can be found in Blackboard contents area, *Numeracy test*.
- contact Student Learning Support Services (http://www.victoria.ac.nz/st_services/slss/)
- use the recommended resources above for those frightened of maths.

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 seven tests and your assessment will be based on all of these. Each test will shut down at 11.30pm on the announced Sunday. On the following Monday morning, the test will be available for study purposes, in the content area *Tests for study purposes*.

Notes for online tests:

- You may sit each online test as many times as you like before the test shuts down.
- You are strongly advised to complete the tests during standard work hours.
- If you choose to complete a test on the weekend and experience a technical error, there is no IT support and your mark will not be changed.
- Each test that you open must be submitted within 20 minutes.
- If you open a test and close it without finishing it, the test will auto submit after 20 minutes. If you start a new attempt of the same test during this time, it may result in your final score being recorded as zero. To avoid this potential issue, ensure that you use the submit button before you exit the test, even if you have not attempted the test.
- If your final attempt does not display a numerical score (for example, an exclamation mark), then you will need to resit the test or have your score recorded as zero.
- For each test, the mark for your final attempt (which may include an auto submitted attempt) will be the one recorded and used to determine your grade.
- Contact the course administrator if you have any issues with the test.

Multi-choice test: The test will be held on Monday 12 January 2015 at 11:00am. The format is 40 multi-choice questions and the time allowed for completion of the test is 50 minutes. The test will cover the first four topics 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. Last year's test is available on Blackboard as a guide.

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 a mix of multi-choice questions, analytical questions and short essays.

Penalties

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.

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:

16-21 February 2015

Mandatory Course Requirements

There are no mandatory course requirements for ECON 130.

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 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.
