

School of Economics and Finance

ECON 140 ECONOMICS AND STRATEGIC BEHAVIOUR

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 1.10pm-2:00pm KKL303

Thursdays 12:00pm-1.50pm KKL303

Expected Workload

The expected workload for ECON 140 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	Game theory	332-337	
	L2			
	L3			
Week 2	L4	Monopoly	303-319, 326-332	1: L1-2
	L5			
	L6			
Week 3	L7	Asymmetric information	389-395	2: L3-4
	L8			
	L9			
<i>Online test 1 closes 7 December</i>				
Week 4	L10	Introduction to macro	489, 444-447, 455-465	3: L5-6
	L11			
	L12			
<i>Online test 2 closes 14 December</i>				
Week 5	<i>Assignment due 15 December (12pm, midday)</i>			
	L13	The IS curve	491-505, 510-519, 577-578	4: L7-10
	L14			
L15				
<i>Online test 3 closes 21 December</i>				
<i>Mid-trimester break</i>				
Week 6	<i>Extended break for ECON 140 (22 Dec 2014 – 9 Jan 2015 inclusive)</i>			
Week 7	L16	The AD curve	582-584	5: L11-12
	L17			
	L18			
<i>Multi-choice test - Monday 12 January 2015</i>				
Week 8	L19	The AS curve	573-576, 584-587, 592-600, 614-620	6: L13-16
	L20			
	L21			
<i>Online test 4 closes 25 January</i>				
Week 9	L22			7: L17-20
	L23			
	L24			
<i>Online test 5 closes 1 February</i>				
Week 10	Tutorials as scheduled, no lectures			8: L21-24
	<i>Online test 6 closes 8 February</i>			

Group Work

There is no group work for ECON 140.

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

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. 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. 489, 444-447, 455-465

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, 577-578

Lectures 13-14 Equilibrium output
Interest rates, investment, and consumption
The IS curve

7. The LM curve

Chapters 26, 27
pp. 558-567, 578-581

Lectures 15-16 The transactions and speculative motives for money
Equilibrium in the money
market
The LM curve
The Fed Rule

8. The AD curve

Chapter 27
pp. 582-584

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

9. The AS curve

Chapters 28, 29
pp. 573-576, 584-587, 592-599-600, 614-620

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

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), 2014, ISBN 10: 0-273-78999-6. The 10th 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.

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.

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

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

Only silent non-programmable calculators or silent programmable calculators with their memories cleared may be taken into the test and examination. For tutorials and study, students should be familiar with basic Excel skills.

Assessment

Assignment	6%	due 12:00pm, Monday 15 December – submit via Blackboard
Online tests	9%	via Blackboard – see below
Multi-choice test	25%	1.10pm-2:00pm, Monday 12 January (50 minutes)
Examination	60%	TBA (two hours)

Assignment: 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.

Reconsideration of assessment item:

- A student who considers that the mark awarded for their assignment is unfair should complete the 'Request for Reconsideration of Assessment Item' form on Blackboard.
- Applications for reconsiderations must be made before 5pm on Monday 19 January.
- Submit the completed form – with your assignment – to SEF reception (level 3, Rutherford House, Pipitea Campus).
- The course coordinator will respond to any points raised, but is not required to remark the work.

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 6 such 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 1.10pm. 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 10, 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

- 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:

16-21 February 2015

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.
