

School of Economics and Finance

## ECON 130 MICROECONOMIC PRINCIPLES

Trimester 1, 2015

### COURSE OUTLINE

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#### Names and Contact Details

Lecturer:	Dr Stephen Burnell Email: <a href="mailto:stephen.burnell@vuw.ac.nz">stephen.burnell@vuw.ac.nz</a> Office hours: contact via email	RH205 463-5764
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Course Coordinator/Lecturer:	Dr Adrian Slack <a href="mailto:adrian.slack@vuw.ac.nz">adrian.slack@vuw.ac.nz</a> Office hours: by appointment	RH315 463 5125
Course Administrator:	Pinky Shah <a href="mailto:pinky.shah@vuw.ac.nz">pinky.shah@vuw.ac.nz</a>	RH319 463 5818

#### Trimester Dates

Teaching Period: Monday 2 March – Friday 5 June

Study Period: Monday 8 June – Thursday 11 June

Examination Period: Friday 12 June – Wednesday 1 July (inclusive)

#### Withdrawal from Course

1. Your fees will be refunded if you withdraw from this course on or before Friday 13 March 2015.
2. The standard last date for withdrawal from this course is Friday 15 May 2015. After this date, students 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 or [online](#).

#### Class Times and Room Numbers

CRN 10034	Mondays and Thursdays	3.10-4.00pm	KKLT303
CRN 10035	Mondays and Thursdays	9.00-9.50am	KKLT303
CRN 10036	Mondays and Thursdays	11.00-11.50am	MCLT103

You must attend the lecture stream to which you are assigned. To request a place in a different lecture stream, you should go to the Faculty's Student Customer Service Desks or use the course add/drop tool in [myVictoria](#).

#### Expected Workload

The expected workload for ECON 130 is 150 hours in total: 10 hours per week for the 12 weeks of lectures, plus 30 hours (in total) during the break and study period. In the lecture weeks, you should spend 2 hours in lectures, 1 hour in a tutorial (for 8 weeks), and 7 hours on independent study.

## 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

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
- Explain the basic concepts of finance
- Solve and comment on simple games
- Explain and address the implications of imperfect competition in markets.

## Course Content

Note that this is a broad outline only. It is sufficient to enable students to read ahead and put themselves in a position to benefit from lectures. Individual lecturers may sometimes deviate from the order given here.

The chapter references are from Case, Fair and Oster, *Principles of Economics*, (Global Edition), 11<sup>th</sup> edition (see below). The page references indicate where the text addresses 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  
              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. Finance**

**Chapters 11, 17  
pp. 280-283, 386-389**

- L15 – 16 Time and interest rates
  - The present discounted value of revenue streams
  - Types of assets
  - Expected returns: risk, liquidity, and taxation

#### **7. Games**

**Chapters 14  
pp. 332-337**

- L17 – 18 Some simple games
  - Strategies
  - Nash equilibrium
  - Time inconsistency and commitment

#### **8. Monopoly and oligopoly**

**Chapters 13, 14  
pp. 303-319, 326-332**

- L19 – 22 The market equilibrium with a monopoly supplier
  - Comparing the equilibria under competition and monopoly
  - Markets with two suppliers
  - Collusion and entry deterrence

#### **9. Macroeconomics**

**Chapters 20, 21, 22  
pp. 441-443, 456-57, 464-466, 474-475, 478-486**

- L23-24 Macroeconomics: focus and scope
  - What are the major concerns of macroeconomics?
  - GDP, inflation, unemployment
  - Growth and business cycles

## Course Delivery

The course material will be delivered via 24 lectures (two hours of lectures per week for 12 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	
Week 2	L3	Preferences and utility	154-169, 173-176	1: L1-2
	L4	Budget sets/lines		
Week 3	L5	The optimal consumption plan		2: L3-4
	L6	Leisure and labour supply		
<i>Online test 1 closes 22 March</i>				
Week 4	L7	Production functions	180-190, 194-198,	3: L5-6
	L8	Production costs	200-208, 211-213,	
<i>Online test 2 closes 29 March</i>				
Week 5	L9	Revenue and profit maximisation		
	L10	Competitive firms		
<i>Online test 3 closes 5 April</i>				
<i>Mid-trimester break (2 weeks)</i>				
Week 6	L11	Demand and supply	82-104, 285-294	4: L7-10
	L12	Equilibrium		
Week 7	L13	International trade - motivation	697-714	
	L14	International trade - restrictions		
<i>Multi-choice test - Thursday 30 April</i>				
Week 8	L15	Finance - concepts	280-283, 386-389	5: L11-12
	L16	Finance - applications		
<i>Online test 4 closes 10 May</i>				
Week 9	L17	Game theory - simple games	332-337	6: L13-16
	L18	Sequential games, repeated games		
<i>Online test 5 closes 17 May</i>				
Week 10	L19	Monopoly and demand	303-319, 326-332	7: L17-18
	L20	Monopoly and profit maximisation		
<i>Online test 6 closes 24 May</i>				
Week 11	L21	Oligopoly and market power	326-331	
	L22	Oligopoly models		
<i>Online test 7 closes 31 May</i>				
Week 12	L23	Introduction to macro	441-443, 456-57,	8: L19-22
	L24	Macroeconomic concerns	464-466, 474-475, 478-486	

## Tutorials

Tutorials will be held in teaching weeks 2, 3, 4, 6, 8, 9, 10, and 12 (starting week 2).

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 sign up for a tutorial group online: <https://signups.victoria.ac.nz>. Tutorial signup will open at 9.00am on Thursday 26 February 2015 and will close at 2:00pm on Thursday 5 March 2015. If you have not signed up by that time, email [SEF-Tutorials@vuw.ac.nz](mailto:SEF-Tutorials@vuw.ac.nz).

Tutorial exercises and discussion material are specified on Blackboard. This can be accessed at [www.blackboard.vuw.ac.nz](http://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.

### **PASS (Peer Assisted study Support) — “Smart students PASS”:**

Research shows that studying with others can improve your grades. The PASS (Peer Assisted Study Support) programme offers optional study sessions, led by students who have successfully passed the course. PASS Leaders promote ‘active’ learning, and group members meet for one hour a week, working together to develop effective strategies for success.

If you would like to take part in this programme, listen out for details in class and on Blackboard. PASS begins in Week 3. Sign-up online in Week 2: [www.victoria.ac.nz/st\\_Services/slss/whats-on/pass.aspx](http://www.victoria.ac.nz/st_Services/slss/whats-on/pass.aspx) (NB: you will need to log-in using your student ID and password).

### **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), 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](http://www.rbnz.govt.nz)); the Organisation for Economic Co-operation and Development (OECD) in its *Economic Survey of New Zealand* ([www.oecd.org](http://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](http://www.stats.govt.nz)) and the New Zealand Institute of Economic Research ([www.nzier.org.nz](http://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 not compulsory.

## Assessment

The Assessment Handbook will apply to all VUW courses:

<http://www.victoria.ac.nz/documents/policy/staff-policy/assessment-handbook.pdf>.

Online tests	10%	via Blackboard – see below
Multi-choice test	25%	6.30-7.20pm, Thursday 30 April (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/](http://www.victoria.ac.nz/st_services/slss/))
- use the recommended resources above for those frightened of maths.

*Online tests:* The seven 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*. Your assessment will be based on the total mark from all seven tests. 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 Thursday 30 April 2015 at 6.30pm. 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, closed book. It will consist of a mix of multi-choice questions, analytical questions and short essays.

## Early Alerts (Course Signals)

This course is using 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 trimester, 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.

Information on resources and support services are available at

[www.victoria.ac.nz/students/support](http://www.victoria.ac.nz/students/support)

## 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:

Friday 12 June – Wednesday 1 July (inclusive)

## Group Work

There is no group work for ECON 130.

## 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](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 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](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.

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