

School of Economics and Finance

## **ECON 130 MICROECONOMIC PRINCIPLES**

Trimester 3, 2015

### **COURSE OUTLINE**

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#### **Names and Contact Details**

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 16 November 2015 – Friday 5 February 2015 (inclusive)

Study Period: Monday 8 February 2016 – Sunday 14 February 2016

Examination Period: Monday 15 February 2016 – Saturday 20 February 2016 (inclusive)

#### **Withdrawal from Course**

1. Your fees will be refunded if you withdraw from this course on or before 27 November 2015.
2. The standard last date for withdrawal from this course is 26 January 2016.

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 11.00-11.50am 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 (starting in week 1), one hour in a tutorial (starting in week 2), and ten to twelve hours reading, preparing, and completing assessment.

#### **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 in the Course Delivery table indicate where the text addresses specific issues for each topic.

### **1. Thinking like an economist**

**Chapters 1, 2, 3**

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

### **2. Consumer choice**

**Chapter 6**

- 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**

- 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

<b>4. Equilibrium</b>		<b>Chapters 3, 12, 16</b>
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 Market failures, public goods, externalities	
<b>5. International trade</b>		<b>Chapter 34</b>
L13 – 14	Comparative advantage and the gains from trade Does everyone benefit from free trade?	
<b>6. Finance</b>		<b>Chapters 11, 17</b>
L15 – 16	Time and interest rates The present discounted value of revenue streams Types of assets Expected returns: risk, liquidity, and taxation	
<b>7. Games</b>		<b>Chapters 14</b>
L17 – 18	Some simple games Strategies Nash equilibrium Time inconsistency and commitment	
<b>8. Monopoly and oligopoly</b>		<b>Chapters 13, 14</b>
L19 – 22	The market equilibrium with a monopoly supplier Comparing the equilibria under competition and monopoly Markets with two suppliers Collusion and entry deterrence	
<b>9. Macroeconomics</b>		<b>Chapters 20, 21, 22</b>
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 (three hours of lectures per week for 8 weeks), plus eight tutorial sessions. It will be essential that students have access to the course on 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, 174-177	
Week 2	L4	Budget sets/lines		1: L1-2
	L5	The optimal consumption plan		
	L6	Leisure and labour supply		
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>Tutorial Exercise 1 due by 9.00am on Mon 30 Nov</i>				
<i>Online test 1 closes at 11.30pm on Sun 6 Dec</i>				
Week 4	L10	Competitive firms		3: L7-10
	L11	Demand and supply	82-104, 285-295,	
	L12	Equilibrium	361-374	
<i>Tutorial Exercise 2 due by 9.00am on Mon 7 Dec</i>				
<i>Online test 2 closes at 11.30pm on Sun 13 Dec</i>				
Week 5	L13	International trade - motivation	697-714	4: L11-12
	L14	International trade - restrictions		
	L15	Finance – concepts	280-283, 386-389	
<i>Tutorial Exercise 3 due by 9.00am on Mon 14 Dec</i>				
<i>Online test 3 closes at 11.30pm on Sun 20 Dec</i>				
<i>Tutorial Exercise 4 due by 9.00am on Mon 21 Dec</i>				
<i>University closed from Tuesday 22 Dec 2015 and reopens on Tuesday 5 Jan 2016</i>				
Week 6	<i>Extended break for ECON130 (5 - 10 Jan 2016 inclusive)</i>			
Week 7	L16	Finance – applications		5: L13-14
	L17	Game theory - simple games	332-337	
	L18	Sequential games, repeated games		
<i>Multi-choice test – 11am on Monday 11 January</i>				
Week 8	L19	Monopoly and profit maximisation	303-315, 319	6: L15-16
	L20	Demand , market structure and regulation		
	L21	Oligopoly and profit maximisation	326-332	
<i>Tutorial Exercise 5 due by 9.00am on Mon 18 Jan</i>				
<i>Online test 4 closes at 11.30pm on Sun 24 Jan</i>				
Week 9	L22	Oligopoly models and strategic behaviour		7: L17-18
	L23	Introduction to macro	441-443, 456-57,	
	L24	Macroeconomic concerns	464-466, 474-475,	
<i>Tutorial Exercise 6 due by 9.00am on Mon 25 Jan</i>				
<i>Online test 5 closes at 11.30pm on Sun 31 Jan</i>				
Week 10	Tutorials as scheduled, no lectures			8: L19-22
	<i>Tutorial Exercise 7 due by 9.00am on Mon 1 Feb</i>			
	<i>Online test 6 closes at 11.30pm on Sun 7 Feb</i>			

## Tutorials

Tutorials will be held in teaching weeks 2, 3, 4, 5, 7, 8, 9, 10.

Tutorials are groups of 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 need to sign up for a tutorial group online: <https://student-sa.victoria.ac.nz/>. Tutorial signup will be available from 11.30am on Thursday 12 November. Sign up as early as possible to get your first choice of day/time.

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.

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 the tutorials may range beyond these exercises.

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.

The *duty tutor sessions* differ from the group tutorials. The duty tutor provides a free, drop-in service where you can ask any questions relating to course content. See Blackboard for details.

## 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: 0273789996.

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:

Geoffrey Renshaw and Norman Ireland, *Maths for economics* (Oxford University Press, 2012).  
Pat Belgrave and Colin Jeffcoat, *You can do maths: Introductory maths for tertiary students* (Dunmore Press, 1995)

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

Only silent non-programmable calculators or silent programmable calculators with their memories cleared may be taken into the test and examination. You may find a calculator useful, but it is not compulsory.

## Assessment

The Assessment Handbook will apply to all VUW courses:

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

<i>Item</i>	<i>Weight</i>	<i>Submission/due date</i>
Tutorial exercises	5%	via Blackboard – see below
Online tests	10%	via Blackboard – see below
Multi-choice test	25%	11am on Monday 11 January (50 minutes)
Examination	60%	TBA (two hours)

**Numeracy test: Note:** The numeracy test is not assessed, but you should attempt it in the first week. In order to understand what we teach you, you will need to have a working understanding of some basic mathematical and logical concepts. The online numeracy test will help you to figure out your current numerical capability. 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.

**Tutorial exercises:** The best marks from five out of the first seven tutorial exercises will count towards your overall mark. This means that if you are sick and unable to submit your answers to one of the tutorials, this will not affect your final grade (as long as you submit at least five in total).

**\*\* See Blackboard for important notes that you should read *before* submitting the exercises \*\***

Discussion of exercises with other students is allowed, but submitted work should be your own. Copied work (for all involved parties) is unacceptable and will not only count as being missed, but may result in disciplinary action against all the students concerned.

**Online tests:** The six 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 six 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*.

**\*\* See Blackboard for important notes that you should read *before* attempting the online tests \*\***

**Multi-choice test:** The test will be held on Monday 11 January 2016 at 11am. 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 specified up to the end of lecture 12, 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.

**Examination:** The final examination will be two hours, closed book. It is a comprehensive exam: all course content and materials are assessable. It will consist of a mix of multi-choice questions, analytical questions and short essays.

## **Penalties**

Each tutorial exercise and online test has a due date (as provided in the course delivery schedule). Failure to successfully submit an item by this time will result in a mark of zero being awarded.

If you fail to submit an assessment item by the due date or miss a test, your mark 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.

## **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:

15-20 February 2016

## **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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