

School of Economics and Finance

## **ECON 130 MICROECONOMIC PRINCIPLES**

Trimester 1, 2016

### **COURSE OUTLINE**

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#### **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.

#### **Trimester Dates**

Teaching Period: Monday 29 February – Friday 3 June

Study Period: Monday 6 June – Thursday 9 June

Examination Period: Friday 10 June – Wednesday 29 June (inclusive)

#### **Withdrawal from Course**

1. Your fees will be refunded if you withdraw from this course on or before Friday 11 March 2016.
2. The standard last date for withdrawal from this course is Friday 13 May 2016. 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 or [online](#).

## Names and Contact Details

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## Class Times and Room Numbers

CRN 10034	Mondays and Wednesdays	8.00-8.50am	MCLT103
CRN 10035	Tuesdays and Thursdays	4.10-5.00pm	KKLT303

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](#).

## 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

<b>3. Producer choice</b>	<b>Chapters 7, 8, 9</b>
L7 – 10	<ul style="list-style-type: none"> <li>Production functions: inputs and outputs</li> <li>Fixed versus variable costs</li> <li>Cost minimisation: equalise the marginal output per dollar</li> <li>Profit maximisation: Marginal cost equals marginal revenue</li> <li>What happens if the price of an input or of the output increases?</li> <li>Short-run and long-run responses</li> </ul>
<b>4. Equilibrium</b>	<b>Chapters 3, 12, 16</b>
L11 – 12	<ul style="list-style-type: none"> <li>Demand and supply</li> <li>Equilibrium: demand equals supply</li> <li>The equilibrium and changes in demand</li> <li>The equilibrium and changes in supply</li> <li>General equilibrium</li> <li>Pareto efficiency</li> <li>Market failures, public goods, externalities</li> </ul>
<b>5. International trade</b>	<b>Chapter 34</b>
L13 – 14	<ul style="list-style-type: none"> <li>Comparative advantage and the gains from trade</li> <li>Does everyone benefit from free trade?</li> </ul>
<b>6. Finance</b>	<b>Chapters 11, 17</b>
L15 – 16	<ul style="list-style-type: none"> <li>Time and interest rates</li> <li>The present discounted value of revenue streams</li> <li>Types of assets</li> <li>Expected returns: risk, liquidity, and taxation</li> </ul>
<b>7. Games</b>	<b>Chapters 14</b>
L17 – 18	<ul style="list-style-type: none"> <li>Some simple games</li> <li>Strategies</li> <li>Nash equilibrium</li> <li>Time inconsistency and commitment</li> </ul>
<b>8. Monopoly and oligopoly</b>	<b>Chapters 13, 14</b>
L19 – 22	<ul style="list-style-type: none"> <li>The market equilibrium with a monopoly supplier</li> <li>Comparing the equilibria under competition and monopoly</li> <li>Markets with two suppliers</li> <li>Collusion and entry deterrence</li> </ul>
<b>9. Macroeconomics</b>	<b>Chapters 20, 21, 22</b>
L23-24	<ul style="list-style-type: none"> <li>Macroeconomics: focus and scope</li> <li>What are the major concerns of macroeconomics?</li> <li>GDP, inflation, unemployment</li> <li>Growth and business cycles</li> </ul>

## Course Delivery

The course material will be delivered via 24 lectures (two hours of lectures per week for 12 weeks), plus eight one-hour tutorial sessions. Students must have access to the course Blackboard site.

Week	Lecture	Lecture topic	Chapter	Text references	Tutorial
Week 1	L1	Economic problems	1, 2, 3	34-36, 40-43, 58-71	
	L2	Thinking like an economist			
Week 2	L3	Preferences and utility	6	154-169, 174-177	1: L1-2
	L4	Budget sets/lines			
Week 3	L5	The optimal consumption plan			2: L3-4
	L6	Leisure and labour supply			
<i>Tutorial Exercise 1 due by 9.00am on Mon 14 Mar   Online test 1 closes 20 March</i>					
Week 4/5*	L7	Production functions	7, 8, 9	180-190, 194-198, 200-208, 211-213, 216, 221-235	3: L5-6
	L8	Production costs			
<i>Tutorial Exercise 2 due by 9.00am on Mon 21 Mar   Online test 2 closes 27 March</i>					
<b><i>Easter break (Thursday 24 Mar - Wednesday 30 Mar)</i></b>					
Week 6	L9	Revenue and profit maximisation			
	L10	Competitive firms			
<i>Tutorial Exercise 3 due by 9.00am on Mon 4 Apr   Online test 3 closes 10 April</i>					
Week 7	L11	Demand and supply	3, 12, 16	82-104, 285-295, 361-374	4: L7-10
	L12	Equilibrium			
Week 8	L13	International trade - motivation	34	697-714	5: L11-12
	L14	International trade - restrictions			
<i>Tutorial Exercise 4 due by 9.00am on Mon 18 Apr   Online test 4 closes 24 April</i>					
<i>Tutorial Exercise 5 due by 9.00am on Tue 26 Apr   <b>Mid-trimester break (25 April - 29 April)</b></i>					
Week 9	L15	Finance – concepts	11, 17	280-283, 386-389	
	L16	Finance – applications			
<i>Multi-choice test - Wednesday 4 May</i>					
Week 10	L17	Game theory - simple games	14	332-337	6: L13-16
	L18	Sequential games, repeated games			
<i>Online test 5 closes 15 May</i>					
Week 11	L19	Monopoly and profit maximisation	13	303-315, 319	7: L17-18
	L20	Demand, market structure and regulation			
<i>Tutorial Exercise 6 due by 9.00am on Mon 16 May   Online test 6 closes 22 May</i>					
Week 12	L21	Oligopoly and profit maximisation	14	326-332	
	L22	Oligopoly models and strategic behaviour			
<i>Tutorial Exercise 7 due by 9.00am on Mon 23 May</i>					
Week 13	L23	Introduction to macro	20, 21, 22	441-443, 456-57, 464-466, 474-475, 478-486	8: L19-22
	L24	Macroeconomic concerns			

\*Week 4: The University will be open on Monday, Tuesday and Wednesday;

\*Week 5: The University will be open on Thursday and Friday.

Together, this will be considered a full week, e.g. CRN 10035 will have Lecture 7 in week 4 (Tuesday) and Lecture 8 in week 5 (Thursday). Similarly, some students will have tutorial 3 in week 4 (if their tutorial takes place Monday-Wednesday) or in week 5 (if their tutorial takes place Thursday-Friday).

## Tutorials

Tutorials will start from week 2 (see table above for the weeks that they will be held in). Please note that there will not be tutorials in every week. 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 11.00am on Thursday, 25 February 2016. Read the [myAllocator Help Guide](#) before signing up to tutorials online. Sign up as early as possible to get your first choice of day/time, especially if you have other commitments/limited availability.

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.

## 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 Case, Ray Fair, and Sharon 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.

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)).

## Expected Workload

The expected workload for ECON 130 is 150 hours in total: 10 hours per week for the 12 weeks of lectures (weeks 4 and 5 count as one week – see page 4), 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, such as reading, preparing, and doing assessment.

## Assessment

The Assessment Handbook will apply to all VUW courses: see

<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%	6.30pm on Wednesday 4 May (50 minutes)
Examination	60%	TBA (two hours)

### **Numeracy test: Note: The numeracy test is not assessed, but you should attempt it in week 1.**

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: Note: In addition to the assessed online tests, there is a Preliminary test (this is different from the numeracy test). The Preliminary test is not assessed, but you should attempt it in week 1.** 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 Wednesday 4 May 2016 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 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.

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)

### **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 10 June – Wednesday 29 June (inclusive)

### **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.

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### **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.

### **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)

### **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.

### **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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