

School of Economics and Finance

ECON 130
ECONOMIC PRINCIPLES AND ISSUES

Trimester One 2009

COURSE OUTLINE

Names and Contact Details

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Trimester Dates

Monday 2 March to Wednesday 1 July 2009. The last lecture will be held on Thursday 4 June.

Examination dates for trimester one: Friday 12 June to Wednesday 1 July 2009 (inclusive)

Class Times and Room Numbers

ECON 130	10034	Wednesday and Thursday	8:00 – 8:50	KKLT303
ECON 130	10035	Wednesday and Thursday	10:00 – 10:50	KKLT303
ECON 130	10036	Wednesday and Thursday	15:10 – 16:00	MCLT103

The trimester starts on Monday, 2 March, 2009, with the first lecture on Wednesday 4 March. If you wish to change streams (and there is space) you will need to obtain a change-of-course form from the Student Administration Office, RLWY, or EA005.

ECON 130 is taught in the first, second and third trimesters.

Withdrawal dates: Information available via

<http://www.victoria.ac.nz/home/admisenrol/payments/withdrawlsrefunds.aspx>

Course 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 assess the optimal choices of consumers
- Explain and assess the optimal production plans of firms
- Identify an equilibrium and 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 main influences of national saving and investment
- Assess the causes and consequences of economic growth

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 Stiglitz and Walsh, *Economics* (International Student Edition), 4th edition.

Course outline ECON 130, 2009

Thinking like an economist

Chapters 1, 2

L1 -2 Choices and tradeoffs
 Choices and incentives
 Choices and information
 Voluntary exchange
 The distribution of resources
 The logic of rational choice

Consumer choice

Chapters 5, 8, 9

L3 -6 The budget line
 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

Producer choice

Chapters 6, 7

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 increases?

What happens if the price of the output increases?
Short-run and long-run responses

Equilibrium

Chapters 3, 4, 10

L11 -12 Demand and supply
Equilibrium: demand equals supply
The equilibrium and changes in demand
The equilibrium and changes in supply
Is the market efficient?

International trade

Chapter 19

L13 -14 Comparative advantage and the gains from trade
Tariffs
Some arguments against globalisation

The government

Chapter 17

L15 -16 Taxation
Government spending
Why does the government fund health and education?
Market failures and government intervention

Finance

Chapters 9, 39

L17 -18 Time and interest rates
The present discounted value of revenue streams
Types of assets
Expected returns: risk, liquidity, and taxation

Saving and investment

Chapter 24

L19 -22 The supply of loans: saving
The demand for loans: borrowing and investment
Equilibrium in the loans market
What happens if the supply of loans increases?
What happens if the demand for loans increases?

Growth

Chapters 8, 20, 27

L23 -24 The capital stock
Technological change
Do people in rich countries work less than people in poor countries?

Expected Workload

The expected workload for ECON 130 is 150 hours in aggregate; 10 hours per week during term, plus 30 hours (in total) during the break and study period. You should expect to spend

ten hours per week on this subject during term, two hours in lectures, one hour in a tutorial and seven hours reading and preparing for lectures and tutorials.

Readings

The required textbook for the course is:

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

Some streams may have extra lecturer-prepared material on Blackboard. If you cannot find what you are looking for in your stream's Blackboard, please feel free to explore the folders for other streams.

Joseph Stiglitz's *Making globalization work* (Allen Lane, 2006), may be used to illustrate economic principles and stimulate discussion.

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.

William J Baumol and Alan S Blinder, *Economics: Principles and Policy* (Harcourt), 5th edition, 1991.

Robert H Frank and Ben S Bernanke, *Principles of Economics* (McGraw Hill/Irwin), 2nd edition, 2004.

Jerry Mushin, *Income, Interest Rates and Prices: An Overview of Macroeconomic Theory* (Dunmore Press), 3rd edition 1999.

Michael Parkin, *Microeconomics*, (Addison Wesley), 3rd edition, 1996

John Sloman and Penelope de Boer, *Economics* (Pearson Education), 2009.

Alan C Stockman, *Introduction to Microeconomics and Introduction to Macroeconomics*, (Dryden Press/Harcourt Brace), 1999.

If you are in doubt about the meaning of any economic terms, we suggest that you consult D.W. Pearce (ed) *Macmillan Dictionary of Modern Economics* (1983) which is available in the Study Hall of the Library. However, do not expect too much of a dictionary - Economics deals with concepts and ideas rather than with words.

For those frightened of maths, we recommend

Penelope Proffitt, *Maths Made Easy* (Prentice Hall, 2002);

G. Kennedy, *Mathematics for Innumerate Economists* (Homes and Meier, 1982), especially Chapters 1-4.

A good guide to the recent developments in the New Zealand economy is

Paul Dalziel and Ralph Lattimore, - *The New Zealand Macroeconomy: Striving for Sustainable Growth with Equity* (Oxford UP, 2004) also contains a useful guide for further reading. "The New Zealand Macroeconomy: Striving for Sustainable Growth with Equity" (Oxford UP, 2004).

Stuart Birks and Srikanta Chatterjee, (ed). *The New Zealand Economy: Issues and Policies* (Third edition, Dunmore Press, 1997)

Regular surveys of the New Zealand economy are produced by: The Reserve Bank of New Zealand *Bulletin* and *Annual Report* (<http://www.rbnz.govt.nz/>); the Organisation for

Economic Co-operation and Development (OECD) in its *Economic Survey of New Zealand* (<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's monthly Key Statistics* (<http://www.stats.govt.nz/>) and the N.Z. Institute of Economic Research *Quarterly Survey of Business Opinion* (<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 by no means compulsory.

Assessment Requirements

Assignments	15%	on-line – see below
Maths competency test	0%	on-line – see below
Multi-choice test	25%	Wednesday 29 April
Exam	60%	12 June – 1 July

The test on Wednesday 29 April 2009 will cover the first six weeks 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 which is specified in the lecture outline as relevant for those lectures will be examinable. 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.

The assignments consist of short on-line tests to be completed at the end of each section of work. You will complete them via Blackboard. They can be found in the content area called *On-line tests*. There are 10 such tests and your assessment will be based on all of these. Each test will be available for two teaching weeks after the relevant material has been taught. Each test will be shut down just before midnight on the announced Sunday. On the Monday morning, the test will then be available for study purposes, in the content area called *Tests for study purposes*.

VERY IMPORTANT NOTE. You may sit each on-line test as many times as you like. However, for each test, your final attempt will be the one recorded and used to determine your assignment grade. This is due to technical difficulties associated with using your best score. If your final attempt does not display a numerical score (for example, a padlock symbol or an exclamation mark), then you will need to resit the test or have your score recorded as zero. Each test must be submitted within 20 minutes, otherwise your mark will show as an exclamation mark (“!”), which will be interpreted as a score of zero.

Numeracy test

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 we can identify (and then help) those who need the help, an on-line numeracy test is available for you on the ECON 130 Blackboard site. Click on the content area, *Numeracy test*, and answer the 20 questions by midnight, Sunday 8 March. The test must be completed within 20 minutes, otherwise a grade will not be recorded. You can sit the numeracy test as many times as you wish. As with the other on-line tests, your final attempt will be used to determine your grade. Students who struggle with the test are strongly encouraged to attend an extra mathematics lecture. The

notes for this lecture (and to assist you with the on-line test) can be found in the Blackboard contents area, *Numeracy test*.

Additional mathematics lectures will be held on:

Monday 9 March	12:00-12:50	MCLT103
Monday 16 March	14:10-15:00	MCLT103

Further, there will be sessions on using Excel to solve numerical problems on:

Monday 23 March	12:00-12:50	MCLT103
Monday 30 March	14:10-15:00	MCLT103
Monday 6 April	12:00-12:50	MCLT103

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.

Examination dates for trimester on: Friday, 12 June to Wednesday, 1 July 2009 (inclusive).

Tutorials

Tutorials are groups of approximately 15-18 students and a tutor, meeting for fifty minutes once a week. They provide a forum for discussing problems and working through exercises. You will choose a tutorial group during the first week of lectures.

Tutorial rooms and times will be available on <https://signups.victoria.ac.nz> from 12:00pm on Monday 23 February. You can sign up to a tutorial at this site. Tutorial signup must be completed by 3pm on Thursday 5 March. Anybody not having signed up for a tutorial by that time will need to see the course administrator.

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 tutorial sessions 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. You should attempt, in writing, the questions before attending your tutorial. Tutorials are also your opportunity to raise and clarify any problems you may have with the material covered in lectures.

You must attend regularly the tutorial group to which you are assigned. If, because of work or timetable clashes, you are not longer able to attend your allocated tutorial, you must notify the course administrator, to assist you to find a suitable tutorial time.

Mandatory Course Requirements

There are not mandatory course requirements for ECON 130.

Communication of Additional Information

Additional information will be placed on Blackboard, ww.blackboard.vuw.ac.nz from time to time. 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 us to use.

Faculty of Commerce and Administration Offices

Railway West Wing (RWW) - FCA Student and Academic Services Office

The Faculty's Student and Academic Services Office is located on the ground and first floors of the Railway West Wing. The ground floor counter is the first point of contact for general enquiries and FCA forms. Student Administration Advisers are available to discuss course status and give further advice about FCA qualifications. To check for opening hours call the Student and Academic Services Office on (04) 463 5376.

Easterfield (EA) - FCA/Education/Law Kelburn Office

The Kelburn Campus Office for the Faculties of Commerce and Administration, Education and Law is situated in the Easterfield Building on the ground floor (EA005). This counter is the first point of contact for:

- Duty tutors for student contact and advice.
- Information concerning administrative and academic matters.
- Forms for FCA Student and Academic Services (e.g. application for academic transcripts, requests for degree audit, COP requests).
- Examinations-related information during the examination period.

To check for opening hours call the Student and Academic Services Office on (04) 463 5376.

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 identifies material that may have been copied from other sources including the Internet, books, journals, periodicals or the work of other students. Turnitin is used to assist academic staff in detecting mis-referencing, misquotation, and the inclusion of unattributed material, which may be forms of cheating or plagiarism. *At the discretion of the Head of School, handwritten work may be copy-typed by the School and subject to checking by Turnitin.* You are strongly advised to check with your tutor or the course coordinator if you are uncertain about how to use and cite material from other sources. Turnitin will retain a copy of submitted materials 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.

General University Policies and Statutes

Students should familiarise themselves with the University's policies and statutes, particularly the Assessment Statute, the Personal Courses of Study Statute, the Statute on Student Conduct and any statutes relating to the particular qualifications being studied; see the Victoria University Calendar or go to www.victoria.ac.nz/home/about/policy/students.aspx

For information on the following topics, go to the Faculty's website www.victoria.ac.nz/fca under Important Information for Students:

- Academic Grievances
- Student and Staff Conduct
- Meeting the Needs of Students with Impairments
- Student Support

Academic Integrity and Plagiarism

Academic integrity is about honesty – put simply it means *no cheating*. All members of the University community are responsible for upholding academic integrity, which means staff and students are expected to behave honestly, fairly and with respect for others at all times.

Plagiarism is a form of cheating which undermines academic integrity. The University defines plagiarism as follows:

The presentation of the work of another person or other persons as if it were one's own, whether intended or not. This includes published or unpublished work, material on the Internet and the work of other students or staff.

It is still plagiarism even if you re-structure the material or present it in your own style or words.

Note: including the work of others will not be considered plagiarism as long as the work is acknowledged by appropriate referencing.

Plagiarism is prohibited at Victoria and is not worth the risk. Any enrolled student found guilty of plagiarism will be subject to disciplinary procedures under the Statute on Student Conduct and may be penalised severely. Consequences of being found guilty of plagiarism can include:

- an oral or written warning
- cancellation of your mark for an assessment or a fail grade for the course
- suspension from the course or the University.

Find out more about plagiarism, and how to avoid it, on the University's website:

www.victoria.ac.nz/home/studying/plagiarism.html

Manaaki Pihipihinga Programme

Manaaki Pihipihinga is an academic mentoring programme for undergraduate Māori and Pacific students in the Faculties of Commerce and Administration, and Humanities and Social Sciences. Sessions are held at the Kelburn and Pipitea Campuses in the Mentoring Rooms, 14 Kelburn Parade (back courtyard), Room 109D, and Room 210, Level 2, Railway West Wing. There is also a Pacific Support Coordinator who assists Pacific students by linking them to the services and support they need while studying at Victoria. Another feature of the programme is a support network for Postgraduate students with links to Postgraduate workshops and activities around Campus.

For further information, or to register with the programme, email manaaki-pihipihinga-programme@vuw.ac.nz or phone (04) 463 6015. To contact the Pacific Support Coordinator, email pacific-support-coord@vuw.ac.nz or phone (04) 463 5842.