

School of Economics and Finance

ECON 130
ECONOMIC PRINCIPLES AND ISSUES

Summer trimester 2009

COURSE OUTLINE

Names and Contact Details

Stephen Burnell	RH425	463-5764	Course Coordinator
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Trimester Dates

The trimester starts on Monday 16th November 2009, with the first lecture on Tuesday 17th November 2009.

Examination period: Friday 18th December 2009.

Teaching period

Monday 16th November to Thursday 17th December 2009

Class Times and Room Numbers

ECON 130 Tuesday, Wednesday and Thursday 4.10pm – 6.00pm, KKLT303

Tutorial rooms and times will be available on <https://signups.victoria.ac.nz> from 12:00 pm on Monday 9 November 2009. You can sign up to a tutorial at this site. Tutorial signup must be completed by 12pm on Monday 16th November 2009. Anybody not having signed up for a tutorial by that time will need to contact the course administrator.

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

1. 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

2. 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

3. 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

- 4. 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?
- 5. International trade** **Chapter 19**
L13 -14 Comparative advantage and the gains from trade
Tariffs
Some arguments against globalisation
- 6. The government** **Chapter 17**
L15 -16 Taxation
Government spending
Why does the government fund health and education?
Market failures and government intervention
- 7. 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
- 8. Saving and investment** **Chapters 9, 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?
- 9. Growth** **Chapters 8, 20, 27**
L23 -24 The capital stock
Technological change
Do people in rich countries work less than people in poor countries?

Indicative schedule

Note, tutorials will begin in week 1. You should attend the two one-hour sessions you have been scheduled to, as each tutorial will cover different material, as listed below.

Date	Lecture	Topic	Text	Page refs	Tutorial
17-Nov	L1	Economic problems	Ch 1	pp 6-15	L1-2
	L2	Thinking like an economist	Ch 2	pp25-30, 34-39	L3-4
18-Nov	L3	Preferences and utility	Ch 5	pp 101-107, 109-	
	L4	Budget sets/lines		116, 124-129	
19-Nov	L5	The optimal consumption plan			
	L6	Leisure and labour supply	Ch 8	pp 175-181, 188-189	
24-Nov	L7	Production functions	Ch 6	pp 131-148	L5-6
	L8	Production costs			L7-8
25-Nov	L9	Revenue and profit maximisation	Ch 7	pp 155-169	
	L10	Competitive firms			
26-Nov	L11	Demand and supply	Ch 3	pp 53-70	
	L12	Equilibrium	Ch 4, 10	pp 88-95, 216, 221-	
26-Nov		<i>Topic tests 1-3 close</i>		229	
01-Dec	L13	International trade - motivation	Ch 19	pp 423-431	L9-10
	L14	International trade - restrictions		439-443	L11-12
02-Dec	L15	Government fiscal policy	Ch 17	pp 375-381	
	L16	Government intervention			
03-Dec	L17	Finance - concepts	Ch 9, 39	pp 193-196, 211-	
	L18	Finance - applications		212, 865-871	
03-Dec		<i>Topic tests 4-6 close</i>			
08-Dec		<i>Multi-choice test (covers L1-12)</i>			L13-14
09-Dec	L19	The saving-consumption choice	Ch 9, 24	pp 191-193, 196-	L15-16
	L20	Supply of loanable funds		201, 209-211, 536-	
10-Dec	L21	Demand for loanable funds		539	
	L22	Saving and investment			
10-Dec		<i>Topic tests 7-9 close</i>			
15-Dec	L23	Growth - theory		pp 188-189	L17-18
	L24	Growth - issues	Ch 8, 20, 27		L19-20
16-Dec and 17-Dec		Note: tutorials, but no lectures		453-454, 467-468,	
17-Dec		<i>Topic test 10 closes</i>		585-595, 599-601	

Expected Workload

The expected workload for ECON 130 is 150 hours in aggregate; 30 hours per week over the 5 week segment of the 2009 summer semester. You should expect to spend 30 hours per week on this subject during term, 6 hours in lectures, 2 hours in tutorials and the remainder reading, preparing for lectures and tutorials, and completing the required assessment.

Numeracy

In order to understand what we teach you, you will need to have a working understanding of some basic mathematical and logical concepts. Students who struggle with their numerical skills are strongly encouraged to seek advice and assistance, and to use the recommended resources below.

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

On-line tests	15%	on-line – see below
Multi-choice test	25%	5.00pm – 5.50pm, Tuesday 8 th December
Exam	60%	Two hours Friday 18 th December

The test on Tuesday 8th December will cover the first half 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 on-line tests 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 until the Thursday after the relevant material has been taught. Each test will be shut down just before midnight on the announced Thursday. On the Friday, the test will then be available for study purposes, in the content area called *Tests for study purposes*.

Note about on-line tests. 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.

Note about assessment 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 audit purposes. The findings may be used to inform changes aimed at improving the quality of FCA programmes. All material used for such processes will be treated as confidential, and the outcome will not affect your grade for the course.

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 date for trimester on: Friday 18th December 2009.

Tutorials

Tutorials are groups of approximately 15-18 students and a tutor, meeting for fifty minutes twice a week; these may be consecutive. 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 9th November. You can sign up to a tutorial at this site. Tutorial signup must be completed by 12pm on Monday 16th November. 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.
- 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.

For the following important information follow the links provided:

Academic Integrity and Plagiarism

<http://www.victoria.ac.nz/home/study/plagiarism.aspx>

General University Policies and Statutes

http://www.victoria.ac.nz/home/about_victoria/avcadademic/Publications.aspx

Faculty of Commerce and Administration Offices

<http://www.victoria.ac.nz/fca/studenthelp/>

Manaaki Pihipihinga Programme

http://www.victoria.ac.nz/st_services/mentoring/