



UNSW Course Outline

ECON3101 Markets and Frictions - 2024

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General Course Information

Course Code : ECON3101

Year : 2024

Term : Term 3

Teaching Period : T3

Is a multi-term course? : No

Faculty : UNSW Business School

Academic Unit : School of Economics

Delivery Mode : In Person

Delivery Format : Standard

Delivery Location : Kensington

Campus : Sydney

Study Level : Undergraduate

Units of Credit : 6

Useful Links

[Handbook Class Timetable](#)

Course Details & Outcomes

Course Description

This course delves into the theoretical underpinnings of financial crises, offering an advanced exploration of the factors that contribute to financial instability. Building on prior courses in microeconomics, macroeconomics, and game theory, this course will examine the role of market

frictions, with a particular focus on asymmetric information, liquidity constraints, and incomplete markets. You will gain a comprehensive understanding of the mechanisms leading to financial crises and the tools necessary to analyze and mitigate these events.

Course Aims

This course is offered as a third-year option in the economics majors in the BCom and BEc degrees. This course builds on basic theories and knowledge learnt in ECON2101 Microeconomics 2 and ECON2102 Macroeconomics2. A familiarity with the material in ECON2112 Game Theory & Business Strategy would be very useful. The emphasis of this course is on the theoretical foundations of modern economic analysis of financial crises. It is particularly designed for students who are considering further studies or research in economics. While the course delves deeply into theoretical aspects, making it less focused on practical business applications, the material remains highly relevant for understanding the economic underpinnings of financial instability, which is crucial for both academic and professional contexts.

Relationship to Other Courses

This course builds on basic theories and knowledge learnt in ECON2101 Microeconomics 2. A familiarity with the material in ECON2112 Game Theory & Business Strategy would be very useful. This course is one of several advanced microeconomics courses offered in the third year, along with ECON3121 Industrial Organisation, ECON3107 Economics of Finance and ECON3123 Organisational Economics.

Course Learning Outcomes

Course Learning Outcomes	Program learning outcomes
CLO1 : Explain how markets work and gain an understanding of the impact of information on market organisation.	<ul style="list-style-type: none">• PLO1 : Business Knowledge• PLO6 : Global and Cultural Competence
CLO2 : Analyse and critically evaluate the conceptual basis of economic efficiency	<ul style="list-style-type: none">• PLO1 : Business Knowledge• PLO2 : Problem Solving• PLO3 : Business Communication
CLO3 : Construct logical and substantiated statements, proofs and analytical propositions	<ul style="list-style-type: none">• PLO2 : Problem Solving• PLO3 : Business Communication

Course Learning Outcomes	Assessment Item
CLO1 : Explain how markets work and gain an understanding of the impact of information on market organisation.	<ul style="list-style-type: none">• Problem Sets• Class Participation• Final Exam
CLO2 : Analyse and critically evaluate the conceptual basis of economic efficiency	<ul style="list-style-type: none">• Problem Sets• Class Participation• Final Exam
CLO3 : Construct logical and substantiated statements, proofs and analytical propositions	<ul style="list-style-type: none">• Problem Sets• Class Participation• Final Exam

Learning and Teaching Technologies

Moodle - Learning Management System

Learning and Teaching in this course

Approach to Learning and Teaching in the Course

This course will explore the relation between information asymmetry and economic efficiency. Students are encouraged to think about concepts rather than merely memorise results. The subject matter is viewed from different angles to enable students to gain a deeper understanding of the issues. Note that this course is primarily theoretical, and is likely to appeal to students who are interested in the conceptual foundations of economic theory. Mathematical formulations are integral to the material and are used throughout the course as well as in the assessments.

Learning Activities and Teaching Strategies

The examinable content of the course is defined by the references given in the lecture schedule, the content of lectures, and the content of the tutorial program.

This course was redesigned in 2022. Hence the experience of students in prior semesters may not be a good indicator of the best strategies to perform well in this course. However, attending lectures, following numerical examples, and doing homework actively are likely to be important for achieving even a modest grade in this course.

Lectures: The purpose of lectures is to provide a logical structure for the topics that make up the course; to emphasise the important concepts and methods of each topic, and to provide relevant examples to which the concepts and methods are applied. All lectures will be recorded. Attendance in lectures is strongly recommended.

Tutorials: Tutorials are an integral part of the subject. The objective of the tutorials is to discuss various approaches to the assigned exercises and topics covered in the course, and deal with associated issues. The tutorials will not be recorded.

Assessments

Assessment Structure

Assessment Item	Weight	Relevant Dates	Program learning outcomes
Problem Sets Assessment Format: Individual	35%	Start Date: Not Applicable Due Date: Friday 4pm of Weeks 3, 5, and 9	<ul style="list-style-type: none">• PLO1 : Business Knowledge• PLO2 : Problem Solving• PLO3 : Business Communication• PLO6 : Global and Cultural Competence
Class Participation Assessment Format: Individual	20%	Start Date: Not Applicable Due Date: Not Applicable	<ul style="list-style-type: none">• PLO1 : Business Knowledge• PLO6 : Global and Cultural Competence• PLO2 : Problem Solving• PLO3 : Business Communication
Final Exam Assessment Format: Individual	45%	Start Date: Set by Exam office Due Date: 2 hours after starting time	<ul style="list-style-type: none">• PLO1 : Business Knowledge• PLO2 : Problem Solving• PLO3 : Business Communication• PLO6 : Global and Cultural Competence

Assessment Details

Problem Sets

Assessment Overview

There will be three problem sets designed to further develop and test the understanding of the core concepts underpinning the theories covered in class.

Assesses: PLO1, PLO2, PLO3, PLO5, PLO6.

Course Learning Outcomes

- CLO1 : Explain how markets work and gain an understanding of the impact of information on market organisation.
- CLO2 : Analyse and critically evaluate the conceptual basis of economic efficiency
- CLO3 : Construct logical and substantiated statements, proofs and analytical propositions

Detailed Assessment Description

Two of the three problem sets are worth 10%, due in Weeks 3 and 5. The last problem set is worth 15%, due in Week 9. Students are required to submit solutions by 4pm of the Friday of the week they are due.

Assessment Length

NA

Submission notes

Problem sets submitted after the deadline will be penalised. 5% will be deducted from the mark of late submissions for each day (before the solutions are posted). Submissions made after the solutions are posted will not be marked.

Assignment submission Turnitin type

This assignment is submitted through Turnitin and students do not see Turnitin similarity reports.

Generative AI Permission Level

No Assistance

This assessment is designed for you to complete without the use of any generative AI. You are not permitted to use any generative AI tools, software or service to search for or generate information or answers.

For more information on Generative AI and permitted use please see [here](#).

Class Participation

Assessment Overview

The goal of this assessment item is to promote active participation (asking questions and providing timely comments and feedback) during lectures or on Moodle. I will be observing students' participation in discussions during lectures and on Moodle. ☺ ☺

Assesses: PLO1, PLO3, PLO5, PLO6

Course Learning Outcomes

- CLO1 : Explain how markets work and gain an understanding of the impact of information on market organisation.
- CLO2 : Analyse and critically evaluate the conceptual basis of economic efficiency
- CLO3 : Construct logical and substantiated statements, proofs and analytical propositions

Detailed Assessment Description

I will monitor student engagement in discussions both during lectures and on Moodle. Evaluation will be based on the depth, regularity, and sustained participation over the course duration, rather than sporadic involvement.

Assessment Length

NA

Submission notes

NA

Assignment submission Turnitin type

Not Applicable

Generative AI Permission Level

Not Applicable

Generative AI is not considered to be of assistance to you in completing this assessment. If you do use generative AI in completing this assessment, you should attribute its use.

For more information on Generative AI and permitted use please see [here](#).

Final Exam

Assessment Overview

The final exam will be held during the University's final examination period, as scheduled by the Exams Office. A student will have two hours plus reading time to complete it, starting at the time

that s/he first accesses it. The final exam will contain four problems on topics covered in the course. Further information on the form and content will be provided towards the end of term. ☺ ☺

Assesses: PLO1, PLO2, PLO3, PLO5, PLO6

Course Learning Outcomes

- CLO1 : Explain how markets work and gain an understanding of the impact of information on market organisation.
- CLO2 : Analyse and critically evaluate the conceptual basis of economic efficiency
- CLO3 : Construct logical and substantiated statements, proofs and analytical propositions

Detailed Assessment Description

A student will have two hours plus reading time to complete it, starting at the time that s/he first accesses it. The final exam will contain problems on topics covered in the course.

Assessment Length

2 hours

Submission notes

Students will upload their exams on Moodle.

Assignment submission Turnitin type

This assignment is submitted through Turnitin and students do not see Turnitin similarity reports.

Generative AI Permission Level

No Assistance

This assessment is designed for you to complete without the use of any generative AI. You are not permitted to use any generative AI tools, software or service to search for or generate information or answers.

For more information on Generative AI and permitted use please see [here](#).

General Assessment Information

Grading Basis

Standard

Requirements to pass course

In order to pass this course students must:

- Achieve a composite mark of at least 50 out of 100

- Engage actively in course learning activities and attempt all assessment requirements
- Meet any additional requirements specified in the assessment details
- Meet the specified attendance requirements of the course (see Schedule section)

Course Schedule

Teaching Week/Module	Activity Type	Content
Week 1 : 9 September - 15 September	Lecture	<ul style="list-style-type: none"> • Review of mathematical concepts • Review of basic economic theory
Week 2 : 16 September - 22 September	Lecture	Leverage, credit rationing, and the net worth channel
	Tutorial	<ul style="list-style-type: none"> • In-class exercises on last week's lecture materials • Q&A on problem set 1
Week 3 : 23 September - 29 September	Lecture	Model of liquidity demand
	Tutorial	<ul style="list-style-type: none"> • In-class exercises on last week's lecture materials • Q&A on problem set 1
	Assessment	Problem set 1 due on Friday 4pm
Week 4 : 30 September - 6 October	Lecture	Liquidity and banks
	Tutorial	<ul style="list-style-type: none"> • In-class exercises on last week's lecture materials • Q&A on problem set 2
Week 5 : 7 October - 13 October	Lecture	Liquidity and the asset market
	Tutorial	<ul style="list-style-type: none"> • In-class exercises on last week's lecture materials • Q&A on problem set 2
	Assessment	Problem set 2 due on Friday 4pm
Week 6 : 14 October - 20 October	Lecture	None
Week 7 : 21 October - 27 October	Lecture	Liquidity, banks, and the asset market
	Tutorial	<ul style="list-style-type: none"> • In-class exercises on last week's lecture materials • Q&A on problem set 3
Week 8 : 28 October - 3 November	Lecture	Collateralized credit market and information
	Tutorial	<ul style="list-style-type: none"> • In-class exercises on last week's lecture materials • Q&A on problem set 3
Week 9 : 4 November - 10 November	Lecture	Credit booms and financial crisis
	Tutorial	<ul style="list-style-type: none"> • In-class exercises on last week's lecture materials • Q&A on problem set 3
	Assessment	Problem set 3 due on Friday 4pm
Week 10 : 11 November - 17 November	Tutorial	In-class exercises on last week's lecture materials

Attendance Requirements

Students are strongly encouraged to attend all classes and review lecture recordings.

General Schedule Information

Note: for more information on the UNSW academic calendar and key dates including study period, exam, supplementary exam and result release, please visit: <https://student.unsw.edu.au/new-calendar-dates>

Course Resources

Prescribed Resources

The website for this course is on UNSW [Moodle](#).

Text Resources: Reading material will be regularly posted on Moodle, and should be treated as you would treat assigned textbook readings.

Textbook: (i) Inside and Outside Liquidity by Bengt Holmstrom and Jean Tirole; (ii) Understanding Financial Crises by Franklin Allen and Douglas Gale; (iii) Macroeconomics and Financial Crises by Gary Gorton and Guillermo Ordóñez

Recommended Resources

For those who wish to brush up on intermediate microeconomics, I recommend the following textbook:

Varian, H. R., Intermediate Microeconomics: A Modern Approach, Seventh or later edition, W. W. Norton & Company.

Students may also consult the following more advanced text (available in the library):

Varian, H. R. (1992): Microeconomic Analysis. Third edition (or later), W. W. Norton & Company.

There will be additional text material and readings prescribed for many of the lectures. These will be made available on Moodle.

Lecture notes and tutorial exercises will be available on Moodle.

Course Evaluation and Development

Feedback is regularly sought from students and continual improvements are made based on this feedback. At the end of this course, you will be asked to complete the [myExperience survey](#), which provides a key source of student evaluative feedback. Your input into this quality enhancement process is extremely valuable in assisting us to meet the needs of our students and provide an effective and enriching learning experience. The results of all surveys are carefully considered and do lead to action towards enhancing educational quality.

The School of Economics strives to be responsive to student feedback. If you would like more information on how the design of this course and changes made to it over time have taken

students' needs and preferences into account, please contact the Director of Education at the School of Economics.

Consent for De-Identified Data to be Used for Secondary Research into Improving Student Experience

To enhance your student experience, researchers at UNSW conduct academic research that involves the use of de-identified student data, such as assessment outcomes, course grades, course engagement and participation, etc. Students of this course are being invited to provide their consent for their de-identified data to be shared with UNSW researchers for research purposes after the course is completed.

Providing consent for your de-identified data to be used in academic research is voluntary and not doing so will not have an impact on your course grades.

Researchers who want to access your de-identified data for future research projects will need to submit individual UNSW Ethics Applications for approval before they can access your data.

A full description of the research activities aims, risks associated with these activities and how your privacy and confidentiality will be protected at all times can be found [here](#).

If you consent to have your de-identified data used for academic research into improving student experience, you do not need to do anything. Your consent will be implied, and your data may be used for research in a format that will not individually identify you after the course is completed.

If you do not consent for this to happen, please email the opt-out form to seer@unsw.edu.au to opt-out from having your de-identified data used in this manner. If you complete the opt-out form, the information about you that was collected during this course will not be used in academic research.

Staff Details

Position	Name	Email	Location	Phone	Availability	Equitable Learning Services Contact	Primary Contact
Convenor	Pei-Cheng Yu		UNSW Business School Room 469	+61290658282	Fridays 15:30 to 17:00 or by appointment	No	Yes

Other Useful Information

Academic Information

COURSE POLICIES AND SUPPORT

The Business School expects that you are familiar with the contents of this course outline and the UNSW and Business School learning expectations, rules, policies and support services as listed below:

- Program Learning Outcomes
- Academic Integrity and Plagiarism
- Student Responsibilities and Conduct
- Special Consideration
- Protocol for Viewing Final Exam Scripts
- Student Learning Support Services

Further information is provided on the [Policies and Guidelines](#) page.

Students may not circulate or post online any course materials such as handouts, exams, syllabi or similar resources from their courses without the written permission of their instructor.

STUDENT LEARNING OUTCOMES

The Course Learning Outcomes (CLOs) – under the Outcomes tab – are what you should be able to demonstrate by the end of this course, if you participate fully in learning activities and successfully complete the assessment items.

CLOs also contribute to your achievement of the Program Learning Outcomes (PLOs), which are developed across the duration of a program. PLOs are, in turn, directly linked to [UNSW graduate capabilities](#). More information on Coursework PLOs is available on the [Policies and Guidelines](#) page. For PG Research PLOs, including MPDBS, please refer to [UNSW HDR learning outcomes](#).

Academic Honesty and Plagiarism

As a student at UNSW you are expected to display [academic integrity](#) in your work and interactions. Where a student breaches the [UNSW Code of Conduct](#) with respect to academic integrity, the University may take disciplinary action. To assure academic integrity, you may be required to demonstrate reasoning, research and the process of constructing work submitted for

assessment.

To assist you in understanding what academic integrity means, and how to ensure that you do comply with the UNSW Code of Conduct, it is strongly recommended that you complete the [Working with Academic Integrity](#) module before submitting your first assessment task. It is a free, online self-paced Moodle module that should take about one hour to complete.

Submission of Assessment Tasks

SHORT EXTENSIONS

Short Extension is a new process that allows you to apply for an extended deadline on your assessment without the need to provide supporting documentation, offering immediate approval during brief, life-disrupting events. Requests are automatically approved once submitted.

Short extensions are ONLY available for some assessments. Check your course outline or Moodle to see if this is offered for your assessments. Where a short extension exists, all students enrolled in that course in that term are eligible to apply. Further details are available the UNSW [Current Students](#) page.

SPECIAL CONSIDERATION

You can apply for special consideration when illness or other circumstances beyond your control interfere with your performance in a specific assessment task or tasks, including online exams. Special consideration is primarily intended to provide you with an extra opportunity to demonstrate the level of performance of which you are capable.

Applications can only be made online and will NOT be accepted by teaching staff. Applications will be assessed centrally by the Case Review Team, who will update the online application with the outcome and add any relevant comments. The change to the status of the application immediately sends an email to the student and to the assessor with the outcome of the application. The majority of applications will be processed within 3-5 working days.

For further information, and to apply, see Special Consideration on the UNSW [Current Students](#) page.

LATE SUBMISSION PENALTIES

LATE SUBMISSION PENALTIES

For assessments other than examinations, late submission will incur a penalty of 5% per day or part thereof (including weekends) from the due date and time. An assessment will not be accepted after 5 days (120 hours) of the original deadline unless special consideration has been approved. In the case of an approved Equitable Learning Plan (ELP) provision, special consideration or short extension, the late penalty applies from the date of approved time extension. After five days from the extended deadline, the assessment cannot be submitted.

An assessment is considered late if the requested format, such as hard copy or electronic copy, has not been submitted on time or where the 'wrong' assessment has been submitted.

For assessments which account for 10% or less of the overall course grade, and where answers are immediately discussed or debriefed, the LIC may stipulate a different penalty. Details of such late penalties will be available on the course Moodle page.

FEEDBACK ON YOUR ASSESSMENT TASK PERFORMANCE

Feedback on student performance from formative and summative assessment tasks will be provided to students in a timely manner. Assessment tasks completed within the teaching period of a course, other than a final assessment, will be assessed and students provided with feedback, with or without a provisional result, within 10 working days of submission, under normal circumstances. Feedback on continuous assessment tasks (e.g. laboratory and studio-based, workplace-based, weekly quizzes) will be provided prior to the midpoint of the course.

Faculty-specific Information

PROTOCOL FOR VIEWING FINAL EXAM SCRIPTS

UNSW students have the right to view their final exam scripts, subject to a small number of very specific exemptions. The UNSW Business School has set a [protocol](#) under which students may view their final exam script. Individual schools within the Faculty may also set up additional local processes for viewing final exam scripts, so it is important that you check with your School.

If you are completing courses from the following schools, please note the additional school-specific information:

- Students in the **School of Accounting, Auditing & Taxation** who wish to view their final examination script should also refer to [this page](#).
- Students in the **School of Banking & Finance** should also refer to [this page](#).
- Students in the **School of Information Systems & Technology Management** should also refer

to [this page](#).

COURSE EVALUATION AND DEVELOPMENT

Feedback is regularly sought from students and continual improvements are made based on this feedback. At the end of this course, you will be asked to complete the [myExperience survey](#), which provides a key source of student evaluative feedback. Your input into this quality enhancement process is extremely valuable in assisting us to meet the needs of our students and provide an effective and enriching learning experience. The results of all surveys are carefully considered and do lead to action towards enhancing educational quality.

QUALITY ASSURANCE

The Business School is actively monitoring student learning and quality of the student experience in all its programs. A random selection of completed assessment tasks may be used for quality assurance, such as to determine the extent to which program learning goals are being achieved. The information is required for accreditation purposes, and aggregated findings will be used to inform changes aimed at improving the quality of Business School programs. All material used for such processes will be treated as confidential.

TEACHING TIMES AND LOCATIONS

Please note that teaching times and locations are subject to change. Students are strongly advised to refer to the [Class Timetable website](#) for the most up-to-date teaching times and locations.