



Department of Economics Course Outline

		Term:	Winter 2005
Course:	Economics 357 [Microeconomics II]	Section:	03
Time:	TR 12:30-13:45	Place:	ST132 (subject to change)
Instructor:	P. R. Tracey		
Office:	SS 1046	Telephone:	220-2693
Office Hours:	MW 14:05-14:45 (These hours are subject to change)	E-Mail:	tracey@ucalgary.ca

Textbook(s):

Katz, M., and H. Rosen, *Microeconomics*, latest edition, McGraw Hill. **[Required]**

Copeland, D., *Student Guide to Accompany "Microeconomics"*, latest edition, McGraw Hill. **[Recommended]**

Book(s) on Reserve:

Coyle, D. *Sex, Drugs, & Economics*. New York: Texere, 2002.

Doti, J. L., and D. R. Lee, ed. *The Market Economy: A Reader*. Los Angeles: Roxbury Publishing Company, 1991.

Feldman, A. *Welfare Economics and Social Choice Theory*. Boston: Kluwer Academic Publishers, 1980.

Friedman, D. *Hidden Order: The Economics of Everyday Life*. New York: Harper Business, 1996.

Kaplow, L., and S. Shavell. *Fairness versus Welfare*. Cambridge, Mass.: HUP, 2002.

Katz, M., and H. Rosen. *Microeconomics*, 3rd. Edition. Burr Ridge, Illinois: Irwin, 1988.

Landsburg, S. *The Armchair Economist*, Toronto: Maxwell MacMillan, 1993.

Lomborg, B. *The Skeptical environmentalist*, Cambridge: Cambridge University Press, 2001.

McMillan, J. *Reinventing the Bazaar*, New York: Norton, 2002.

Miller, R. L., D. K. Benjamin, and D. C. North. *The Economics of Public Issues*, 12th ed., New York: HarperCollins, 2001 (or most recent edition).

Schelling, T. *Choice and Consequence*, Cambridge: Harvard University Press, 1984.

Sen, A. *Rationality and Freedom*, Cambridge: Harvard University Press, 2002.
Shleifer, A., and R. Vishny. *The Grabbing Hand*, Cambridge, Mass.: HUP, 2002.
Smith, A. *The Wealth of Nations*. Chicago: University of Chicago Press, 1976.
Varian, H. *Intermediate Microeconomics*, 6th ed., New York: Norton, 2003 (or most recent edition).

Blackboard:

This course will make use of Blackboard - students who are registered in the course can log on at <http://blackboard.ucalgary.ca/webapps/login>. Please note that Blackboard features a class email list that I will use. It is your responsibility to make sure that Blackboard uses the email of your choice. The default is your University of Calgary email address.

Course Description:

This course will extend and build on the theory of the consumer, the theory of the firm, and the theory of perfect competition introduced in Economics 301. The theory of general competitive equilibrium will be studied intensively. Particular attention will be devoted to its efficiency and welfare properties. Thereafter, instances of market failure will be addressed: those covered will be imperfect competition, externalities, public goods, and informational asymmetries.

Students are reminded that this course has a calculus prerequisite and calculus compatible notation will be used. This course makes extensive use of high school level algebra.

Course Outline

(Some topics may be added or deleted depending on time constraints):

1. Introduction
 - i) Objective and Overview
 - ii) Methodology
 - iii) Pareto Optimality and Gains from Trade
2. Topics in the Theory of the Consumer
 - i) Intertemporal Choice
 - ii) Asset Markets
 - iii) Uncertainty
 - iv) Risky Assets
3. Imperfect Competition and Game Theory
 - i) Prisoner's Dilemma and Nash Equilibria
 - ii) Cournot, Bertrand, Stackelberg and Collusion
4. General Equilibrium and the Fundamental Theorems of Welfare Economics
 - i) Exchange Economy
 - ii) Production and General Equilibrium
5. Social Welfare and Economic Equity
 - i) Social Welfare Functions
 - ii) Arrow's Impossibility Theorem
6. Market Failure I: Market Power
 - i) Monopoly in General Equilibrium

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| 7. | Market Failure II: Externalities | i) Pigouvian Taxes and Subsidies
ii) Property Rights
iii) The Coase Theorem |
| 8. | Market Failure III: Public Goods | i) Optimality Condition
ii) Private Financing and the Free Rider Problem |
| 9. | Market Failure IV: Asymmetric Information | i) Adverse Selection
ii) Moral Hazard
iii) Principles and Agents |

Grade Determination and Final Examination Details:

Midterm Examination	20%
3 Assignments @ 10% each	30%
Final Examination (Registrar-scheduled)	<u>50%</u>
	100%

The official grading system of the University will be used.

As per the Writing Across the Curriculum Statement in the Calendar, writing and grading thereof will be a factor in the evaluation of student work.

Non-programmable calculators are permitted for all exams. There will be a Registrar scheduled final examination which will be two hours in duration. It will be held in a classroom. The final examination will be comprehensive. The exact date for the in-class midterm will be announced at least one week in advance.

Tests and exams WILL NOT involve multiple choice questions.

Students? Union Vice President Academic:

Laura Schultz
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 E-Mail: lpaca@ucalgary.ca

Students? Union Faculty Representative (Social Sciences)

Carina McDonald
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Society of Undergraduates in Economics (S.U.E.)

www.fp.ucalgary.ca/econ

Notes:

- Students seeking reappraisal of a piece of graded term work (midterm test/assignment) should discuss their work

with the Instructor within two weeks of the work being returned to the class.

- Students are responsible for all material covered in the book, material passed out in class or presented in class lectures.
- Make-up midterm test/assignments and deferred midterm tests/assignments will not be given. In cases of documented illness, documented family emergency, or documented religious observance, the appropriate weight will be transferred to the final exam.
- Exams will not be given before the indicated examination dates.
- Students should be aware of the importance of appropriate sequencing of their courses to meet all the graduation requirements, especially in the Honours program. Honours students should complete MATH 249 or 251, and MATH 211 no later than the second year. This is very important because these courses are prerequisites for ECON 387/389, which in turn are prerequisites for ECON 557/559. Also, STAT 213 should be completed no later than the third year because it is a prerequisite for ECON 315, which in turn is a prerequisite for ECON 419. We suggest that you consult the "Department of Economics Explicit Syllabus", which is available at <http://econ.ucalgary.ca/programs/undergrad/ES.htm>, or the University of Calgary Calendar. If you want help in designing your program, you should speak with a Student Advisor in the Department of Economics.

Safewalk / Campus Security: 220-5333

PRT:dm
2004-11-25