



Department of Economics Course Outline

Term: Winter 2006

Course: Economics 357
[Microeconomics II]

Section: 02

Time: TR 9:30-10:45

Place: CHC 119 (subject to change)

Instructor: Dr. J. Church

Office: SS 442

Telephone: 220-6106

Office Hours: TR 14:00 - 15:00

E-Mail: jrchurch@ucalgary.ca

Textbook:

Varian, H. 2003. *Intermediate Microeconomics*. 6th ed. New York: Norton.

Required and recommended readings will be drawn from the textbook, from material on reserve in the MacKimmie Library and from the periodical collection in the MacKimmie Library.

Book(s) on Reserve:

Brown, M., and S.-H. Chiang. 2003. *Coalitions in Oligopolies*. Amsterdam: Elsevier.

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

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

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

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

Katz, M., and H. Rosen. 1998. *Microeconomics*. 3rd. Edition. Burr Ridge, Illinois: IRWIN.

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

Levitt, S., and S. Dubner. 2005. *Freakonomics*. New York: Harper Collins.

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

Lomborg, B., ed. 2004. *Global Crises, Global Solutions*. Cambridge: Cambridge University Press.

Roberts, J. 2004. *The Modern Firm*. Oxford: Oxford University Press.

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

Shleifer, A., and R. Vishny. 2002. *The Grabbing Hand*. Cambridge, Mass.: HUP.

Varian, H. 1990. *Intermediate Microeconomics*. 2 ed. New York: Norton.

Victor, D. 2004. *The Collapse of the Kyoto Protocol and the Struggle to Slow Global Warming*. Princeton: Princeton University Press.

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.

Microeconomics is concerned with a systematic understanding of the economic behaviour of consumers and firms. Moreover, it seeks to address the social consequences of the behaviour of these economic agents. Students do not need to have an intimate, or any, knowledge of calculus to complete this course. Please note, however, that calculus compatible notation will be used. This course makes extensive use of high school level algebra.

Economic theory provides the structure, or framework, for economic inquiry. For this reason Econ 301 and 357 are the two most important courses majors in economics complete at the University of Calgary. These courses provide the most important element of the three found in a student's economic toolbox (the other two are econometrics and knowledge of both current economies and economic history).

Economic theory has three elements that students are expected to master:

(i) Students will become familiar with the foundation of economic reasoning. This involves a fundamental assumption that individuals make choices based on their perception of their self-interest. The consequence of this assumption is that individual choices and actions depend on incentives. In turn, incentives depend on the interaction of preferences and constraints on time, income, technology, or ability. This framework explains how choices can be understood in terms of their incremental or marginal costs and benefits and how changing an individual's perception of either incremental costs or benefits will change behaviour.

(ii) Students will master equilibrium analysis which involves aggregating over the choices of individuals and insuring the choices of individuals are consistent?that what individuals plan to do they are in fact able to do. Equilibrium analysis underlies how economists explain resource allocation in the economy. A key part of equilibrium analysis is comparative statics: asking how the equilibrium will change when conditions change.

(iii) Students will understand the strengths, limitations, and value judgments that underlie the notion of efficiency. Efficiency is the yardstick by which economists measure the social desirability of resource allocation.

Course Outline:

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
	ii)	Cournot, Bertrand, 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
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%
Assignments	30%
Final Examination	50%
	100%

Students must receive a passing grade on the final exam to pass the course. 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. In cases of documented illness or family emergency, extra weight will be given to the final examination.

Students will be given at least one week to complete each assignment. Late assignments will never be accepted. In cases of documented illness or family emergency, extra weight will be given to the final examination. Any student work which remains undistributed after the last day of classes will be available to students through the instructor's office during his office hours.

The official grading system will be used. A letter grade will be awarded based on the numeric average of all assignments.

Tests and exams will not involve multiple choice questions.

Students seeking reappraisal of a piece of graded term work (term paper, essay, etc.) should discuss their work with the Instructor *within* fifteen days of the work being returned to the class.

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.

Students? Union Vice President Academic

Paige Forsyth

Phone: 220-3911

Email@ucalgary.ca

Students? Union Faculty Representative (Social Sciences)

Teale Phelps-Bondaroff

Phone: 220-3913 Office: MSC 251

Emailscirep@su.ucalgary.ca

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

www.fp.ucalgary.ca/econ

Safewalk / Campus Security: 220-5333
