



Department of Economics Course Outline

		Term:	Fall 2004
Course:	Economics 309 [Microeconomics for Economics and Society]	Section:	01
Time:	TR 14:00 ? 15:15	Place:	SA 119 (subject to change)
Instructor:	Dr. Jean-François Wen		
Office:	SS 418	Telephone:	220-2478
Office Hours:	TR 10:00 ? 12:00	E-mail:	wen@ucalgary.ca

Textbook(s):

Price Theory and Applications

(latest edition) by B. Peter Pashigian (New York: Irwin-McGraw Hill, **[required]**), and the accompanying study guide **[optional]**.

Capitalism and Freedom

(2nd or latest edition) by Milton Friedman, University of Chicago Press

[required].

Book(s) on Reserve:

None.

Course Outline:

Objective: The course covers intermediate level microeconomics with a particular emphasis on applications. The theory

part of the course deals with the foundations of the economic model of consumer and business behaviors under alternative market structures, as well as the issue of market failures. You will learn to apply the classic models of perfect competition, monopoly and market failure to social and economic policy issues, such as the role of government in education, problems of discrimination, medical licensing, income redistribution and taxation, environmental protection, legalization of drugs, electricity deregulation, etc. The controversial book by Milton Friedman, Capitalism and Freedom, will serve as a focal point for class discussions on the applicability of market theory to social issues.

Topics

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Topic 1: The Economic Way of Thinking

- Opportunity cost, sunk cost, pure economic profit, marginal valuation, substitutes, voluntary exchange.
- Read Chapter 1 Friedman (?The Relation Between Economic and Political Freedom?)

Topic 2: Pricing and the Demand and Supply Model

- Read Chapter 1 in Pashigian
- Read Chapter 2 in Friedman (?Government in a Free Society?)

Topic 3: Consumer Behavior and Market Demand

- Read Chapter 2 in Pashigian
- Read Chapter 3, section 3-2, pp. 118-123, in Pashigian

Topic 4: Applications of Theory to Education, Rent Control, and Drugs

- Read Chapter 6 in Friedman (?The Role of Government in Education?)

Topic 5: The Cost Functions of the Firm

- Read Chapter 6 in Pashigian

Topic 6: The Supply Functions of a Competitive Firm

- Read Chapter 7 in Pashigian

Topic 7: Discrimination, Poverty, and Inequality

- Read Chapter 7 in Friedman (?Capitalism and Discrimination?)
- Read Chapters 10-12 in Friedman (?Distribution of Income,? ?Social Welfare Measures? and ?Alleviation of Poverty?)

Topic 8: Price Determination in a Competitive Industry

- Read Chapter 8 in Pashigian

Topic 9: Monopoly

- Read Chapter 9 in Pashigian

Topic 10: Applications of Monopoly Theory

- Read Chapter 8 in Friedman (?Monopoly and the Social Responsibility of Business and Labor?)
- Read Chapter 9 in Friedman (?Occupational Licensure?)

Topic 11: Externalities and Public Goods

- Read Chapter 19 in Pashigian

Topic 12: Additional Topics TBA

- Read Chapters 3, 4, 5 and 13 in Friedman to complete his book.

Grade Determination and Final Examination Details:

There will be one mid-term exam worth 30% of the course grade (in class Tuesday October 19,) and a final exam worth 40%. The material for the exams is cumulative across the term. You will be examined both on the textbook material and on Friedman's book and our related class discussions. You are also to write a ten page essay worth 30% due on the last day of class without exception. A grade of zero will be awarded to late essays.

The essay (or ?report?) should provide information and/or analysis about either (a) an industry or (b) a social policy in Canada. The strength of your paper will be judged by your effort to uncover facts (using the internet, books and magazines, personal interviews, etc.), by the logic of your depiction of the economics of the industry or program, and by the quality of your writing.

Specifically, if you pursue option (a), begin by choosing a particular *firm*, describe its principal products or line of business, and characterize the *industry* that it is in (e.g., a list of the firm's main rivals, a description of the market structure, the nature of the technology, volume of sales, market growth, etc.).

For example, you might study Shaw Cable and describe in some detail the issues it faces, such as the regulatory environment for cable TV, the technological problem of free riding by tampering with the cable line, the significance of competing with satellite TV, etc.

Another example is the grocery retailing industry in Canada. Is the industry reasonably competitive or is there any justified concern about monopoly pricing? What are the contours of the industry (supermarkets, versus convenience stores, the significance of warehouse club stores, etc.)?

Other examples are the electricity generation industry in Alberta, or on a smaller scale, say, the second-hand auto market in Calgary, or live theatre (e.g., potential role of subsidies). If you already have personal knowledge of an industry, this may be a good choice to study.

You may want to consult Michael Porter's book, The Competitive Advantage of Nations, in which he takes the basic supply and demand model from economics and renders it applicable for practical market analysis.

If you choose option (b), then describe the factual details of the program (such as eligibility, benefits, funding, etc.) and the economic justification for it (if there is one), as well as any prominent alternative designs for the program.

You should give an economic analysis (the incentive effects) of the program and describe ways of evaluating the program's performance. For example, you might investigate the Employment Insurance laws in Canada and assess its redistribution versus insurance functions. Consider alternative designs such as experience-related premiums.

Another issue is the medical industry in Alberta. Describe our system of public insurance in detail and consider some directions for possible reform, such as limited privatization, the introduction of user fees, alternative forms of doctor

funding (e.g., government salaried doctors versus independent, fee-for-service doctors).

A good source of economic analysis of some core programs is the Macdonald Royal Commission on the Economic Union and Development Prospects for Canada (1985).

Other possibilities on a smaller scale include local programs, such as the inline skating/skate boarding neighbourhood program delivered by the city this summer (?Community Mobile Skate Park?) in Calgary. Is the program justified within the scope of economics (e.g., how would Milton Friedman view it)? What does it cost? What is the measure of success?

Active class participation is encouraged.

The final examination will be scheduled by the Registrar in a classroom and will last two hours. It will be a comprehensive examination of all material covered in the course.

Tests and final exams are marked on a numerical (percentage) basis, then converted to letter grades. The course grade is then calculated using the weights indicated above. As a guide to determining standing, these letter grade equivalences will generally apply:

A+	90 - 100	B	73 - 76	C-	60 - 62
A	85 - 89	B-	70 - 72	D+	56 - 59
A-	80 - 84	C+	67 - 69	D	50 - 55
B+	77 - 79	C	63 - 66	F	0 - 49

If, for some reason, the distribution of grades determined using the aforementioned conversion chart appears to be abnormal the instructor reserves the right to change the grade conversion chart if the instructor, *at the instructor's discretion*, feels it is necessary to more fairly represent student achievement.

A passing grade on any particular component of the course is not required for a student to pass the course as a whole.

Non-programmable calculators will be allowed during the writing of tests or final examinations.

Tests and exams may involve multiple choice questions.

Notes:

- 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 Calendar, and the brochure "Undergraduate Programs in Economics". If you still need help you should speak with a Student Advisor in the Economics Department.

- **Contacting the Instructor**

: You are asked to observe and respect my office hours. If you wish to meet me outside of these times, please

make an appointment with me beforehand. You are welcome to write me via e-mail to ask questions about the course materials. I will respond as soon as I can.

- Students seeking reappraisal of a piece of graded term work should discuss their work with the Instructor within two weeks of the work being returned to the class.
- Make-up or deferred examinations *will not* be given. Any student who finds it necessary to miss the mid-term exam must notify the instructor in advance and produce a valid medical certificate or other required documentation in order to have the weighting transferred to another piece of work. Also, an examination will not be given *before* its scheduled date.
- CAUTION
: Lectures and readings from the text are complements, not substitutes, and students are responsible for material presented in both lectures and readings. Regular class attendance is strongly advised.

Students? Union Vice-President, Academic:

Laura Schultz

Phone: 220-3911

E-mail buvpaca@ucalgary.ca

Students? Union Faculty Representative (Social Sciences)

Carina McDonald

Phone: 220-3913 Office MSC 251

E-mail socialscirep@su.ucalgary.ca

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

E-mail kocuecon@ucalgary.ca

Safewalk / Campus Security: 220-5333

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