Economics 357(L01) (Intermediate Microeconomics II)

Instructor: Peter Tracey
Phone: 403-220-2693
Email: tracey@ucalgary.ca

Lecture Location: AD 140
Lecture Days/Time: MWF 15:00 – 15:50

Office: SS 346
Office Hours: MWF 13:00 – 13:45

Fall 2018

Course Description:
This course is the second of a pair of courses designed to acquaint students with microeconomic theory. Microeconomics is concerned with a systematic understanding of the choices of individuals, firms, and organizations. It seeks to address the social consequences of the behaviour of economic agents. 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 Econ 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.

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).

Course Objectives/Learning Outcomes:
Economic theory has four 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, and 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 that 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.

(iii) A key part of equilibrium analysis is comparative statics: asking how the equilibrium will change when conditions change.
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:**

<table>
<thead>
<tr>
<th>I Introduction</th>
<th>Chapter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objective and Overview</td>
<td></td>
</tr>
<tr>
<td>A Methodology</td>
<td></td>
</tr>
<tr>
<td>Pareto Optimality and Gains from Trade</td>
<td>16</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>II Topics in the Theory of Consumer</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Review the Theory of Demand</td>
<td>10</td>
</tr>
<tr>
<td>Intertemporal Choice</td>
<td>10</td>
</tr>
<tr>
<td>Asset Markets</td>
<td>11</td>
</tr>
<tr>
<td>Uncertainty</td>
<td>12</td>
</tr>
<tr>
<td>Risky Assets</td>
<td>13</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>III General Equilibrium and the Fundamental Theorems of Welfare Economics</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Exchange Economy</td>
<td>32</td>
</tr>
<tr>
<td>Production and General Equilibrium</td>
<td>33</td>
</tr>
<tr>
<td>Social Welfare and Economic Equity</td>
<td>34</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>IV Market Failure I: Market Power</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Monopoly and Monopoly Behaviour</td>
<td>25-26</td>
</tr>
<tr>
<td>Imperfect Competition and Game Theory</td>
<td>28-30</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Market Failure II: Externalities</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Pigouvian taxes and Subsidies</td>
<td>35</td>
</tr>
<tr>
<td>Property Rights, The Coase Theorem</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Market Failure III: Public Goods</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Optimality Condition</td>
<td>37</td>
</tr>
<tr>
<td>Private Financing and Free Rider Problem</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Market Failure IV: Asymmetric Information</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Adverse Selection, Moral Hazard</td>
<td>38</td>
</tr>
</tbody>
</table>

**Prerequisites/corequisites:**

Economics 301 and one of Mathematics 249, 251, 265 or 281.

**Required Textbook(s):**

Required

Optional
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.

**Books on Reserve:**

**Tutorials:**
When you registered for this course you were enrolled in a tutorial session. I will pre-assign problems/questions/materials for you to consider and to discuss with your classmates and a teaching assistant during these tutorial sessions. The problems will not be graded but they will offer you the opportunity to test your understanding of the material covered to that point in the course. You will also have the opportunity to discuss with the TA the material we have discussed in class and which you may not yet fully grasp. Students are expected to attend a weekly tutorial section. Tutorials are on Wednesdays, 17:00 – 17:50 in KNB 126.

**Desire2Learn:**
This course will make use of the Desire2Learn (D2L) platform. Students who are registered in the course can log on at [http://d2l.ucalgary.ca](http://d2l.ucalgary.ca) through their student centre. Please note that D2L features a class e-mail list that may be used to distribute course-related information. These e-mails go to your University of Calgary e-mail addresses only.

**Grade Determination and Final Examination Details:**

| Grade Component | Weight | Date
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Midterm Exam</td>
<td>30%</td>
<td>Wednesday, October 31, 2018</td>
</tr>
<tr>
<td>Assignment 1</td>
<td>10%</td>
<td>Wednesday, October 17, 2018</td>
</tr>
<tr>
<td>Assignment 2</td>
<td>10%</td>
<td>Wednesday, November 7, 2018</td>
</tr>
<tr>
<td>Assignment 3</td>
<td>10%</td>
<td>Wednesday, November 21, 2018</td>
</tr>
<tr>
<td>Final Exam</td>
<td>40%</td>
<td>Scheduled by registrar</td>
</tr>
</tbody>
</table>

The official grading system will be used. See [http://www.ucalgary.ca/pubs/calendar/current/f-1-1.html](http://www.ucalgary.ca/pubs/calendar/current/f-1-1.html).

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

Any student work which remains undistributed after the last day of classes will be available to students through the instructor’s office during the instructor’s office hours.

The final examination will be comprehensive, scheduled by the Registrar, held in a classroom, and last 2 hours. If a student cannot write their final exam on the date assigned by the Registrar’s Office, they need to apply for a deferred exam [www.ucalgary.ca/registrar/exams/deferred_final](http://www.ucalgary.ca/registrar/exams/deferred_final). Under no circumstance will this be accommodated by the Department.

Tests and exams will not multiple choice questions. Non-programmable calculators WILL be allowed during the writing of tests or final examinations.

THERE WILL BE NO MAKEUP OR DEFERRED QUIZZES/TESTS/EXAMS under any circumstances, nor may the quizzes/tests/exams be written early. Students unable to write the quizzes/tests/exams because of documented illness, family emergency, religious observance, or university-sanctioned event will have the weight shifted to the final examination; otherwise a grade of zero will be assigned.

**Reappraisal of Grades and Intellectual Honesty:**
*For reappraisal of graded term work, see Calendar I.2*
[http://www.ucalgary.ca/pubs/calendar/current/i-2.html](http://www.ucalgary.ca/pubs/calendar/current/i-2.html)

*For reappraisal of final grade, see Calendar I.3*

*Statement of Intellectual Dishonesty, see Calendar K.4*
[http://www.ucalgary.ca/pubs/calendar/current/k-4.html](http://www.ucalgary.ca/pubs/calendar/current/k-4.html)

*Plagiarism and Other Academic Misconduct, see Calendar K.5*
[http://www.ucalgary.ca/pubs/calendar/current/k-5.html](http://www.ucalgary.ca/pubs/calendar/current/k-5.html)

**Academic Accommodations:**
The student accommodation policy can be found at: [ucalgary.ca/access/accommodations/policy](http://ucalgary.ca/access/accommodations/policy).

Students needing an accommodation because of a disability or medical condition should communicate this need to Student Accessibility Services in accordance with the Procedure for Accommodations for Students with Disabilities [ucalgary.ca/policies/files/policies/student-accommodation-policy](http://ucalgary.ca/policies/files/policies/student-accommodation-policy).

Students needing an Accommodation based on a Protected Ground other than disability should communicate this need, preferably in writing, to the course instructor.

**Important Dates:**
Please check: [http://www.ucalgary.ca/pubs/calendar/current/academic-schedule.html](http://www.ucalgary.ca/pubs/calendar/current/academic-schedule.html)

**Student Organizations:**
Faculty of Arts Students’ Association (F.A.S.A.):
- Economics Department Representative
  - Office: SS 803, E-mail: [econrep@fasaucalgary.ca](mailto:econrep@fasaucalgary.ca) and Web: [www.fasaucalgary.ca](http://www.fasaucalgary.ca).
Society of Undergraduates in Economics:
https://www.ucalgarysue.com/

Society of Undergraduates in Economics is a student run organization whose main purpose is to assist undergraduate economics students to succeed both academically and socially at the University of Calgary. Services include access to the exam bank, career events such as Industry Night and information sessions, mentorship programs, and social events for members. They invite you to join by contacting SUE at societyofundergradsineconomics@gmail.com.

Faculty of Arts Program Advising and Student Information Resources:
- Have a question, but not sure where to start? The Arts Students’ Centre is your information resource for everything in Arts! Drop in at SS102, call them at 403-220-3580 or email them at artsads@ucalgary.ca. You can also visit the Faculty of Arts website at http://arts.ucalgary.ca/undergraduate which has detailed information on common academic concerns, including program planning and advice.
- For registration (add/drop/swap), paying fees and assistance with your Student Centre, contact Enrolment Services at 403-210-ROCK [7625] or visit them in the MacKinnie Library Block.
- Online writing resources are available at http://www.ucalgary.ca/ssc/resources/writing-support.

Evacuation Assembly Point:
In case of an emergency evacuation during class, students must gather at the designated assembly point nearest to the classroom. The assembly point for this classroom is Social Science – Food Court.

Safewalk:
The Safewalk program provides volunteers to walk students safely to their destination anywhere on campus. This service is free and available 24 hrs/day, 365 days a year. Call 403-220-5333.

Freedom of Information and Protection of Privacy (FOIP) Act:
Personal information is collected in accordance with FOIP. For more information, see http://www.ucalgary.ca/legalservices/foip/foip-hia.

Internet and Electronic Communication Device information:
The use of cell phones for any purpose in class is prohibited. Computers and tablets may be used for note-taking only.

Notes:
1. Students will not be given extra time to complete the midterm exam and the final exam.
2. Students will be responsible for all material covered in class, unless the instructor states otherwise.
3. Please note that the following types of emails will receive no response: emails not addressed to anyone in particular; emails where the recipient’s name is not spelled correctly; anonymous emails; emails which do not specify the course and section in which you are registered; and, emails involving questions that are specifically addressed on the course outline.
4. If you wish to contact me, I prefer that you do so by email.

PRT
2018-06-27