Term: Winter 2004

Course: Economics 357
[Microeconomics II]

Section: 02, 04

Time: TR 15:30 (02)
TR 12:30 (04)

Place: ST 132 (02)
ED 386 (04)
(subject to change)

Instructor: P.R. Tracey

Office: SS 1046

Telephone: 220-2693

Office Hours: TR 11:00-11:45
These hours are subject to change

E-Mail: tracey@ucalgary.ca

Textbook:

Eaton, B. C., D. F. Eaton, and D. W. Allen. 2002. *Microeconomics*. Latest edition. Toronto: Prentice Hall.

Book(s) on Reserve:

None.

Blackboard:

Students who are registered in this course can log on at http://blackboard.ucalgary.ca/webapps/login

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 the availability of time):

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

7. Market Failure III: Externalities
    i) Pigouvian Taxes and Subsidies
    ii) Property Rights
    iii) The Coase Theorem

8. Market Failure IV: Public Goods
    i) Optimality Condition
    ii) Private Financing and the Free Rider Problem

9. Market Failure V: Asymmetric Information
    i) Adverse Selection
    ii) Moral Hazard
    iii) Principles and Agents

Grade Determination and Final Examination Details:

There will be one midterm examination worth 20% of the final grade. The dates for the exam and the assignments will be announced shortly after the beginning of the term. The midterm exam will be held in class during the regular lecture

period. There will be two homework assignments and each will count for 15% of the final grade. Each assignment is due at the beginning of the lecture on the due date. No late assignments will be accepted. There will be a Registrar-scheduled final examination lasting two hours. It will be held in a classroom and will count for 50% of the total grade.

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 equivalencies will generally apply:

A+	97 ? 100	B	77 - 81	C-	61 - 65
A	90 ? 96	B-	74 - 76	D+	57 - 60
A-	87 ? 89	C+	71 - 73	D	50 - 56
B+	82 ? 86	C	66 - 70	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.

Students must pass the Final Exam to pass the course as a whole.

Calculators WILL NOT be allowed during the writing of tests or final examinations.

Tests and exams WILL NOT involve multiple choice questions.

Students? Union Vice-President Academic:
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Notes:

- Students seeking reappraisal of a piece of graded term work (term paper, essay, etc.) should discuss their work with the Instructor within two weeks of the work being returned to the class.
- Midterm exams and the final exam will not be given before the indicated 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 Economics 387/389, which in turn are prerequisites for Economics 557/559. Also, Statistics 213 should be completed no later

than the third year because it is a prerequisite for Economics 315, which in turn is a prerequisite for Economics 419. We suggest that you consult the Calendar, or the Department of Economics website www.econ.ucalgary.ca If you still need help you should speak with a Student Advisor in the Economics Department.

- Make-up midterm exams/assignments and deferred midterm exams/assignments will not be given. In cases of documented illness, documented family emergency, or documented religious observances, extra weight will be given to the final examination.

Safewalk / Campus Security: 220-5333

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PRT:dm
2003-11-25