

## Economics 357(L02) (Intermediate Microeconomics II)

Instructor:	L. Vojtassak	Lecture Location:	MFH 160
Phone:	403 220 6550	Lecture Days/Time:	MWF 14:00 – 14:50
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Office:	SS 336		
Office Hours:	M 9:00 – 9:50 R 11:00 – 11:50 or by appointment		(Winter 2018)

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### Course Description:

This course is the first 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.

- (iv) 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:**

<b>I Introduction</b>		Chapter
January 8 – 17, 2018	Objective and Overview A Methodology Pareto Optimality and Gains from Trade	16
<b>II Topics in the Theory of Consumer</b>		
Jan 19 – Feb 5, 2018	Review the Theory of Demand Intertemporal Choice Asset Markets Uncertainty Risky Assets	10 11 12 13
<b>III General Equilibrium and the Fundamental Theorems of Welfare Economics</b>		
Feb 7 – March 5, 2018	Exchange Economy	32
Reading week: Feb 19 – Feb 23	Production and General Equilibrium Social Welfare and Economic Equity	33 34
<b>IV Market Failure I: Market Power</b>		
March 7 – March 30, 2018	Monopoly and Monopoly Behaviour Imperfect Competition and Game Theory	25-26 28-30
<b>Market Failure II: Externalities</b>		
April 2 – 4, 2018	Pigouvian taxes and Subsidies Property Rights, The Coase Theorem	35
<b>Market Failure III: Public Goods</b>		
April 4 – 6, 2018	Optimality Condition Private Financing and Free Rider Problem	37
<b>Market Failure IV: Asymmetric Information</b>		
April 9 – 13, 2018	Adverse Selection, Moral Hazard	38

**Prerequisites/corequisites:**

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

**Required Textbook(s):**

*Required*

Hal Varian, *Intermediate Microeconomics: A Modern Approach*, 9<sup>th</sup> edition, Norton, 2014.

*Optional*

Roberts, R. 2001. *The Invisible Heart*. Cambridge: MIT Press.

Spufford, F. 2010. *Red Plenty*. London Faber and Faber.

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:**

- Dolfsma, W. 2013. Government Failure. Northampton, Mass.: Edward Elgar.  
 Harford, T. The Undercover Economist. Oxford: Oxford University Press.  
 Katz, M., and H. Rosen. 1998. Microeconomics. 3<sup>rd</sup> edition. Burr Ridge, Illinois: IRWIN.  
 Landsburg, S. 1993. The Armchair Economist. Toronto: Maxwell MacMillan.  
 Levinson, M. 2006. The Box. Princeton: Princeton University Press.  
 Lomborg, B. 2001. The Skeptical environmentalist. Cambridge: Cambridge University Press.  
 Lomborg, B., ed. 2004. Global Crises, Global Solutions. Cambridge: Cambridge University Press.  
 Lomborg, B. 2007. Cool It! New York: A. Knopf.  
 Mankiw, G. et al. 2014. Principles of Microeconomics. 6<sup>th</sup> ed. Toronto: Thomson Nelson.  
 Newmark, C. 2009. Readings in Applied Microeconomics: The Power of the Market. New York: Routledge.  
 Nordhaus, W. 2013. The Climate Casino. New Haven: Yale University Press.  
 Posner, R. 2009. A Failure of Capitalism. Cambridge, Mass.: Harvard University Press.  
 Rivoli, P. 2009. The Travels of a T-Shirt in the Global Economy. Hoboken: John Wiley.  
 Sabin, P. 2013. The Bet. New Haven: Yale University Press.  
 Schelling, T. 1984. Choice and Consequence. Cambridge: Harvard University Press.

**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> 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:**

2 Midterm Examinations	15% each	<b>30%</b>	February 5 and March 5, 2018 Sessions in class
3 Assignments	10% each	<b>30%</b>	Due dates: Friday February 2, 2018 Friday March 2, 2018 Friday April 6, 2018
			All assignments are due at the beginning of class!
Final Examination		<b>40%</b>	
		<b>100%</b>	

*Grading Scale*

A+	95 – 100	B	73 – 76	C-	60 – 62
A	85 – 94	B-	70 – 72	D+	56 – 59
A-	80 – 84	C+	67 – 69	D	50 – 55
B+	77 – 79	C	63 – 66	F	0 – 49

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 his office hours.

**Assignments**

1. Assignments are to be submitted at the beginning of class on the date due. In exceptional cases, they may be handed in before that date to the instructor personally. Answers to assignments will be either discussed in class shortly after each assignment falls due or posted on the D2L. For this reason, late assignments will be given a score of zero, although you may still wish to have the work corrected and returned without a score being recorded. Please do not slide assignment under my office door – they will not be marked. Please also do not email assignments to me – they will not be marked.
2. Students are encouraged to discuss the assignments with their classmates, but each must write up their own answers. Copying or misrepresenting someone else's work as your own is a serious offence, which will not be tolerated. Your attention is directed to the "Statement of Intellectual Honesty" in the 2017-2018 Calendar. Taking credit for someone else's work is something for which I show zero tolerance.

**Examinations:**

1. Exams will not consist of the multiple-choice questions.
2. The midterm examinations will be held in classroom during regular lecture hours and will last 50 minutes.
3. There will be a Registrar scheduled final examination, lasting 2 hours. It will be a comprehensive examination of all-material covered in the course.
4. The exams must be completed during the specified time. Extra time will not be given for any reason.
5. All examinations will be closed-book.
6. Answers to the midterm tests, the assignment and the final exam questions must make use of equations and diagrams wherever possible. Numerical questions require numerical answers.
7. THERE WILL BE NO MAKEUP OR DEFERRED EXAMS under any circumstances, nor may the exams be written early. Students unable to write the 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. 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. Any student who finds it necessary to miss the midterm must notify the instructor in advance and produce a valid medical certificate or other required documentation in order to have the weighting adjusted. This adjustment will result in the final exam counting for 55% of the final grade and the assignments with other test counting for 45% of the final grade.

8. Examinations will not be given before the indicated examination date. For further information see the 2017-2018 Calendar.
9. The use of a simple calculator during test and examination is permitted. The use of graphing calculators, cell phones, and computers is not permitted.

#### **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>

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

<http://www.ucalgary.ca/pubs/calendar/current/i-3.html>

*Statement of Intellectual Dishonesty, see Calendar K.4*

<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>

#### **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>

#### **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](mailto: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](mailto: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 MacKimmie 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 Education Block 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.

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