Economics 357 (L01) Intermediate Economic Theory - Microeconomics

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Office: SS416
Office Hours: MW 14:00 – 14:50 or by appointment
Winter 2022

Course Description:
This course is the second in 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 behavior 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 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.

Course Learning Outcomes:
Students who successfully complete this course will further develop their mastery and understanding of the methodology of microeconomic theory by applying it to the following topics.

2. Market Power: Monopoly, Price Discrimination
3. Imperfect Competition and Game Theory: Prisoner’s Dilemma and Nash equilibrium; Cournot, Bertrand, and Collusion
4. General Equilibrium and the Fundamental Theorems of Welfare Economics: Exchange Economy; Production and General Equilibrium (2x2x2 and Robinson Crusoe)
5. Social Welfare and Economic Equity: Bergson Social Welfare Functions; Arrow’s Impossibility Theorem
8. Market Failure III, Asymmetric Information: Adverse Selection, Moral Hazard, Principles and Agents
9. Public Choice: Government Failure
Course Outline:
The course will follow the textbook. However, some materials may be added or removed based on time constraints.

1. Introduction
   a) Objective and Overview
   b) Methodology
   c) Pareto Optimality and Gains from Trade

2. Topics in the Theory of the Consumer
   a) Intertemporal Choice
   b) Asset Markets
   c) Uncertainty
   d) Risky Assets

3. General Equilibrium and the Fundamental Theorems of Welfare Economics
   a) Exchange Economy
   b) Production and General Equilibrium

4. Social Welfare and Economic Equity
   a) Social Welfare Functions
   b) Arrow’s Impossibility Theorem

5. Imperfect Competition and Game Theory
   a) Prisoner’s Dilemma and Nash
   b) Cournot, Bertrand, and Collusion

6. Market Failure I: Market Power
   a) Monopoly in General Equilibrium

7. Market Failure II: Externalities
   a) Tragedy of the Commons
   b) Pigouvian Taxes and Subsidies
   c) Property Rights
   d) The Coase Theorem

   a) Optimality Conditions
   b) Private Financing and the Free-Rider Problem

9. Market Failure IV: Asymmetric Information
   a) Adverse Selection
   b) Moral Hazard
   c) Principal-Agent Model

10. Public Choice: Government Failure

Prerequisites/corequisites:
Economics 201 and one of Mathematics 249, 265 or 275

Required Textbook(s):
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.

Tutorials:
Students are expected to attend the tutorial sections to which they have been assigned. During the tutorials, the TA will discuss pre-assigned questions and additional material relevant to the course that is not covered in lectures.

Grade Determination and Final Examination Details:

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
<th>Date/Due Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Midterm Exam</td>
<td>20%</td>
<td>March 4 (tentative)</td>
</tr>
<tr>
<td>4 Assignments</td>
<td>40%</td>
<td>Due dates: TBA</td>
</tr>
<tr>
<td>Final Exam</td>
<td>40%</td>
<td>Date set by Registrar</td>
</tr>
<tr>
<td></td>
<td>100%</td>
<td></td>
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</tbody>
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The official grading system will be used. See 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.

If a student’s letter grade on the final exam exceeds their midterm letter grade, some of the weight from the midterm exam may be transferred to the final exam at the discretion of the instructor. The student must have written the midterm or provided supporting documentation for the absence such as a medical note or statutory declaration.

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. See https://www.ucalgary.ca/pubs/calendar/current/e-2.html.

Only in situations where the student can document an illness or domestic affliction for an extended period of time will consideration be given to shifting an assignment weight to the final exam, at the discretion of the instructor. If an assignment is submitted online, since technical problems can be expected to occur with computer systems (and internet availability) it is a good idea to not wait until the last minute to submit an assignment.

The final examination will be comprehensive, scheduled by the Registrar, held in a classroom, and last 2 hours. If a student cannot write the final exam on the date assigned by the Registrar’s Office, they need to apply for a deferred exam https://www.ucalgary.ca/pubs/calendar/current/g-6.html. Under no circumstance will this be accommodated by the Department or the Professor.

Tests and exams WILL NOT involve multiple choice questions.

All other course components will also be accessed, submitted, and returned through D2L.

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 https://www.ucalgary.ca/pubs/calendar/current/g-6.html. Under no circumstance will this be accommodated by the Department.
Programmable calculators, cellphones, textbooks, course notes, and other electronic devices will not be allowed during the writing of tests or final examinations. Note that simply being able to access a cellphone during an exam is academic misconduct.

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

Reappraisal of Grades:
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

Academic Misconduct:
Academic Misconduct refers to student behavior that compromises proper assessment of students’ academic activities and includes: cheating; fabrication; falsification; plagiarism; unauthorized assistance; failure to comply with an instructor’s expectations regarding conduct required of students completing academic assessments in their courses; and failure to comply with exam regulations applied by the Registrar.

Student committing academic misconduct during the final exam will not receive a passing grade for the course.

For information on the Student Academic Misconduct Policy, Procedure and Academic Integrity, please visit: https://www.ucalgary.ca/pubs/calendar/current/k-3.html

Academic Accommodations:
Students seeking an accommodation based on disability or medical concerns should contact Student Accessibility Services. SAS will process the request and issue letters of accommodation to instructors. Students who require an accommodation in relation to their coursework based on a protected ground other than disability should communicate this need in writing to their instructor. The full policy on Student Accommodations is available at https://www.ucalgary.ca/legal-services/university-policies-procedures/accommodation-students-disabilities-procedure

Freedom of Information and Protection of Privacy (FOIP) Act:
Personal information is collected in accordance with FOIP. Assignments can only be returned to the student and will be accessible only to authorized faculty and staff. For more information, see https://www.ucalgary.ca/legal-services/access-information-privacy

Copyright Legislation:
See the University of Calgary policy on Acceptable Use of Material Protected by Copyright at https://www.ucalgary.ca/legal-services/university-policies-procedures/acceptable-use-material-protected-copyright-policy Students who use material protected by copyright in violation of this policy may be disciplined under the Non-Academic Misconduct Policy.

Course materials created by instructors (including presentations and posted notes, labs, case studies, assignments and exams) remain the intellectual property of the instructor. These materials may NOT be reproduced, redistributed or copied without the explicit consent of the instructor. The posting of course materials to third party websites such as note-sharing sites without permission is prohibited. Sharing of extracts of these course materials with other students enrolled in the course at the same time may be allowed under fair dealing.
Recording of Lectures:
Recording of lectures is prohibited, except for audio recordings authorized as an accommodation by SAS or an audio recording for individual private study and only with the written permission of the instructor. Any unauthorized electronic or mechanical recording of lectures, their transcription, copying, or distribution, constitutes academic misconduct. See https://www.ucalgary.ca/pubs/calendar/current/e-6.html.

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
  E-mail: econrep@fasaucalgary.ca
  Website: www.fasaucalgary.ca.


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 MacKimmie Tower.

Student Support and Resources:
- See https://www.ucalgary.ca/registrar/registration/course-outlines for information on campus mental health resources, the Student Ombuds Office, Student Success Centre, Safewalk, and Emergency Evacuation and Assembly.
- Online writing resources are available at https://ucalgary.ca/student-services/student-success/writing-support.

Notes:
1. Students are responsible for all assigned material, e.g., supplementary material posted on D2L, regardless of whether or not the material was covered in class.
2. Assignments 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. Only the DropBox submissions will be marked. 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 2021-2022 Calendar. Taking credit for someone else’s work is something for which I show zero tolerance.

2021/10/12