

## Economics 201 (L04) Principles of Microeconomics

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Lecture Location: MFH 162  
Lecture Days/Time: TR 9:30-10:45

Office: SS 423  
Office Hours: R 11:50-13:30

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### Course Description:

Economics is the study of how we respond to scarcity, in particular, the alternatives and implications of how different institutions manage scarcity. Scarcity means that individuals and societies must make choices. The choice of institutions determines the allocation of scarce resources—what and how much gets produced, how it is produced, and who gets what is produced—and our standard of living. Econ 201 develops principles on how individuals make choices and how those choices are influenced by institutions. There is a particular focus on understanding the use of markets to allocate resources. The objective is to understand how markets work, when they work well, when they do not work well, and the role of governments and non-market allocation. Fundamentally, the key questions for any student in economics are:

- Why was life for most traditionally, and many currently, brutal, nasty, and (fortunately) short, but for others (in increasing numbers) it is not?
- Why are some societies wealthy and others are so unproductive that their members barely subsist?

### Course Learning Outcomes:

Students who complete Econ 201 successfully will be able to understand introductory microeconomic theory, solve basic microeconomic problems, and use these techniques to think about policy questions affecting the economy. This will include being able to answer questions regarding how markets work and do not work well, and the role of government policy in allocating resources. This will provide students with a solid foundation in economic thinking that will last into their professional careers.

#### I. The Implications of Scarcity: Opportunity Cost

- Opportunity cost: every choice has a cost, the foregone alternative. Opportunity cost is necessarily implied by scarcity.
- Individuals make decisions.
- Decisions are made at the margin.
- Individuals respond to incentives: by changing the marginal cost and benefit of an activity, the level of the activity will change.

#### II. Voluntary Trade and Efficiency

- Voluntary trade makes both parties better off.
- Voluntary trade, because it makes both parties better off, is socially desirable, unless
  - it harms a third party (not Pareto Improvement) or
  - the harm to third parties exceeds the benefit of the voluntary trade (not a Potential Pareto Improvement).

### III. Institutional Framework for Market

- Markets operate within an institutional framework. Those institutions can be provided privately, but some are more likely best provided by collective action, i.e., voluntarily by groups of individuals—perhaps organized by a government.
  - The institutional framework includes private property rights, contract law, means of exchange, and the judicial system.
  - Governments define the extent and scope of private property rights: private property rights provide the incentive for investment.
  - Investments in capital are often sunk, this creates the risk that changes in government policy will change the returns to investors without, in the short run, a reduction in the incentive to provide goods and services even though the return on and off capital has been reduced. In the long run, however, investors will respond by requiring higher risk premiums and will underinvest.

### IV. Competitive Markets

- A competitive trading process results in outcomes that are often socially desirable. Markets are often the best way to organize economic activity in practice relative to actual alternatives. A decentralized process, as if by an invisible hand, channels private interests to achieve the social interest.
- Prices in competitive markets signal value.
- Prices are the means by which decentralized decisions are coordinated. Without the ability of markets to aggregate preferences and costs in the formation of prices, extensive coordination of economic activity is difficult, indeed likely not possible: the result does not maximize the value of society's endowment of resources
- Markets promote both the efficient allocation of resources at a point in time, but also promote dynamic efficiency.
  - Entrepreneurship is fundamentally about creating a new higher valued use and reallocating to that use resources from a lower valued use.
- Prices allocate resources in market economies: prices formed in markets determine what gets produced, how it is produced, and to whom it is distributed.

### V. The Role of Alternative Institutions: Government Intervention and Market Failure

- Non-market alternatives to allocating resources typically put restrictions on voluntary trade. They therefore mostly reduce the value of trade, but they can increase the gains from trade when the private benefits and the social benefits of trade are not the same, that is when there are third party effects.
- Markets may not be the optimal governance structure when there are externalities, public goods, information is asymmetric, or there is market power.
- Government intervention involves the use of legal coercive force. In theory a perfect government can improve on the allocation of resources when there are externalities, public goods, information is asymmetric, or there is market power.

### VI. Income Distribution and Social Choice Theory

- The wealth of a nation is a function of the value of goods and services it produces.

- In competitive markets, incomes depend on the productivity of a factor of production and the value of its output.
- Wage differentials in competitive markets reflect differences in productivity.
- Individuals have preferences: society does not. Governments can use their legal power on coercion to tax and redistribute income. The determination of the distribution of income is determined by political institutions.
- Government activities are financed by taxes: taxes usually impose more costs than the revenue raised. This gives rise to a trade-off between efficiency and redistribution.

#### VII. Public Choice

- The government has a legal monopoly on the power of coercion. This is a very valuable resource and like most valuable resources can, and will be, traded in a market. Unfortunately, the result is that the power is used to create and transfer rents to special interest groups favoured by the political process. The result is often inefficiency, leading to lower productivity and incomes.
- In practice, government intervention is not perfect because of asymmetric information and incentive problems. Politicians, regulators, and government employees make decisions to favour their self interest.
- The choice is often between imperfect markets and imperfect government intervention.
- An important consideration in the design of political and regulatory institutions is constraints on the ability and extent of governments to exercise their coercive power to create and redistribute income.

#### Course Outline:

Topic	Mankiw Chapter(s)
The Economist's View of the World and the Economic Way of Thinking	1 and 2
Comparative Advantage and Trade	3
How Markets Work: Supply and Demand	4, 6.1
Markets and Welfare	7
Elasticity	5
Applications: Taxation and Trade	6.2, 8,9
Externalities	10
Public Goods	11
Competitive Markets and Costs	13 and 14
Market Power	15 and 17
Asymmetric Information	22.1
Distribution of Income and Factor Markets	18 and 19
Social Choice	20 and 22.2
Public Choice	Reading

#### Prerequisites/Corequisites:

None

#### Required Textbook(s):

Mankiw et al. Principles of Microeconomics, 9th Canadian edition and any former edition. Thomson Nelson. (**Mindtap is not required**; a copy of the textbook is on reserve or the library had an electronic copy.)

**Recommended Textbook(s):**

Chris Bruce, The Economics of Everyday Life (manuscript; not for sale). This textbook will become available on D2L in the first week of September.

**Required Access to Technology:**

No specific software access is required.

**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 weekly tutorial section 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:**

MIDTERM EXAM	25%
FINAL EXAMINATION	35%
10 WEEKLY QUIZZES (Highest 8 count)	20%
2 written ASSIGNMENTS	20%
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	100%

**Examination Details:**

Tests and exams will involve multiple-choice questions.

Programmable calculators, cellphones, textbooks, course notes, and other electronic devices will not be allowed during the writing of tests or final examinations. Students are reminded that simply accessing their cellphone during an exam is academic misconduct.

The midterm exam takes place on **Thursday, October 19**, in the regular classroom during the class time.

Weekly quizzes are due on Thursday 11:59 p.m. except for Quiz #5

Quiz #1 By Sept. 21

Quiz #2 By Sept. 28

Quiz #3 By Oct. 5

Assignment 1 by Oct. 5

Quiz #4 By Oct. 12

Quiz #5 By Oct. 20 (due on Friday 11:59 p.m.)

**Midterm Exam October 19 (in-class)**

Quiz #6 By Oct. 26

Quiz #7 By Nov. 2

Quiz #8 By Nov. 9

Term break (Nov 12-18)  
Quiz #9 By Nov. 23  
Quiz #10 By Nov. 30  
Assignment 2 by Nov. 30

**Grading Policies:**

The official grading system will be used. See <http://www.ucalgary.ca/pubs/calendar/current/f-1-1.html>.

Students must receive a passing grade on the final exam to pass the course. Students committing academic misconduct during the final exam will not receive a passing grade for the course.

If a student's letter grade on the final exam exceeds their midterm(s) letter grade, the weight of the midterm(s) is (are) transferred to the final exam. The student must have written the midterm(s) or provided supporting documentation for the absence(s).

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>.

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 <https://www.ucalgary.ca/pubs/calendar/current/g-3-4.html>. Under no circumstance will this be accommodated by the Department.

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:**

*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 and Intellectual Honesty:**

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.

*Statement of Intellectual Honesty, see Calendar K.4*  
<https://www.ucalgary.ca/pubs/calendar/current/k-3.html>

*Plagiarism and Other Academic Misconduct*

<https://ucalgary.ca/student-services/student-success/learning/academic-integrity>

**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/legalservices/sites/default/files/teams/1/Policies-Accommodation-for-Students-with-Disabilities-Procedure.pdf> and <https://www.ucalgary.ca/legal-services/sites/default/files/teams/1/Policies-Student-Accommodation-Policy.pdf>.

**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/sites/default/files/teams/1/faq-privacy-faculty-members.pdf> and <https://www.ucalgary.ca/legal-services/sites/default/files/teams/1/faq-privacy-students.pdf>

**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 unless otherwise authorized by the instructor.

**Copyright Legislation:**

See the University of Calgary policy on Acceptable Use of Material Protected by Copyright at <https://www.ucalgary.ca/legal-services/sites/default/files/teams/1/Policies-Acceptable-Use-of-Material-Protected-by-Copyright-Policy.pdf>. Students who use material protected by copyright in violation of this policy may be disciplined under the Non-Academic Misconduct Policy.

**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>.

**Instructor Intellectual Property:**

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.

**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 [sue@ucalgarysue.com](mailto:sue@ucalgarysue.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 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:**

- 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.

#### **Classes**

- **All the class material will be posted to the Desire2Learn (D2L) platform.**
- The material covered in each lecture will be found in one D2L file named "Date" (e.g. Folder "October 1" will contain all the materials covered on October 1). The lecture slides and lecture notes become available on D2L before the lecture.

#### **Communication**

- When students need to contact the instructor by email, **email both your TAs (at least one of them) and the instructor**. The TAs will help us communicate efficiently. We will get back to you within 2 business days. If a student has concerns about personal issues that need to be addressed immediately, use the word "[Urgent]" in the email title.
- All the announcements made in class will be posted on D2L Newsfeed. Important/urgent announcements will also be sent to you by email using the class mail-list.
- When students have questions related to the class material, the best way is to post their questions on the D2L discussion forum. We will get back to you within one business days. Students can post questions anonymously.

### Assignments

- Submit your assignments to the D2L Quizzes section before the due date. **Late assignments or assignments sent by e-mail will not be accepted.**
- You are encouraged to work with your classmates. However, you need to **write in your own words**. If we find nearly identical submissions, both students will receive 0, regardless of who helped who.
- Assignments Formatting Requirements:
  - Submit your assignments as ONE file unless specified otherwise. Compressed folders (e.g. .zip or .pages) do not count as single files. If you are uploading photos of your work, please transform them into a format recognized by Windows (e.g. JPEG, PNG or PDF format). *Please do not submit files with .heic extension.*
  - Include your family name and the assignment number in the name of the file you upload to the Quizzes section in the following form: LASTNAME\_hw# where you will substitute the assignment number for the # in the filename.
  - You can scan your written homework with a scanner or your device's camera to create scanned pdf files. Before you submit your scanned homework, be sure to verify that the scan is easily readable.
  - Make sure that the pages are in the correct order; that is, the first page of the document should be the first page of your work and so on. Make sure that the pages are aligned properly; that is, pages are not in a landscape position.
  - It is recommended that you submit a draft at least one day before the due date. If you want to make a change, you can upload the whole file as a new submission in the same folder--- **your grade will be based on the most recent submission.**

### Weekly Quizzes

- Weekly quizzes become available at D2L Quiz Section at least 7 days prior to the due. Students will have 20 minutes to complete the quiz, at a time of their choosing.
- **Solve the questions by yourself. No discussion will be allowed.**
- **No late submission will be accepted.** The highest 8 out of 10 counts.

### Other Notes

- The weight of the midterm can be shifted to the final exam if the **letter** grade for the final is higher than the midterm. However, the weight of the final exam **cannot** be shifted to the midterm. The final exam is harder than the midterm exam. Try not to miss the midterm exam.
- The weight of the assignments or quizzes **cannot** be shifted to the other components.