

Economics 301(L03) (Intermediate Microeconomics I)

Instructor: P. Tracey
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Lecture Location: ST 131
Lecture Days/Time: MWF 14:00-15:15

Office: SS346
Office Hours: Friday, 13:00 – 13:40

(Fall 2015)

Textbook(s):
Required

Varian, H. 2014. *Intermediate Microeconomics* 9th edition. New York: Norton.

Optional

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

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.

Book(s) on Reserve:

Alston, L., T. Eggertsson, and D. C. North, ed. 1996. *Empirical Studies in Institutional Change*. New York: Cambridge University Press.

Bernstein, W. J. 2004. *The Birth of Plenty: How the Prosperity of the Modern World was Created*. New York: McGraw-Hill.

Bernstein, W. J. 2008. *A Splendid Exchange: How Trade Shaped the World*. New York: Atlantic Monthly Press.

de Soto, H. 2000. *The Mystery of Capital*. New York: Basic Books.

Friedman, D. 1996. *Hidden Order: The Economics of Everyday Life*. New York: Harper Business.

Harford, T. 2006. *The Undercover Economist*. Oxford: Oxford University Press.

Katz, M., and H. Rosen. 1998. *Microeconomics*. 3rd. Edition. Burr Ridge, Illinois: IRWIN.

Landsburg, S. 1993. *The Armchair Economist*. Toronto: Maxwell MacMillan.

- Levitt, S, and S. Dubner. 2005. *Freakonomics*. New York: HarperCollins Publishers.
- Lewis, M. 2004. *Moneyball: The Art of Winning an Unfair Game*. New York: Norton.
- Litan, R. E. 2014. *Trillion Dollar Economists*. Hoboken, N.J.: Wiley and Sons.
- Mankiw, G. et al. 2014. *Principles of Microeconomics*. 6th ed. Toronto: Thomson Nelson.
- Miller, R. L., D. K. Benjamin, and D. C. North. 2001. *The Economics of Public Issues*. 12th ed. New York: Addison Wesley.
- Prasch, R. 2008. *How Markets Work*. Northampton, Mass.: Edward Elgar.
- Roberts, R. 2001. *The Invisible Heart*. Cambridge: MIT Press.
- Schelling, T. 1984. *Choice and Consequence*. Cambridge: Harvard University Press.
- Smith, A. 1976. *The Wealth of Nations*. Chicago: University of Chicago Press.
- Varian, H. 2014. *Intermediate Microeconomics* 9th edition. New York: Norton
- Yergin, D., and J. Stanislaw. 1998. *The Commanding Heights*. New York: Simon & Schuster.

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.

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. Students do not need to have an intimate, or any, knowledge of calculus to complete this course. Please note, however, that 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).

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:

- 1) The Economist's View of the World and the Economic Way of Thinking
 - a) What is Economics?
 - i) Scarcity
 - b) Methodology
 - c) Pareto Optimality and Gains from Trade
 - d) The Role of Prices and Markets: Voluntary Trade
 - e) Institutional Foundations of a Market Economy
 - f) Restrictions on Voluntary Trade
 - g) Economics is about Institutional Choice
 - h) Success of Market Economies
- 2) Rational Choice
 - a) Preference
 - b) Opportunities
 - c) Optimal Choice
 - d) Comparative Statics
 - e) Applications
- 3) Theory of the Firm
 - a) Characterization of Technological Possibilities
 - b) Profit Maximization
 - c) Sunk Costs, Opportunity Costs, and Capital
 - d) Cost Minimization: Long and Short Run
 - e) Applications
- 4) The Competitive Model
 - a) Assumptions
 - b) Short-Run Equilibrium
 - c) Long-Run Equilibrium
 - d) Economic Rent
 - e) Comparative Statics
 - f) Applications

- 5) The Use and Usefulness of Economics in the Determination of Public Policy
- i) Equity vs. Efficiency
 - ii) The Role of the Government (An Introduction to Econ 357!)

Discussion Section:

Students are expected to attend the weekly discussion section. During the discussion section the TA will discuss pre-assigned questions/material relevant to the course. The discussion section is Monday from 17:00-17:50 in ICT 114.

Grade Determination and Final Examination Details:

MIDTERM EXAM	20%
FINAL EXAMINATION	50%
ASSIGNMENTS	<u>30%</u>
	100%

The official grading system will be used. A letter grade will be awarded based on the numeric average of the assignments.

There will be a Registrar scheduled final examination which will be two hours in duration. Students must receive a passing grade on the final exam to pass the course. It will be held in a classroom. The final examination will be comprehensive.

The exact date for the in-class midterm will be announced at least one week in advance. Students who are unable to write the midterm because of an illness, family emergency or religious observance will have the midterm weight shifted to the final examination.

Tests and exams **WILL NOT** involve multiple choice questions. Non-programmable calculators are permitted for all exams.

Students will be given at least one week to complete each assignment. Late assignments will never be accepted. In cases of documented illness or family emergency, extra weight will be given to the final examination.

Students seeking reappraisal of a piece of graded term work (term paper, essay, etc.) should discuss their work with the Instructor *within fifteen days* of the work being returned to the class.

Notes:

1. All students must comply with the regulations published in the University Calendar concerning "Intellectual Honesty," "Examinations," etc.
2. Students should be aware of the academic regulations outlined in The University of Calgary Calendar.

3. Any student, who fails to submit any assignment must notify the instructor in advance and produce a valid medical certificate, or other required documentation in order to have the weighting transferred to the final examination.
4. Examinations will not be given prior to the scheduled date.
5. **Answers to the midterm test questions, the assignments, and the final exam questions must make use of equations and diagrams wherever possible. Numerical questions require numerical answers.**
6. **Students will not be given extra time to complete tests and exams.**
7. **The classroom is a No-cell-phone-zone. The use of cell phones for any purpose in class is prohibited. Computers may only be used for note-taking purposes.**
8. Students seeking reappraisal of a piece of graded term work (test, assignment.) should discuss their work with the Instructor *within fifteen days* of the work being returned to the class. **At the end of the semester any uncollected course work will be discarded by the Instructor.**
9. Students will be responsible for all material listed on the course outline, regardless of whether or not the material has been covered in class, unless the instructor notifies the class that the material will not be covered.
10. 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.
11. It is the student's responsibility to request academic accommodations. If you are a student with a documented disability who may require academic accommodation and have not registered with the Disability Resource Centre, please contact their office at 403-220-8237. Students who have not registered with the Disability Resource Centre are not eligible for formal academic accommodation. You are also required to discuss your needs with your instructor no later than fourteen (14) days after the start of this course.
12. A deferred final exam will not be given except in cases of extreme personal emergencies. If, for such a reason, a deferred final exam is allowed by the Registrar's Office, it will not be given before the scheduled deferred exam date. Deferred final examinations do not have to cover the same material or have the same format as the regular final examination.

Students' Union Vice-President Academic:

Stephan Guscott
Phone: 403-220-3911
E-mail suvpaca@ucalgary.ca

Students' Union Faculty Representative (Arts)

Phone: 403-220-3913 Office: MSC 251
E-mail arts1@su.ucalgary.ca, arts2@su.ucalgary.ca, arts3@su.ucalgary.ca, arts4@su.ucalgary.ca

Society of Undergraduates in Economics (S.U.E.):

www.ucalgary.ca/sue

Society of Undergraduates in Economics is a student run organization whose main purpose is to assist undergraduate economics students succeed both academically and socially at the University of Calgary. Services include access to the exam bank, career partnerships with the Career Centre through hosting industry nights and information sessions, recognizing achievements in teaching, and organizing social events for members. They invite you to join by contacting sue@ucalgary.ca.

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 Library Block.
- Online writing resources are available at <http://www.ucalgary.ca/ssc/resources/writing-support>

Safewalk/Campus Security: 403 220 5333
Emergency Assembly Point: Social Sciences Food Court

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