

Economics 301 (L02) (Intermediate Microeconomics I)

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| Instructor: | Lucia Vojtassak | Lecture Location: | ICT 116 |
| Phone: | 403 220 6550 | Lecture Days/Time: | TR 14:00 – 15:15 |
| Email: | lvojtass@ucalgary.ca | | |
| Office: | SS 336 | | |
| Office Hours: | 9:00 – 9:50 MTWR | (Fall 2019) | |

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. Economic theory provides the structure, or framework, for economic inquiry.

Course Outcomes:

Students who successfully complete this course will:

- (i) Develop expertise in the methodology of economic analysis. Economic theory has four elements that students are expected to master:
 - (a) 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.
 - (b) 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.
 - (c) A key part of equilibrium analysis is comparative statics: asking how the equilibrium will change when conditions change.
 - (d) 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.

These four elements of economic modeling are developed through their deployment in the topics considered.

- (ii) The Economist's View of the World and the Economic Way of Thinking. Scarcity and Its Management; Pareto Optimality and Gains from Trade; The Role of Prices and Markets;

- Institutional Foundation of Market Economies; Restrictions on Voluntary Trade; Success of Market Economies and Institutional Choice to Relax Scarcity Constraints.
- (iii) Consumer Theory: Axioms of Preferences; Budget Set; Optimal Choice and Derivation of a demand function; Marshallian and Hicksian demand functions; Income and Substitution Effects; Expenditure function; Measuring Welfare (CV, EV, Consumer Surplus); Applications.
 - (iv) Neoclassical Theory of the Firm. Characterization of Technological Possibilities; Opportunity Costs, Sunk Costs, Depreciation, the User Cost of Capital and Economic Profit; Profit Maximization; Cost Minimization Long and Short Run.
 - (v) Theory of Perfect Competition. Assumptions; Price Taking; Supply Curves; Short Run Equilibrium; Quasi-Rents versus Profits, Entry and Exit; Long-Run Industry Supply Curve; Ricardian Rents.
 - (vi) The Use and Usefulness of Economics in the Determination of Public Policy: Equity vs. Efficiency; Market Failure and the normative role for government (An Introduction to Econ 357).

Course Outline:

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| I Introduction to Microeconomic Analysis | | |
| Sept 5 – 10, 2019 | Introduction, The Economist's View of the World and the Economic Way of Thinking | Chapter 1 |
| II Individual (Rational) Choice | | |
| Sept 12 – Oct 15, 2019 | Preferences Opportunities Optimal Choice Comparative Statics Applications | 2-8, 14 |
| III Theory of the Firm | | |
| Oct 22 – Nov 26, 2019 | Characterization of Technological Possibilities Profit Maximization Sunk Costs, Opportunity Costs, and Capital Cost Minimization: Long and Short Run Applications | 19 - 23 |
| IV The Competitive Model | | |
| Nov 28 – Dec 3, 2019 | Assumptions Short and Long Run Equilibrium Economic Rent Comparative Statics Applications | 15, 16, 24 |
| V The Use and Usefulness of Economics in the Determination of Public Policy | | |
| Dec 5, 2019 | Equity vs. Efficiency Market Failures– introduction to Econ 357 | |

Prerequisites/corequisites:

Mathematics 30-1 or Pure Mathematics 30 or equivalent; Economics 201 and 203.

Required Textbook(s):

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

Optional

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

Books 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: HarperCollinsPublishers.

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.

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. Tutorials are Tuesdays, 8:00 – 8:50 in ICT 114.

Grade Determination and Final Examination Details:

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| 2 Tests | 15% each | 30% | October 17, and November 7, 2019 |
| 3 Assignments | 10% each | 30% | Due dates: October 15, 2019 November 5, 2019 December 3, 2019 |
| | | | All assignments are due at the beginning of class! |
| Final Examination | | <u>40%</u> | |
| | | 100% | |

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.

If a student's letter grade on the final exam exceeds their midterms letter grade, the weights of the midterms are transferred to the final exam. The student must have written the midterms or provided supporting documentation for the absences 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>.

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 www.ucalgary.ca/registrar/exams/deferred_final. Under no circumstance will this be accommodated by the Department.

Tests and exams WILL NOT 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 being able to access their cellphone during an exam is academic misconduct.

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 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:

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 <http://www.ucalgary.ca/policies/files/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 <http://www.ucalgary.ca/legalservices/files/legalservices/faq-students.pdf> and http://www.ucalgary.ca/legalservices/files/legalservices/faq-faculty_0.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 www.ucalgary.ca/policies/files/policies/acceptable-use-of-material-protected-by-copyright.pdf. Students who use material protected by copyright in violation of this policy may be disciplined under the Non-Academic Misconduct Policy.

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 and Web: 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.

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.

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. 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 in which the sender has not identified which course and section he/she is taking; and, emails involving questions that are specifically addressed on this course outline.

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