

Economics 301(L02) Intermediate Economic Theory 1 Microeconomics I

Instructor: Peter Tracey
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Lecture Location: ST 139
Lecture Days/Time: MWF 14:00 – 14:50

Office: SS 346
Office Hours: MF 13:00 – 13:45

Winter 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. 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).

Course Objectives/Learning Outcomes:

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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: We will cover all of or parts of Chapters 1, 2 - 8, 14, 15, 16, and 19 - 24 of the textbook.

- 1) The Economist's View of the World and the Economic Way of Thinking (Chapter 1)
 - 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 (Chapters 2 – 8, 14)
 - a) Preference
 - b) Opportunities
 - c) Optimal Choice
 - d) Comparative Statics
 - e) Applications
- 3) Theory of the Firm (Chapters 19 – 23)
 - 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 (Chapters 15, 16, 24)
 - 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!)

Prerequisites/corequisites:

Mathematics 30 – 1 or Pure Mathematics 30 or equivalent, and ECON 201 and ECON 203.

Required Textbook(s):

Hal Varian, *Intermediate Microeconomics: A Modern Approach*, 9th 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*. 3rd 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*. 6th 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. *Travels of a T-Shirt in the Global Economy*. Hoboken: John Wiley.

Sabin, P. 2013. *The Bet*. New Haven: . 2009. The Yale University Press.

Schelling, T. 1984. *Choice and Consequence*. Cambridge: Harvard University Press.

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 and Final Examination Details: Midterm Examination:

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|---------------------|------------------------------|-----|
| Midterm Examination | Wednesday, February 27, 2019 | 30% |
| Assignment 1: | Wednesday, February 6, 2019 | 5% |
| Assignment 2: | Wednesday, March 13, 2019 | 10% |
| Assignment 3: | Wednesday, March 27, 2019 | 5% |
| Final Examination | Scheduled by Registrar | 50% |

Grading Scale

| | | | | | |
|----|----------|----|---------|----|---------|
| A+ | 97 – 100 | B | 79 - 83 | C- | 60 - 65 |
| A | 92 – 96 | B- | 76 - 78 | D+ | 55 - 59 |
| A- | 89 - 91 | C+ | 73 - 75 | D | 50 - 54 |
| B+ | 84 - 88 | C | 66 - 72 | 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 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. Non-programmable calculators WILL be allowed during the writing of tests or final examinations.

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:

The student accommodation policy can be found at: 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.

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 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.
- 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 Professional Faculties – 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.

Notes:

1. **Students will not be given extra time to complete the midterm exam and the final exam.**
2. Students will be responsible for all material covered in class, unless the instructor states otherwise.
3. 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.
4. **If you wish to contact me, I prefer that you do so by email.**

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2018-11-12