

REVISED March 26, 2020

Economics 301(L02) Intermediate Economic Theory – Microeconomics I

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Lecture Location: On-line
Lecture Days/Time: Recordings posted on D2L

Office: By email
Office Hours: On demand and as scheduled (Winter 2020)

Course Description (online version – course description and objectives do not change):

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 Objective:

Upon successful completion of this course, students will be able to:

1. Understand the principles that serve as the foundation of economic reasoning and analysis.
2. Understand how equilibrium is reached through the interaction of actors at the individual and aggregate level.
3. Conduct comparative statics on models studied in class.
4. Evaluate the strengths, limitations, and value judgements imposed in various economic models.

Course Learning 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 ensuring 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:

Part I: Introduction to Microeconomics

Introduction and Methodology

Part II: Consumer Theory

Consumer Preferences and Utility

Consumer Choice

Optimal Choice

The Theory of Demand

Part III: Production and Cost Theory

Inputs and Production Functions

Costs and Cost Minimization

Cost Curves

Part IV: Markets and Equilibrium

Perfect Competition

Applications of the Theory of Perfect Competition

Market Failures

Prerequisites/corequisites:

ECON 201 and ECON 203

Required Textbook(s):

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

This text is packaged at the university bookstore with a free workbook which is recommended but not required.

Books on Reserve:

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.

Litan, R. E. 2014. *Trillion Dollar Economists*. Hoboken, N.J.: Wiley and Sons.

Miller, R. L., D. K. Benjamin, and D. C. North. 2001. *The Economics of Public Issues*. 12th ed. New York: Addison Wesley.

Mitchell, M. and P. Boettke. 2017. *Applied Mainline Economics*. Arlington: Mercatus Center.

Prasch, R. 2008. *How Markets Work*. Northampton, Mass.: Edward Elgar.

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

Smith, A. 1976. *The Wealth of Nations*. Chicago: University of Chicago Press.

Watson, W. 2016. *The Inequality Trap: Fighting Capitalism Instead of Poverty*. University of Toronto Press: Toronto.

Yergin, D., and J. Stanislaw. 1998. *The Commanding Heights*. New York: Simon & Schuster.

PASS Program:

This course will benefit from support from the PASS Program – see

<https://www.success.ucalgary.ca/home.htm>

PASS is a free, structured study session that is facilitated by someone who has taken the course before. Attending is voluntary and is meant to supplement other aspects of the course. PASS sessions are offered at multiple different times throughout the week to accommodate students' schedules. In general, students who attend PASS regularly have higher course grades than those who do not. It is also a non-remedial program; PASS is for all students, not just those who are struggling. This creates a collaborative environment where students learn from and help each other.

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 work through the weekly tutorial assignments. The TA will provide on-line office hours to discuss and answer questions about the tutorials. The answers for the tutorial questions will be provided after you have time to work them out on your own. One tutorial question is required to be submitted on D2L each week and you will be graded on that question. We will count your best 6 out of 10 tutorial questions for your final grade.

Discussions:

We will post Discussion themes on D2L. This is an opportunity for students to discuss course content and raise questions among your group of peers.

Grade Determination and Final Examination Details:

MIDTERM EXAM (Feb 28)	30%
FINAL EXAMINATION	40%
ASSIGNMENTS (4)	24%
Assignment 3 due April 3	
Assignment 4 due April 15	
TUTORIAL QUESTIONS	
We have completed 7 tutorials.	6%
We will do 3 more for a total of	
10. I will count your best 6	
tutorials (I will drop 4 of them)	
	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 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) 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>.

The final examination will be an open-book, take-home exam. Our final exam will be available on D2L 24 hours before the end of the Registrar's scheduled final exam time. Students will hand in their exam in PDF format on D2L prior to the end of the scheduled completion time of their final exam. Our final was scheduled by the Registrar's Office on April 27, so the exam **will be available on D2L at 2:00 pm on April 26** and is to **be submitted on D2L before 2:00 pm on April 27**. If a student cannot write their final exam during this interval, they need to apply for a deferred exam at 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

The date for the in-class midterm will be on February 28, 2020.

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 Honesty, 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.

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