



Department of Economics Course Outline

Term: Spring 2005

Course: Economics 357
[Intermediate Economic Theory - Microeconomics II]

Section: 20

Time: MW 9:00 ? 12:45

Place: ST 128

Instructor: Dr. R. J. Oxoby

Office: SS 444

Telephone: 220-2586

Office Hours: by appointment

E-Mail: oxoby@ucalgary.ca

Textbook(s):

Required Eaton, Curtis B., Diane F. Eaton and Douglas Allen *Microeconomics*, Scarborough, Ont.: Prentice Hall, 6th edition.

Book(s) on Reserve:

Eaton, Curtis B., Diane F. Eaton and Douglas Allen, *Microeconomics*, Scarborough, Ont.: Prentice Hall, 6th edition.

Varian, H. R., *Intermediate Microeconomics*, New York: W.W. Norton & Co., 5th edition, 1999

Blackboard:

This course will make use of Blackboard - students who are registered in the course can log on at <http://blackboard.ucalgary.ca/webapps/login>

Course Outline:

This course builds upon the tools and concepts developed in Economics 301 to investigate the connections between markets (general equilibrium) and issues of efficiency and welfare. We will also study strategic behavior and decision making under uncertainty in a variety of contexts.

Students are reminded that this course has a calculus prerequisite. You are expected to be familiar with mathematical

work as an economist. Accordingly, you will be expected to use mathematics and graphical analysis, and the calculus (at the level developed in the course prerequisites Mathematics 249 or 251). You will be expected to be familiar with the meaning of mathematical functions, the use linear and quadratic equations, solving linear equations for several unknowns, and basic techniques of calculus. You should review this material in preparation for the course.

Grade Determination and Final Examination Details:

The final grade will depend upon each student's performance on the assignments and midterm and final examinations. All examinations will be closed book. Students *will* be allowed the use of a calculator during all examinations, subject to the following restrictions: acceptable calculators are those that are battery or solar-operated and hand-held, and that are capable of performing arithmetic operations on user-entered numerical data. Calculators that can pre-store data, formulas or text are *not* allowed and a student who violates this restriction is guilty of academic dishonesty. If in doubt, please check with the instructor.

The conversion to letter grades will follow the letter grades equivalences below. I will modify this schedule given the performance of the class. Grades will be determined as follows: problem sets (approximately 6) worth 10%, a midterm exam worth 40% and a final exam worth 50%.

Problem sets will be graded based on completeness rather than accuracy. The intent of these assignments is to provide you an opportunity to practice the methods of analysis developed in class. I encourage you take the time to work through and understand the problem sets. Exams will be of a similar nature to in both format and content. You are encouraged to work together on the problem sets, although each person must turn in their own assignment. Problem sets will be due in class and late assignments will not be accepted.

The midterm will be held during class time and will not involve multiple-choice questions. A comprehensive final exam will be held at a time to be scheduled by the registrar.

A numerical grade will be determined for each item of work submitted and a final numerical grade will be determined using the weighting scheme provided. As a guide to determining standing, these letter grade equivalences will generally apply:

A+ 95-100 B 73 - 76 C- 60 - 62
A 85 ? 94 B- 70 - 72 D+ 56 ? 59
A- 80 - 84 C+ 67 - 69 D 50 ? 55
B+ 77 - 79 C 63 - 66 F 0 ? 49

If, for some reason, the distribution of grades determined using the aforementioned conversion chart appears to be abnormal, the instructor reserves the right to change the grade conversion chart if the instructor, *at the instructor's discretion*, feels it is necessary to more fairly represent student achievement.

A passing grade on any particular component of the course is not required for a student to pass the course as a whole.

Finally, special attention should be directed toward the sections concerning attendance, tape recording of lectures and student misconduct in the 2004/2005 Calendar.

Tentative Topic Outline:

The following is a tentative list of topics. The chapters listed refer to those from Eaton, Eaton & Allen. Additional readings will be assigned as necessary. Although we will be reviewing some concepts from Economics 301, I will be assuming that you are familiar with the fundamentals of consumer theory, producer theory, competitive markets and welfare analysis (Eaton, Eaton and Allen chapters 1 through 9).

Introduction

Objectives and Overview

Efficiency and the Gains from Trade

Topics in Consumer Theory

Intertemporal Choice (chapter 5)

Decision Making Under Uncertainty (chapter 17):

Rationality; Bayesian Decision Making; Alternate Theories (Loss Aversion)

Strategic Decision Making (chapter 15)

Competition and General Equilibrium (chapters 8, 13)

Exchange

Efficiency and the Theorems of Welfare Economics

Production

Welfare and Efficiency (chapter 13)

Full Appropriation and Efficiency

Social Welfare Functions

Distributive Justice (chapter 12):

Utilitarianism; Rawlsian Justice; Equality of Opportunity

Market Power

Monopoly (chapters 10, 14)

Oligopoly (chapter 15)

Monopolistic Competition (chapters 15, 16)

Externalities (chapter 18)

Pigouvian Taxes:

Environmental Externalities; Consumption Externalities

Property Rights: The Coase Theorem

Public Goods (chapter 18)

The Private Provision of Public Goods

The Optimal Provision: The Samuelson Condition

Public Choice: Voting; Political Economy

Asymmetric Information (chapters 19, 20)

Moral Hazard:

The Agency Relationship; Contracts and Organizational Design

Adverse Selection:

Insurance Markets; Mentoring and Discrimination

Signaling:

Education; Commitment; Reputation

Notes:

- Students should be aware of the importance of appropriate sequencing of their courses to meet all the graduation requirements, especially in the Honours program. Honours students should complete MATH 249 or 251, and MATH 211 no later than the second year. This is very important because these courses are prerequisites for ECON 387/389, which in turn are prerequisites for ECON 557/559. Also, STAT 213 should be completed no later than the third year because it is a prerequisite for ECON 315, which in turn is a prerequisite for ECON 419. We suggest that you consult the "Department of Economics Explicit Syllabus", which is available at <http://econ.ucalgary.ca/programs/undergrad/ES.htm>, or the University of Calgary Calendar. If you want help in designing your program, you should speak with a Student Advisor in the Department of Economics.
- Contacting the Instructor: You are asked to observe and respect my office hours. If you wish to meet me outside of these times, please make an appointment with me beforehand. You are welcome to write me via e-mail to ask questions about the course materials. I will respond as soon as I can.
- Students seeking reappraisal of a piece of graded term work should discuss their work with the Instructor within one week of the work being returned to the class.
- Make-up or deferred examinations *will not* be given. Any student who finds it necessary to miss the midterm exam must notify the instructor in advance and produce a valid medical certificate or other required documentation in order to have the weighting transferred to another piece of work. Also, an examination will not be given *before* its scheduled date.
- **CAUTION:** Lectures and readings from the text are complements, not substitutes, and students are responsible for material presented in both lectures and readings. Students are also responsible for dates for submitting assignments that are discussed in class. Regular class attendance is strongly advised.

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

www.fp.ucalgary.ca/econ

Safewalk/Campus Security: 220-5333
