



Department of Economics Course Outline

		Term:	Winter 2011
Course:	Economics 357 [Microeconomics II]	Section:	01
Time:	MWF 9:00-9:50	Place:	ST 130 (subject to change)
Instructor:	Dr. J. Church		
Office:	SS 442	Telephone:	220-6106
Office Hours:	MW 11:00-12:00	E-mail:	jrchurch@ucalgary.ca

Textbook:

Required

Varian, H. 2010. *Intermediate Microeconomics*. 8th ed. 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:

Coyle, D. 2002. *Sex, Drugs, & Economics*. New York: Texere.

Feldman, A. 1980. *Welfare Economics and Social Choice Theory*. Boston: Kluwer Academic Publishers.

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

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

Kaplow, L., and S. Shavell. 2002. *Fairness versus Welfare*. Cambridge, Mass.: HUP.

Katz, M., and H. Rosen. 1998. *Microeconomics*. 3rd. Edition. Burr Ridge, Illinois: IRWIN. .../2

- Landsburg, S. 1993. *The Armchair Economist*. Toronto: Maxwell MacMillan.
- Landsburg, S. 2007. *More Sex is Safer Sex*. New York: Free Press.
- Levitt, S., and S. Dubner. 2005. *Freakonomics*. New York: Harper Collins.
- Levitt, S., and S. Dubner. 2009. *Super Freakonomics*. Toronto: Harper Collins.
- 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.
- McKenzie, R. *Why Popcorn Costs So Much at the Movies?* New York: Springer.
- Schelling, T. 1984. *Choice and Consequence*. Cambridge: Harvard University Press.

Course Description:

This course will extend and build on the theory of the consumer, the theory of the firm, and the theory of perfect competition introduced in Economics 301. The theory of general competitive equilibrium will be studied intensively. Particular attention will be devoted to its efficiency and welfare properties. Thereafter, instances of market failure will be addressed: those covered will be imperfect competition, externalities, public goods, and informational asymmetries.

Students are reminded that this course has a calculus prerequisite and calculus compatible notation will be used. This course makes extensive use of high school level algebra.

Microeconomics is concerned with a systematic understanding of the economic behaviour of consumers and firms. Moreover, it seeks to address the social consequences of the behaviour of these 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 three 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, or 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. A key part of equilibrium analysis is comparative statics: asking how the equilibrium will change when conditions change.
- (iii) 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. Introduction
 - i) Objective and Overview
 - ii) Methodology
 - iii) Pareto Optimality and Gains from Trade
2. Topics in the Theory of the Consumer
 - i) Intertemporal Choice
 - ii) Asset Markets
 - iii) Uncertainty
 - iv) Risky Assets
3. Imperfect Competition and Game Theory
 - i) Prisoner's Dilemma and Nash
 - ii) Cournot, Bertrand, and Collusion
4. General Equilibrium and the Fundamental Theorems of Welfare Economics
 - i) Exchange Economy
 - ii) Production and General Equilibrium
5. Social Welfare and Economic Equity
 - i) Social Welfare Functions
 - ii) Arrow's Impossibility Theorem
6. Market Failure I: Market Power
 - i) Monopoly in General Equilibrium
7. Market Failure II: Externalities
 - i) Pigouvian Taxes and Subsidies
 - ii) Property Rights
 - iii) The Coase Theorem
8. Market Failure III: Public Goods
 - i) Optimality Condition
 - ii) Private Financing and the Free Rider Problem
9. Market Failure IV: Asymmetric Information
 - i) Adverse Selection
 - ii) Moral Hazard
 - iii) Principles and Agents

Grade Determination and Final Examination Details:

Midterm Examination	20%
Assignments	30%
Final Examination	<u>50%</u>
	100%

Students must receive a passing grade on the final exam to pass the course. 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.

Non-programmable calculators are permitted for all exams. There will be a Registrar scheduled final examination which will be two hours in duration. 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. In cases of documented illness or family emergency, extra weight will be given to the final examination.

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. Any student work which remains undistributed after the last day of classes will be available to students through the instructor's office during his office hours.

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

Tests and exams will not involve multiple choice questions.

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.

Discussion Sections:

Students are expected to attend one of the discussion sections each week. During the discussion section the TA will discuss pre-assigned questions/material relevant to the course.

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>. Please note that Blackboard features a class email list that I will use. It is your responsibility to make sure that Blackboard uses the email of your choice. The default is your University of Calgary email address.

Notes:

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.

Students' Union Vice-President, Academic

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

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www.ucalgary.ca/sue/

Safewalk / Campus Security: 403-220-5333
Emergency Assembly Point – ICT Food Court

JRC