

Economics 357 (Lecture) (Intermediate Microeconomics II)

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Lecture Location: ENE 224
Lecture Days/Time: T/R 12:30-13:45
Winter 2020

Office: SS 412
Office Hours: T/R 11:00-12:15

Course Description:

This course is the second in 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. 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. Social choice theory (what should be the allocation of resources) and public choice theory (how government policy is determined). Market failures from imperfect competition, externalities, public goods, and informational asymmetries.

Course Outcomes:

Students who successfully complete this course will further develop their mastery and understanding of the methodology of microeconomic theory by applying it to the following topics.

1. Extensions to Consumer Theory: Intertemporal Choice, Asset Markets, Uncertainty, Risky Assets, Insurance
2. Market Power: Monopoly, Price Discrimination
3. Imperfect Competition and Game Theory: Prisoner's Dilemma and Nash equilibrium; Cournot, Bertrand, and Collusion
4. General Equilibrium and the Fundamental Theorems of Welfare Economics: Exchange Economy; Production and General Equilibrium (2x2x2 and Robinson Crusoe)
5. Social Welfare and Economic Equity: Bergson Social Welfare Functions; Arrow's Impossibility Theorem
6. Market Failure I, Externalities: Tragedy of the Commons, Pigouvian Taxes and Subsidies, Property Rights, The Coase Theorem
7. Market Failure II, Public Goods: Optimality Condition; Private Financing and the Free Rider Problem
8. Market Failure III, Asymmetric Information: Adverse Selection, Moral Hazard, Principles and Agents
9. Public Choice: Government Failure

Course Outline:

- 1) Introduction
 - a) Objective and Overview
 - b) Methodology
 - c) Pareto Optimality and Gains from Trade
- 2) Topics in the Theory of the Consumer
 - a) Intertemporal Choice
 - b) Asset Markets
 - c) Uncertainty
 - d) Risky Assets
- 3) General Equilibrium and the Fundamental Theorems of Welfare Economics
 - a) Exchange Economy
 - b) Production and General Equilibrium
- 4) Social Welfare and Economic Equity
 - a) Social Welfare Functions
 - b) Arrow's Impossibility Theorem
- 5) Imperfect Competition and Game Theory
 - a) Prisoner's Dilemma and Nash
 - b) Cournot, Bertrand, and Collusion
- 6) Market Failure I: Market Power
 - a) Monopoly in General Equilibrium
- 7) Market Failure II: Externalities
 - a) Tragedy of the Commons
 - b) Pigouvian Taxes and Subsidies
 - c) Property Rights
 - d) The Coase Theorem
- 8) Market Failure III: Public Goods
 - a) Optimality Condition
 - b) Private Financing and the Free Rider Problem
- 9) Market Failure IV: Asymmetric Information
 - a) Adverse Selection
 - b) Moral Hazard
 - c) Principals and Agents
- 10) Public Choice: Government Failure

Prerequisites/corequisites:

Economics 301 and one of Mathematics 249, 251, 265 or 281

Required Textbook(s):

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

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. 2009. *The Travels of a T---Shirt in the Global Economy*. Hoboken: John Wiley.
- Sabin, P. 2013. *The Bet*. New Haven: 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 EXAM	25%
FINAL EXAMINATION	35%
ASSIGNMENTS (4@10%)	<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 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>.

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 an open-book, take-home exam. The 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 using DropBox. 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 now 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.

The exact date for the in-class midterm will be announced at least one week in advance.

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.

JRB

2019-12-04