

## Economics 357 (L03) Intermediate Microeconomics II

Instructor: John R Boyce  
Email: boyce@ucalgary.ca

Lecture Location: ZOOM Delivery  
Lecture Days/Time: Tues./Thurs. 12:30-13:45

Office: ZOOM Delivery  
Office Hours: Thursdays 9:00-11:00

(Winter 2021)

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### 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 Learning 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.

- (i) Extensions to Consumer Theory: Intertemporal Choice, Asset Markets, Uncertainty, Risky Assets, Insurance
- (ii) Market Power: Monopoly, Price Discrimination
- (iii) Imperfect Competition and Game Theory: Prisoner's Dilemma and Nash equilibrium; Cournot, Bertrand, and Collusion
- (iv) General Equilibrium and the Fundamental Theorems of Welfare Economics: Exchange Economy; Production and General Equilibrium (2x2x2 and Robinson Crusoe)
- (v) Social Welfare and Economic Equity: Bergson Social Welfare Functions; Arrow's Impossibility Theorem
- (vi) Externalities: Tragedy of the Commons, Pigouvian Taxes and Subsidies, Property Rights, The Coase Theorem
- (vii) Public Goods: Optimality Condition; Private Financing and the Free Rider Problem
- (viii) Asymmetric Information: Adverse Selection, Moral Hazard, Principals and Agents
- (ix) 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
  - c) Dynamic games
- 6) Market Failure I: Market Power
  - a) Monopoly in General Equilibrium
- 7) Market Failure II: Externalities
  - a) Pigouvian Taxes and Subsidies
  - b) Property Rights
  - c) 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 & Moral Hazard
  - b) Principals and Agents
- 10) Public Choice: Government Failure

**Prerequisites/corequisites:**

Economics 301 and 3 units of Mathematics 249, 265, or 275

**Required Textbook(s):**

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

**Recommended Textbook(s):**

None

**Online Delivery:**

This course will be delivered online. Students are expected to be able to participate online in accordance with this Course Outline. Lectures, assignments, office hours, exams, readings and other course material, etc. all require online access and this access is the responsibility of the student.

In order to remotely participate in online courses, students will need to have: computer with a current and updated operating system (macOS or Windows will work with all university-supported online learning technologies), a current and updated web browser installed – the latest versions of Firefox, Safari, Chrome or Edge will help to avoid compatibility issues, secure and reliable internet, microphone / headphones, webcam (optional), scanner (or camera to scan your work).

**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.

**Lectures:**

Lectures will be delivered online at the Registrar scheduled times and delivered using ZOOM. The lectures will be recorded and subsequently posted to D2L.

**Tutorials:**

Students are expected to attend “virtually” the tutorial sections to which they have been assigned. Tutorials will be offered online, typically using ZOOM, but can involve moderated discussion boards and curated delivery of alternative online resources. 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:**

ASSIGNMENT 1 (Due 22:00 Thursday, 28 January)	10%
ASSIGNMENT 2 (Due 22:00 Thursday, 11 February)	10%
ASSIGNMENT 3 (Due 22:00 Thursday, 4 March)	10%
ASSIGNMENT 4 (Due 22:00 Thursday, 18 March)	10%
ASSIGNMENT 5 (Due 22:00 Thursday, 1 April)	10%
ASSIGNMENT 6 (Due 22:00 Thursday, 15 April)	10%
FINAL EXAMINATION (Registrar scheduled)	40%
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	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) may be transferred to the final exam at the discretion of the instructor. 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](https://www.ucalgary.ca/pubs/calendar/current/e-2.html).

Course material dealing with a particular assignment will typically be covered in class at least 2 days before the assignment is due; thus, assignments can be completed at any time up to and including the due date. Given these factors, only situations where someone can document illness or domestic affliction for an extended period (i.e., the entire 14 days prior to the due date) would possibly warrant shifting the assignment weight to the final exam. Furthermore, technical problems can be expected to occur with computer systems (and internet availability) so it may be a good idea to not wait until the last minute to submit your assignment.

The final examination will be take-home, comprehensive, and scheduled by the Registrar. Students will download the exam from D2L, complete the exam, scan it, and submit using Dropbox in D2L. Student will have 50% more time to complete the exam, at a time of their choosing, within the 24-hour period that begins 24 hours before the end date of the Registrar's scheduled final exam for this course. The exam is designed and intended to be completed in THREE hours. The exam will be OPEN book.

All other course components will also be accessed, submitted, and returned through D2L.

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 <https://www.ucalgary.ca/pubs/calendar/current/g-6.html>. Under no circumstance will this be accommodated by the Department.

Tests and exams WILL NOT involve multiple choice questions and / or fill-in-blank questions

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>

#### **ACADEMIC MISCONDUCT**

Academic Misconduct refers to student behavior that compromises proper assessment of students' academic activities and includes: cheating; fabrication; falsification; plagiarism; unauthorized assistance; failure to comply with an instructor's expectations regarding conduct required of students completing academic assessments in their courses; and failure to comply with exam regulations applied by the Registrar.

Student committing academic misconduct during the final exam will not receive a passing grade on the course.

For information on the Student Academic Misconduct Policy and Procedure please visit:

<https://ucalgary.ca/policies/files/policies/student-academic-misconduct-policy.pdf>

<https://ucalgary.ca/policies/files/policies/student-academic-misconduct-procedure.pdf>

Additional information is available on the Academic Integrity Website at <https://ucalgary.ca/student-services/student-success/learning/academic-integrity>.

**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](http://www.ucalgary.ca/legalservices/files/legalservices/faq-faculty_0.pdf).

**Copyright Legislation:**

See the University of Calgary policy on Acceptable Use of Material Protected by Copyright at <https://www.ucalgary.ca/policies/files/policies/acceptable-use-of-material-protected-by-copyright-policy.pdf>. Students who use material protected by copyright in violation of this policy may be disciplined under the Non-Academic Misconduct Policy.

Course materials created by instructors (including presentations and posted notes, labs, case studies, assignments and exams) remain the intellectual property of the instructor. These materials may NOT be reproduced, redistributed or copied without the explicit consent of the instructor. The posting of course materials to third party websites such as note-sharing sites without permission is prohibited. Sharing of extracts of these course materials with other students enrolled in the course at the same time may be allowed under fair dealing.

**Recording of Lectures:**

Recording of lectures is prohibited, except for audio recordings authorized as an accommodation by SAS or an audio recording for individual private study and only with the written permission of the instructor. Any unauthorized electronic or mechanical recording of lectures, their transcription, copying, or distribution, constitutes academic misconduct. See <https://www.ucalgary.ca/pubs/calendar/current/e-6.html>.

**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

E-mail: [econrep@fasaucalgary.ca](mailto:econrep@fasaucalgary.ca) and Web: [www.fasaucalgary.ca](http://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](mailto: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! Call them at 403-220-3580, or email them at [artsads@ucalgary.ca](mailto: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].

**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.
2. Students may work together in groups up to size THREE on assignments. If you work together in a group on an assignment, each student in the group must submit the assignment with a cover sheet listing the names of each student in the group submitting that assignment. One of these assignments (chosen by the TA) will be graded and all students in the group shall receive the same grade for that assignment.
3. Students may NOT work together on the final examination. All work on the final examination is to be your own work and only your own work. You will be required to sign a statement to that effect. Any indication that you received or given assistance will be construed as academic misconduct and will result in a failing grade on the final examination, and hence the course.

JRB

Dec. 7, 2020