

Economics 357 (L02) Intermediate Economic Theory – Microeconomics

Instructor: Dimitri Migrow

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(Winter 2022)

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. Thereafter, instances of market failure will be addressed: those covered will be 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 Conditions
 - b) Private Financing and the Free-Rider Problem
- 9) Market Failure IV: Asymmetric Information
 - a) Adverse Selection
 - b) Moral Hazard
 - c) Principal-Agent Model
- 10) Public Choice: Government Failure

Prerequisites/corequisites:

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

Required Textbook(s):

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

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 <u>http://d2l.ucalgary.ca</u> 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:

Midterm Exam	20%
5 Assignments	30%
Final Exam	50%
	100%

The official grading system will be used. See <u>http://www.ucalgary.ca/pubs/calendar/current/f-1-1.html</u>.

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. <u>See https://www.ucalgary.ca/pubs/calendar/current/e-2.html</u>.

Course material dealing with a particular assignment will typically be covered in class at least 7 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 7 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 midterm exam is designed and intended to be completed in 75 minutes. The exam will be OPEN book. The exam will be available on D2L. Student will download the exam from D2L, complete the exam, scan it, and submit using Dropbox in D2L.

The final exam is designed and intended to be completed in 120 minutes. The exam will be CLOSED book. The exam will be available on D2L. Student will download the exam from D2L, complete the exam, scan it, and submit using Dropbox in D2L.

Additional 50% time will be given for the completion of the midterm and the final exams.

Both the midterm and the final exams will use the <u>common assessment time</u> system. There will be two common time windows both for the midterm exam and for the final exam.

The first common time window is during the regular class time for the *midterm exam* (+50% extra as technical time), and during the time as scheduled by the Registrar office for the *final exam* (+50% extra as technical time).

The second common time window is a *contingency time window* for those who cannot write the exam during the first common time window, as they are located in a different time zone. This second common time window will be <u>12 hours before the start of the scheduled exam</u> (to accommodate different time zones). For the midterm exam it means that the second common time window will be <u>12 hours before</u> the start of the class (+50% extra as technical time): this means on the evening before, at 9:30pm Calgary time. Similarly, for the final exam this means that the second common time window will be <u>12</u> hours before the start of the exam as scheduled by the Registrar office.

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

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

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:

For Reappraisal of Graded Term Work, see Calendar I.2 http://www.ucalgary.ca/pubs/calendar/current/i-2.html

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 for the course.

For information on the Student Academic Misconduct Policy, Procedure and Academic Integrity, please visit: <u>https://www.ucalgary.ca/pubs/calendar/current/k-3.html</u>

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

https://www.ucalgary.ca/legal-services/university-policies-procedures/accommodation-studentsdisabilities-procedure

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 https://www.ucalgary.ca/legal-services/access-information-privacy

Copyright Legislation:

See the University of Calgary policy on Acceptable Use of Material Protected by Copyright at https://www.ucalgary.ca/legal-services/university-policies-procedures/acceptable-use-material-protected-copyright-policy 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 <u>https://www.ucalgary.ca/pubs/calendar/current/e-6.html</u>.

Important Dates:

Please check: <u>http://www.ucalgary.ca/pubs/calendar/current/academic-schedule.html</u>.

Student Organizations:

Faculty of Arts Students' Association (F.A.S.A.): Economics Department Representative E-mail: <u>econrep@fasaucalgary.ca</u> Website: <u>www.fasaucalgary.ca</u>.

Society of Undergraduates in Economics: <u>https://www.ucalgarysue.com/</u>.

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 <u>societyofundergradsineconomics@gmail.com</u>.

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. 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 Tower.

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 <a href="https://ucalgary.ca/student-services/s

Notes:

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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2021-12-06