

# INTERMEDIATE MICROECONOMICS II ECONOMICS EC2261B-001/002

Department of Economics  
Western University

**Instructor:** Bruno Salcedo

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**Office:** 4045 SSC

**Phone:** (519) 661-2111 ext. 85484

**E-mail:** [bsalcedo@uwo.ca](mailto:bsalcedo@uwo.ca)

**Office Hours:** MW 13:00-14:00

**Classroom meeting times & location:** Section 001: MWF 14:30–15:30 SSC 2028

Section 002: MWF 10:30–11:30 WL 258

**Course website:** <https://owl.uwo.ca/portal>

**Undergraduate inquiries:** 519-661-3507 SSC Room 4075 or [econugrd@uwo.ca](mailto:econugrd@uwo.ca)

## **Registration:**

You are responsible for ensuring you are registered in the correct courses. If you are not registered in a course, the department will not release any of your marks until your registration is corrected. You may check your timetable by using the login on the student services website at <https://student.uwo.ca>. If you notice a problem, please contact your home faculty academic counsellor immediately.

## **Prerequisites:**

This course has *EC2260A/B* as a requisite and *EC2151A/B* as an anti-requisite. Additionally, some knowledge of calculus, analytic geometry, and linear algebra is required.

You are responsible for ensuring that you have successfully completed all course prerequisites, and that you have not taken an anti-requisite course. Lack of prerequisites may not be used as a basis for appeal. If you are found to be ineligible for a course, you may be removed from it at any time and you will receive no adjustment to your fees. This decision cannot be appealed. If you find that you do not have the course prerequisites, it is in your best interest to drop the course well before the end of the add/drop period. Your prompt attention to this matter will not only help protect your academic record, but will ensure that spaces become available for students who require the course in question for graduation.

## **Course Description:**

This course is about the performance, advantages, and pitfalls of different institutions to allocate resources, focusing on markets. As a starting point, we will make use of the models of supply and demand you studied in EC2260. Additionally, we will study models of competitive equilibrium, as well as some concepts from Game Theory and Mechanism Design. We will begin by discussing which outcomes are desirable from a social perspective. Then, we will study a stylized model of perfectly competitive markets that can achieve such outcomes under ideal circumstances. In the second part of the course, we will identify situations that can lead to market failure including: concentration of market power, public goods, externalities, and asymmetric information. We will discuss alternative mechanisms to deal with such complications.

## Course Learning Outcomes:

As a result of taking this course the students will understand the basic microeconomic concepts and tools that are required for more advanced specialized economic courses, and be able to apply these concepts and tools to analyze real life economic situations. Specifically, the students will learn and be able to explain the essential microeconomic concepts including Pareto efficiency, social welfare, market demand and supply, competitive equilibrium, dominant strategies, Nash equilibrium, market power, collusion, price discrimination, public goods, externalities, asymmetric information. The students will understand the determinants of the market demand and supply, and be able to perform qualitative predictions and welfare evaluation of how the market outcomes depend on the market demand and supply, the level of competition, and various government policies. The students will learn to identify the circumstances when the market performance is likely to be suboptimal, and understand which market interventions and/or alternative allocation mechanisms could help.

## Textbooks:

The required textbook for this course is: *Varian (2014): Intermediate Microeconomics with Calculus, Norton*. This textbook has a workbook, which is recommended (but not required) for this course: *Bergstrom & Varian (2014): Workouts in Intermediate Microeconomics, Ninth Edition, Norton*.

## Grading:

Your grade for the class will be composed of five parts

- 30% from the first preliminary exam to be held in class on *February 7th*
- 30% from the second preliminary exam to be held in class on *March 21st*
- 30% from the *cumulative* final exam to be given during finals period
- 10% from three problem sets that will be due on the last class before each exam, respectively

If your final exam mark is higher than the lowest midterm mark, then the mark of the lowest midterm will be dropped and the weight of the final will be changed to 60%. Unless unusual circumstances arise, the weighted scores are assigned letter grades A-B-C at proportions of 25-30-25 percent. The remaining 20 percent is spread across the letter grade distribution (including D and F) at the discretion of the instructor.

## Contents outline:

1. *Welfare* [Ch. 34] — preference aggregation, social choice functions, Arrow's impossibility theorem, Pareto efficiency, Rawlsian justice, social welfare, quasilinear preferences
2. *Market equilibrium* [Ch. 16, 17, 32] — review of supply and demand, partial equilibrium, comparative statics policy analysis, general equilibrium, demand estimation, policy evaluation
3. *Market failure* [Ch. 25–26, 28–30, 35] — monopoly, Game Theory, oligopoly, collusion, public goods, externalities
4. *Incomplete Information* [Ch. 18, 37, 38 & lecture notes] — mechanism design, auctions, public goods with incomplete information, VCG mechanism, second-best mechanisms, market for lemons, Myerson-Satterthwaite theorem, optimal mechanisms

**Please Note**  
Department Policies for 2017 – 2018

Remember that the University expects all students to take responsibility for their own academic Programs. Also remember to check your registration to make sure you are enrolled in the correct courses.

1. Guidelines and policies for the Faculty of Social Science and the Department of Economics are posted online in the current Western Academic Calendar at <http://westerncalendar.uwo.ca>.
2. Students must familiarize themselves with the “Rules of Conduct for Examinations” <http://westerncalendar.uwo.ca/2017/pg136.html>.
3. **Cheating as an academic offence:** Students are responsible for understanding what it means to “cheat”. The Department of Economics treats cheating incidents very seriously and will investigate any suspect behavior. Students found guilty will incur penalties that could include a failing grade or being barred from future registration in other economics courses or programs. The University may impose further penalties such as a notation on your official academic transcript, suspension or expulsion.
4. **Plagiarism:** Students must write their essays and assignments in their own words. Whenever students take an idea or a passage from another author, they must acknowledge it by using quotation marks where appropriate and referencing with footnotes or citations. Plagiarism is a major academic offence (see Scholastic Offence Policy in the current UWO Academic Calendar at <http://westerncalendar.uwo.ca/2017/pg113.html>).

The University of Western Ontario uses software to check for plagiarism and students may be required to submit their written work in electronic form. Those found guilty will have penalties imposed as noted in point 3.

5. It is Department of Economics policy that **NO** assignments be dated, stamped or accepted by staff. Students are responsible for submitting assignments in class or to the instructor during office hours.
6. When appealing a mark, students should refer to the University’s Procedures in the current UWO Academic Calendar (<http://westerncalendar.uwo.ca/2017/pg112.html>). Please note the relevant deadlines.

The Department will not consider any appeal unless an attempt has been made to settle the matter first with your instructor. If after this discussion you remain dissatisfied with a grade or other decision, you may proceed with a written appeal (e-mails are not acceptable) to the Undergraduate Director in Economics, stating the reasons for your appeal. A useful form and checklist is provided at ([http://economics.uwo.ca/undergraduate/program\\_counselling/responsibilities\\_policies.html#appeals](http://economics.uwo.ca/undergraduate/program_counselling/responsibilities_policies.html#appeals)).

7. Systematic adjustments of a class grade distribution (either up or down) can occur in Economics courses. The fact that grades have been adjusted is **not** grounds for an appeal.

8. Note the following add and drop deadlines:

Last day to **add** a 2<sup>nd</sup> term half course:  
**Tuesday, January 16<sup>th</sup>, 2018**

Last day to **drop** 2<sup>nd</sup> term half course without academic penalty:  
**Wednesday, March 7<sup>th</sup>, 2018**

9. Faculty of Social Science policy states that oversleeping or misreading an exam schedule is not an excuse for a make-up. This rule applies to all mid-term tests and final exams in the Department of Economics.

### **Policy Regarding Makeup Tests and Final Examinations**

*Academic accommodation will **not** be granted automatically on request. You **must** demonstrate by documentation that there are **compelling** medical or compassionate grounds before academic accommodation will be considered.*

If you decide to write a test or an examination, you must be prepared to accept the mark you earn. Rewriting tests or examinations, or having the value of the test or examination reweighted on a retroactive basis, is **not** permitted. Book airline flights after you know the dates of your final examinations. Airline flights must not conflict with test or final exams.

If you are requesting a makeup test for a midterm or a final examination, unless medically incapable, notify your instructor by email or phone, preferably prior to the scheduled date of the test, but definitely within **24 hours** of the date of the test or exam. Failure to follow this procedure may result in denial of a request for academic accommodation or result in a grade of zero. Set up an appointment as soon as possible to meet personally with your instructor. If the instructor is not available, you may send an email message, copying the Undergraduate Coordinator at [econugrd@uwo.ca](mailto:econugrd@uwo.ca) (Social Science Room 4075). **Notifying your instructor of a missed test or exam does not automatically entitle you to a makeup test.**

Students who seek a makeup test or examination must provide medical or other relevant verification that their absence from a regularly scheduled test or examination is beyond their control. Documentation must support your reasons. Medical documentation should be given to the Academic Counselling Office of your *home* Faculty **as soon as possible (preferably within 24 hours of the test)** if you know you may not be able to write your final examination on the scheduled day and time. Failure to follow this procedure, or to provide supporting documentation, may result in denial of a request for academic accommodation or result in a grade of zero. If your documentation is not acceptable, you will be given a zero for the missed test.

For personal illness, if you consult Student Health Services regarding your illness or personal problem, you should request a Student Medical Certificate from the physician. If you were seen by an off-campus doctor, obtain a certificate from his/her office at the time of your visit. The off-campus medical certificate form must be used and can be found at:  
[http://www.uwo.ca/univsec/pdf/academic\\_policies/appeals/medicalform.pdf](http://www.uwo.ca/univsec/pdf/academic_policies/appeals/medicalform.pdf). Notes stating "For Medical Reasons" are not considered sufficient.

For any other circumstances, if you are not sure what documentation to provide, ask your Academic Counsellor. If your documentation is judged sufficient, the Academic Counsellor will issue a Recommendation for a Special Examination (a single form for midterms or a triple color form for final examinations). Once you have this form, contact your instructor as soon as possible to make arrangements. Even if approved from your home faculty Academic Counsellor, there is no guarantee that you will be allowed to write the makeup test and exam.

For final examinations, you need permission from your *home* Faculty Counsellor, your instructor, and the Department Undergraduate Director. Failure to follow this procedure may result in an examination grade of zero. You must ensure that the Special Examination form has been signed by the instructor and Department Undergraduate Director and that the form is returned to the Academic Counselling Office for approval without delay. Make-up final examinations, if permitted, will be written within one month of the end of the exam period.

### **Policies Regarding Academic Accommodation**

Information about the Faculty of Social Science's policies regarding academic accommodation is found on its website at <http://counselling.ssc.uwo.ca/procedures/havingproblems.asp> or in Social Science Room 2105. Your "Academic Rights and Responsibilities" are also outlined in the current UWO Calendar at <http://westerncalendar.uwo.ca/2017/pg111.html>. Claiming that "you didn't know what to do" is not an acceptable excuse for not following the stated procedures.

### **Policy Regarding Class Attendance**

If your instructor views your class attendance as unsatisfactory, you can be prohibited from writing the final examination. If there is intent to make use of this University policy, you will be notified in writing.

### **Statement on Mental Health and Support Services**

If you or someone you know is experiencing emotional/mental distress, there are several resources here at Western to assist you. Please visit <http://www.uwo.ca/uwo.com/mentalhealth/> for more information and a complete list of resources, as well as how to obtain help.