

INTERMEDIATE MICROECONOMICS II

ECONOMICS EC2261B-001/002

Department of Economics
Western University

Winter 2020

General Information:

Instructor: Bruno Salcedo

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Office hours: M9:00-10:00 and F13:00-14:00

Classroom meeting time(s) & location: Section 001: MWF 14:30–15:30 Room NSC 7
Section 002: MWF 10:30–11:30 Room UCC 41

Course website: <http://brunosalcedo.com/2261.html>

Undergraduate inquiries: 519-661-3507 or SSC Room 4075 or econugrd@uwo.ca

Registration:

You are responsible for ensuring you are registered in the correct courses. If you are not registered in this 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.

Prerequisite Note:

This course has *EC2260* as a prerequisite and *EC2151* as an antirequisite.

Some knowledge of calculus, analytic geometry, and linear algebra is required. The Economics Department website provides online resources to help with the mathematical prerequisites at https://economics.uwo.ca/undergraduate/undergraduate_resources/. If at any point in the course you feel insecure about these prerequisites, please reach out to me as early as possible.

You are responsible for ensuring that you have successfully completed all course prerequisites, and that you have not taken any anti-requisite courses. 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 used to allocate resources, focusing on markets. We will combine tools you learned in EC2260 with new tools from Social Choice, Game Theory, and Mechanism Design. We will begin discussing ways to evaluate social outcomes from a social perspective, balancing out the preferences of different members of society. Later on, we will analyze a stylized model of perfectly competitive markets that can achieve desirable outcomes under ideal circumstances. Then, we will identify several issues that may lead to market failure, including market power, public goods, externalities, and information frictions. We will conclude by analyzing some alternative mechanisms to deal with such issues.

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.

Tentative Course Schedule:

1. *Social Choice and Welfare*: Arrow's Theorem, Pareto Improvements, Utilitarianism, Social Justice, Transferable Utility
2. *Competitive Markets*: Supply and Demand, Partial Equilibrium, Comparative Statics, Policy Analysis, Market Entry, General Equilibrium, Empirical Issues
3. *Market Failures*: Monopoly, Price Discrimination, Game Theory, Oligopoly, Collusion, Public goods, Externalities, Market for Lemons
4. *Mechanism Design*: Auctions, Public Goods with Incomplete Information, VCG mechanism, Second-Best Mechanisms, Myerson-Satterthwaite

Textbook(s):

You are responsible for reading all the slides and lecture notes posted on the course website. There is no required textbook. If you are looking for additional reading material or problem exercise, I recommend [Varian \(2019\) Intermediate Microeconomic Analysis with Calculus](#), and the corresponding workbook Bergstrom & Varian (2014) [Workouts in Intermediate Microeconomics](#).

Grading:

Final grades for the class will be determined as follows

- 31% from the first midterm exam to be held in class on *February 5th*
- 31% from the second midterm exam to be held in class on *March 11th*
- 31% from the *cumulative* final exam to be held during the finals period
- 7% from problem sets that will be assigned throughout the term
- Extra credit from participation in in-class activities

If your final exam mark is higher than your lowest midterm mark, then I will drop the mark from your lowest midterm and the weight of your final will be changed to 62%. Because of this, if you do miss both midterms, I will strictly enforce the department policy on missed academic responsibilities, detailed on pages 4 to 6 of this syllabus.

Copyright:

Lectures and course materials, including presentation slides, lecture notes, outlines, and similar materials, are protected by copyright. Students may take notes and make copies of course materials for their own educational purposes. Students may not record lectures, reproduce (or allow others to reproduce), post or distribute lecture notes, wiki material, and other course materials publicly and/or for commercial purposes without written consent.

Please Note Department Policies for 2019-2020

Remember that the University expects all students to take responsibility for their own Academic Programs. Students should also check their registration to ensure they 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://www.uwo.ca/univsec/pdf/academic_policies/exam/administration.pdf.
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 an official academic transcript, suspension or expulsion.

4. **Plagiarism:** Students must write their essays and assignments in their own words. When taking an idea/passage from another author, it must be acknowledged with quotation marks where appropriate and referenced with footnotes or citations. Plagiarism is an academic offence (see Scholastic Discipline for Undergraduate Students in the Western Calendar at http://westerncalendar.uwo.ca/PolicyPages.cfm?Command=showCategory&PolicyCategoryID=1&SelectedCalendar=Live&ArchiveID=#Page_20).

Western University uses software to check for plagiarism and students may be required to electronically submit their work. Those found guilty will be penalized as noted in point 3.

5. It is a Department of Economics policy that **NO** assignments be dated, stamped or accepted by staff. Students must submit assignments in class or to the instructor during office hours.
6. When appealing a mark, students should refer to the Student Academic Appeals section in the current Western Academic Calendar at:
http://westerncalendar.uwo.ca/PolicyPages.cfm?Command=showCategory&PolicyCategoryID=1&SelectedCalendar=Live&ArchiveID=#Page_14
Please note the relevant deadlines.

The Department will not consider an appeal unless an attempt has been made to settle the matter with the instructor first. Students who remain dissatisfied with the outcome may proceed with a written appeal (e-mails are not acceptable) to the Undergraduate Director in Economics, stating the reasons for their appeal. A checklist is provided at:

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:

Deadline to <u>add</u> a second term half course:	January 14, 2020
Deadline to <u>drop</u> a second term half course:	March 7, 2020

9. Faculty of Social Science policy states that oversleeping or misreading an exam schedule is **NOT** grounds for a makeup. This rule applies to midterm and final exams in the Department of Economics.

Policy on Tests, Final Exams and on Missed Academic Responsibilities

Students who proceed to write a test or examination must be prepared to accept the mark. Rewriting tests or examinations, or retroactive reweighting of marks, is **not** permitted. Students must book travel arrangements AFTER final exam dates have been posted; travel is not an acceptable excuse for absence from a final exam.

Students who are temporarily unable to meet academic requirements due to extenuating circumstances can follow Western University procedures to request academic consideration through the following routes:

- a) Submit a Self-Reported Absence form if the conditions for submission are met (e.g., only for exams or assessments worth 30% or less of the course mark; not applicable to final exams; maximum 2 self-reported absences per academic year; see [link](#) for full list of conditions and info).

If the conditions for submission of a Self-Reported Absence form are not met, then:

- b) For medical absences, submit a Student Medical Certificate (SMC) signed by a licensed medical or mental health practitioner along with a request for academic consideration to Academic Counselling in the student's home Faculty (see [link](#) for full info) ; or
- c) For non-medical absences (e.g., religious or compassionate), submit appropriate documentation to Academic Counselling in the student's home Faculty (see [link](#) for full info).

It is strongly recommended that students notify their instructors as soon as possible. University policy is that students **must** communicate with their instructors no later than **24 hours** after the end of the period covered by either the self-reported absence or SMC, or immediately upon their return following a documented absence. Failure to follow University policy and procedures may result in denial of academic accommodation and a grade of zero. Students should also set up an appointment to meet with their instructor as soon as possible. If the instructor is not available, send an email message, copying the Undergraduate Coordinator at econugrd@uwo.ca.

Note: Academic consideration is not normally intended for long-term, recurring absences, an existing disability, or high levels of stress related to academic performance. In such cases, students should consult their academic counsellor. See [link](#) for full information.

In all cases, if the documentation submitted to request academic consideration is not acceptable, students will receive a grade of zero for the missed test, exam, or assignment.

For full information about Western University's policies and procedures for student absences and requests for academic consideration, please visit this [link](#).

Policies Regarding Academic Accommodation

The Faculty of Social Science's policies regarding academic accommodation is found at http://counselling.ssc.uwo.ca/procedures/having_problems/index.html.

“Academic Rights and Responsibilities” are also outlined in the Western Calendar at <http://westerncalendar.uwo.ca/PolicyPages.cfm?PolicyCategoryID=1&command=showCategory&SelectedCalendar=Live&ArchiveID=>. 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 the instructor deems a student's class attendance as unsatisfactory, that student may be prohibited from writing the final examination. If there is intent to make use of this University policy, the student will be notified in writing.

Statement on Mental Health and Support Services

Students under emotional/mental distress should visit http://uwo.ca/health/mental_wellbeing/ for more information and a complete list of resources on how to obtain help.