

**INTERMEDIATE MICROECONOMICS II**  
**ECONOMICS EC2261B–001/002**  
**Department of Economics**  
**Western University**

**January 2025**

**Instructor:** Bruno Salcedo  
**Office:** 4058 SSC  
**E-mail:** [bsalcedo@uwo.ca](mailto:bsalcedo@uwo.ca)  
**Zoom:** [westernuniversity.zoom.us/my/brunosalcedo](https://westernuniversity.zoom.us/my/brunosalcedo)

**Office hours:** *MWF 10-11 in-person*  
**Delivery mode:** *In-person*  
**Meeting time(s):** Section 001: MWF 8:30 to 9:20  
Section 002: MWF 11:30 to 12:20  
**Classroom:** Section 001: SSC 2028  
Section 002: UCC 41

**Course website:** <https://westernu.brightspace.com/>  
**Undergraduate inquiries:** 519-661-3507 or 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 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/Antirequisite Note:**

The prerequisite for this course is Economics 2260.  
The antirequisite for this course is Economics 2151.

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 that allocate resources, focusing on markets. We will combine the tools you learned in Economics 2260 with new tools from Social Choice, Game Theory, and Mechanism Design. The course is divided into four parts:

1. We will begin discussing ways to evaluate social outcomes from a social perspective, balancing out the preferences of different members of society. We will study Arrow's Impossibility Theorem, the Pareto Criterion, and the Kaldor–Hicks criterion.
2. Then, we will introduce some basic decision-making models to predict economic agents' behaviour in strategic situations. We will cover expected utility, dominance, and rationalizability in static games and sub-game perfection in dynamic games, with applications to social dilemmas, auctions, and bargaining.
3. After the first exam, we will apply the tools we have learned thus far to study the behaviour and performance of different market arrangements. We will study markets with varying degrees of competition, including monopolies, oligopolies, competitive markets, and markets operated by collusive cartels. We will also study a general equilibrium model for a pure exchange economy.
4. The last part of the course studies the design of institutions to achieve desired outcomes. First, we will examine different mechanisms monopolists can use to increase their profit. Then, we will study the Vickrey–Clarke–Groves mechanism and its connection to Carbon taxes. Finally, we will study the theory of second–best mechanisms, focusing on a public goods application.

**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. They will also be able to apply these concepts and tools to analyze real-life economic situations. Specifically, the students will learn the most essential microeconomic concepts, including Pareto efficiency, social welfare, demand and supply, competitive equilibrium, dominant strategies, Nash equilibrium, market power, collusion, price discrimination, public goods, externalities, and asymmetric information. The students will understand the determinants of demand and supply and market outcomes, including various public policies. The students will learn to identify the circumstances when the market performance is likely to be suboptimal, and which market interventions and/or alternative allocation mechanisms could help

**Textbook(s) and Course Materials:**

The only mandatory reading materials are the lecture notes and slides posted on OWL. For additional (but not required) reading material or problem exercise, I recommend any edition of [Varian & Melitz \(2019\)](#) *Intermediate Microeconomic Analysis with Calculus*. The newest edition can be bought from [Amazon.ca for \\$135.06](#). Older editions are currently listed on [Amazon.ca for as low as \\$35.83](#). While older editions list Hal Varian as the only author, the contents of different editions are equivalent for this class. You can find additional practice problems in the corresponding workbook [Bergstrom & Varian \(2014\)](#) *Workouts in Intermediate Microeconomics with Calculus*. This workbook is listed on [Amazon.ca for as low as \\$20.00](#).

**Tentative Course Schedule:**

	<i>dates</i>	<i>topic</i>
Reviews of 2260	—	Supply
Review of 2261	—	Demand
Unit 1	1/06 — 1/08	Social Choice & Welfare
Unit 2	1/13 — 1/15	Expected Utility
Unit 3	1/20 — 1/22	Static Games
Unit 4	1/27 — 1/29	Dynamic Games
<i>Midterm 1</i>	2/5 (tentative)	Units 1 to 4
Unit 5	2/10 — 2/12	Markets
Break	2/17 — 2/19	—
Unit 6	2/24 — 2/26	Competition & Collusion
Unit 7	3/03 — 3/05	General Equilibrium
<i>Midterm 2</i>	3/12 (tentative)	Units 5 to 7
Unit 8	3/17— 3/19	Price Discrimination
Unit 9	3/24 — 3/28	Efficient Mechanisms
Unit 10	3/31— 4/02	Second-Best Mechanisms
<i>Final</i>	TBA	Units 1 to 10

**Assessments and Grading:**

Your final grade will be determined as follows:

- 30% from the first midterm exam to be held tentatively on *February 5*
- 30% from the second midterm exam to be held tentatively on *March 12*
- 30% from the *cumulative* final exam to be held during the finals period
- 10% from three problem sets

*Problem sets.*— There will be one problem set for each exam. I will drop the lowest problem set. Late problem sets will not be accepted once I post the solutions on OWL. The problem sets are the best way to help you prepare for the exams.

*Midterm exams.*— The midterm exams will be held in person from 6:00 until 8:00 in a location to be determined. There will be no make-up midterm exams. If you miss a midterm exam, I will automatically transfer the weight to the remaining exams. There is no need to request academic consideration. The final exam is cumulative and covers materials from the entire semester.

### **Tips on How to be Successful in this Class**

This class is significantly more abstract than the first-year courses. You will not have to do complicated mathematical calculations (nothing beyond derivatives of polynomials, systems of linear equations, and simple algebraic manipulations). However, you must understand several very precise and abstract mathematical definitions. This can be challenging, confusing, and even frustrating for some people. Like most other skills, it is something you can learn with practice. Some courses tend to give the same problem in homework and exams with different numbers. That is rarely the case in my exams. Every exam will include at least one problem that differs entirely from everything in the problem sets. I don't want you to memorize the steps to solve a specific problem. I want you to apply the concepts to different problems you have never seen before.

At the end of the course, the class average will be similar to other Economics courses you have taken and will take. However, the best way to prepare for the exams might differ from what you are used to. I have two suggestions to help you master the contents of the course.

1. Understanding and memorizing an abstract definition are two very different things. I recommend you do two things for every definition in the slides (usually inside a red box). First, rewrite the definition with your own words, being as precise as possible. After you do, compare it with the original definition to ensure you did not change the meaning of the definition. Second, come up with concrete examples that satisfy the definition and examples that do not satisfy the definition.
2. Study problems rather than solutions. Memorizing that solution to a problem will not teach you how to solve different problems. Try to solve problems without looking for online solutions or generative AI. If you get stuck and don't know what to do, force yourself to do something, even if it is wrong. Only allow yourself to look for solutions after you already have a solution on your own. You can always ask me to check your solutions during my office hours or via email. You don't become a professional athlete by watching professional sports on TV. And you don't become a professional economist by reading solutions to problems.

As a final tip, you should be skeptical of generative AI. In essay courses, I recommend all my students use chat GPT for their essays. Generative AI can be a good writing assistant. However, the current versions of AI are not designed to answer mathematical problems correctly. Last year, a student got an exam question wrong because they repeated what they learned from Chat GPT.

**PLEASE NOTE**  
**DEPARTMENT & UNIVERSITY POLICIES FOR WINTER 2025**

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, policies, and your academic rights and responsibilities** are posted online in the current Western Academic Calendar at: <http://westerncalendar.uwo.ca>. Claiming that “you didn’t know what to do” is not an acceptable excuse for not following the stated policies and procedures.
  2. A *[new academic consideration and flexibility in assessment](#)* policy is in effect starting September 2024. Students can miss one assessment per course per term without medical documentation. Faculty can designate one assessment per course for which students **cannot** self-attest.
  3. Students must familiarize themselves with the “**Rules of Conduct for Examinations**” [http://www.uwo.ca/univsec/pdf/academic\\_policies/exam/administration.pdf](http://www.uwo.ca/univsec/pdf/academic_policies/exam/administration.pdf).
  4. **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 suspension or expulsion.
  5. **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](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 4.
6. It is a Department of Economics policy that **NO** assignments be dated, stamped or accepted by staff. Students must submit assignments to the instructor.
  7. **Appeals:** University policies and procedures for appealing a mark can be found in 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.**

Department of Economics procedures for appealing a mark can be found here: [https://economics.uwo.ca/undergraduate/program\\_counselling/responsibilities\\_policies.html#appeals](https://economics.uwo.ca/undergraduate/program_counselling/responsibilities_policies.html#appeals). 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 to submit an appeal to [econugrd@uwo.ca](mailto:econugrd@uwo.ca). Please follow the instructions and use the appeal form shown in the above link.

8. **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.

9. **ADD AND DROP DEADLINES:**

- Deadline to **ADD** second term full or half course: **January 14, 2025**
- Deadline to **DROP** second term full or half course **March 31, 2025**

**Policy Regarding Makeup Tests and Final Examinations**

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.

**Policies Regarding Academic Accommodation**

- Academic accommodation will not be granted automatically on request. Students must demonstrate by documentation that there are compelling medical or compassionate grounds before academic accommodation will be considered. The Faculty of Social Science's policies on academic accommodation are found at [https://counselling.ssc.uwo.ca/procedures/academic\\_consideration.html](https://counselling.ssc.uwo.ca/procedures/academic_consideration.html)
- **Accommodation for Students with Disabilities:** Students with disabilities or accessibility challenges should work with Accessible Education (formerly SSD, see [http://academicsupport.uwo.ca/accessible\\_education/index.html](http://academicsupport.uwo.ca/accessible_education/index.html)), which provides recommendations for accommodation based on medical documentation or psychological and cognitive testing. The accommodation policy can be found here: [Academic Accommodation for Students with Disabilities](#).
- **Rewriting Exams and Retroactive Reweighting are NOT Permitted:** 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 also book travel arrangements AFTER final exam dates have been posted as they

must not conflict with test or final exams.

- Unless medically incapable of doing so, students must notify their instructor prior to the test date or at least within **48 hours** when requesting a makeup exam. Failure to follow this procedure may result in denial of academic accommodation and a grade of zero. Students should also set up an appointment as soon as possible to meet with their instructor. If the instructor is not available, send an email message to the instructor, copying the Undergraduate Coordinator at [econugrd@uwo.ca](mailto:econugrd@uwo.ca). **Notifying instructors of a missed exam does not automatically entitle students to a makeup.**
- For medical illnesses, students may consult Student Health Services and request a Student Medical Certificate from the physician. If assessed by an off-campus doctor, students must obtain a certificate from his/her office at the time of the visit/assessment. Student Medical Certificate (SMC) is available here:  
[https://www.uwo.ca/univsec/pdf/academic\\_policies/appeals/medicalform.pdf](https://www.uwo.ca/univsec/pdf/academic_policies/appeals/medicalform.pdf)
- **Documentation for Accommodation:** Individual instructors are not permitted to receive documentation directly from a student, whether in support of an application for consideration on medical grounds or for other reasons.
- **Western University policy on Consideration for Student Absence** is available here:  
[https://counselling.ssc.uwo.ca/procedures/probation\\_rtw/appeals.html](https://counselling.ssc.uwo.ca/procedures/probation_rtw/appeals.html)
- **Religious Accommodation:** Students should consult the University's list of recognized religious holidays and should give reasonable notice in writing, prior to the holiday, to the Instructor and an Academic Counsellor if their course requirements will be affected by a religious observance. Additional information is given in the [Western Multicultural Calendar](#).

**Policy Regarding Class Attendance and Engagement:** If the instructor deems a student's attendance or engagement in the class to be unsatisfactory, that student may be prohibited from writing the final examination. Examples of unsatisfactory class engagement include frequent absences from an in-person or synchronous online class, lack of assignment submissions, and inadequate use of online course materials. Instructors who intend to make use of this policy will notify the student in advance.

**Statement on Gender-Based and Sexual Violence:** Western is committed to reducing incidents of gender-based and sexual violence (GBSV) and providing compassionate support to anyone who is going through or has gone through these traumatic events. If you are experiencing or have experienced GBSV (either recently or in the past), you will find information about support services for survivors, including emergency contacts at the following website: [Get Help](#). To connect with a case manager or set up an appointment, please contact [support@uwo.ca](mailto:support@uwo.ca).

**Statement on Mental Health and Support Services:** Students who are in emotional/mental distress should refer to Mental Health@Western <http://www.uwo.ca/uwocom/mentalhealth/> for a complete list of options about how to obtain help.

**Statement on Remote Proctoring:** While Western intends to hold most classes, mid-terms and finals in-person, the London-Middlesex Health unity may require western to teach in a remote format. If this occurs, all assessments will be done remotely and may involve the use of remote proctoring software (i.e., Proctorio, ProctorTrack). Instructors will provide information on the details should the need arise.