

UNIVERSITY OF WATERLOO

Department of Economics

Economics 301 (002) – Microeconomic Theory 2

Spring 2012

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Office Hours: 4:00-5:30 pm, TTh, or by appointment

Time of Lecture: 8:30-9:50 am, TTh

Location of Lecture: PAS 2083

Course Description

This course is the second of the sequence of microeconomic core theory courses. It is intended to strengthen students' understanding of the core concepts, methods and models of microeconomics. The main themes that will be covered include pricing and employment of inputs, general equilibrium theory, theory of modern welfare economics, and intertemporal choice. The course will make extensive use of analytical and quantitative skills that students gained in ECON 201 and ECON 211.

Course Objectives

At the end of the course, every student should:

- Be able to understand and explain the fundamental microeconomic theories that are used in many fields of economics.
- Be comfortable with the analytical and quantitative approaches that are used in microeconomic analysis.

Prerequisites

ECON 201 and ECON 211.

Textbooks

Most of the lecture material will be drawn from the following textbook:

Varian, H. R. (2010), *Intermediate Microeconomics: A Modern Approach*, Norton, New York, 8th edition.

It is optional to purchase this textbook, as students will be evaluated based on the material covered in class. However, it is strongly recommended that students complement lecture notes with the reading of relevant chapters from whatever textbook they used in ECON 201. Students who opt to use a different textbook (the one that they used in ECON 201) are responsible to make sure that they read the appropriate chapters.

Some copies of the Varian's textbook are available for purchase in the UW bookstore. An ebook version of the textbook is also available [visit nortonebooks.com for more information]. The textbook is accompanied with a workouts book by Bergstrom and Varian, which is also optional. Both the textbook and the workouts book will be placed on reserve (3 hours) at the Dana Porter Library.

Evaluation

- Students will be evaluated based on the following activities:
 1. Two midterm tests to be written on June 14th and July 12th during class time and in the room classes are held. The midterms will cover all material discussed in class up to the midterm date. More details about the content and the format of the midterms will be provided in class.
 2. A final exam to be scheduled by the registrar's office. The final exam will be cumulative, i.e. it will cover all material discussed in class during the entire term. The format of the final exam will be similar to that of the midterms.
- Three sets of practice problems and exercises will be distributed throughout the term. Solutions to the problems will be reviewed in class in preparation for the midterm and final exams. You are strongly encouraged to work on the practice problems and exercises in study groups. This constitutes a great way to help each other in your learning process. However, I expect every student to reflect personally on the questions prior to group discussions, and to make sure that he/she is able to write up as well as understands the solutions to the problems.
- The overall mark for the course will be determined as follows:

Evaluation Activity	Date	Weight
First Midterm	Tuesday June 5 th	25%
Second Midterm	Tuesday, July 10 th	25%
Final Exam	TBA by the registrar	50%

- If it is to a student's benefit, the midterm mark(s) will be dropped and the corresponding weighting shifted to the final exam.

Topics to Be Covered and Corresponding Readings

1. Application of Mathematical Tools to Some of ECON 201 Material (Varian, Chapters 4, 5, 8, 19, 20)
2. General Equilibrium of Exchange Economy (Varian, Chapter 31)
3. General Equilibrium of Production Economy (Varian, Chapter 32)
4. Welfare Economics (Varian, Chapter 33)
5. Externalities (Varian, Chapter 34)
6. Public Goods (Varian, Chapter 36)
7. Pricing and Employment of Inputs (Varian, Chapter 26)
8. Intertemporal Choice (Varian, Chapter 10)
9. Introduction to Game Theory (Varian, Chapter 28)

Important notes:

- The readings above refer to chapter numbers in Varian (2010). If you opt to use another textbook, please make sure that it contains the relevant chapters.
- We are expected to cover topics 1 through 8 (see the course description in the undergraduate calendar 2011-2012). Topic 9 will only be addressed if time permits.

Tentative Timetable and Readings

** Note: Some topics may require more or less emphasis than planned below. As a consequence, this timetable will be adapted as needed as we move through the term**.

Date	Topics	Readings
Tuesday, May 1	Course organization and introduction	
Thursday, May 3	Application of math tools to ECON 201 material	Varian (2010), Ch. 4 & 5
Tuesday, May 8	Application of math tools to ECON 201 material	Varian (2010), Ch. 8
Thursday, May 10	Application of math tools to ECON 201 material	Varian (2010), Ch. 19 & 20
Tuesday, May 15	General equilibrium of exchange economy	Varian (2010), Ch. 31
Thursday, May 17	General equilibrium of exchange economy	Varian (2010), Ch. 31
Tuesday, May 22	No Class (Monday schedule)	
Thursday, May 24	General equilibrium of production economy	Varian (2010), Ch. 32
Tuesday, May 29	General equilibrium of production economy	Varian (2010), Ch. 32
Thursday, May 31	Review for first midterm: Practice problems and exercises	
Tuesday, June 5	First Midterm	
Tuesday, June 7	General equilibrium of production economy: A Numerical Example	Varian (2010), Ch. 32
Tuesday, June 12	Welfare economics	Varian (2010), Ch. 33
Thursday, June 14	Welfare economics	Varian (2010), Ch. 33
Tuesday, June 19	Externalities	Varian (2010), Ch. 34
Thursday, June 21	Externalities	Varian (2010), Ch. 34
Tuesday, June 26	Public goods	Varian (2010), Ch. 36
Thursday, June 28	Public goods	Varian (2010), Ch. 36
Tuesday, July 3	Pricing and employment of inputs	Varian (2010), Ch. 26
Thursday, July 5	Review for second midterm: Practice problems and exercises	
Tuesday, July 10	Second Midterm	
Thursday, July 12	Intertemporal choice	Varian (2010), Ch. 10
Tuesday, July 17	Intertemporal choice	Varian (2010), Ch. 10
Thursday, July 19	Introduction to game theory	Varian (2010), Ch. 28
Tuesday, July 24	Review for final exam: Practice problems and exercises	

Important note on class attendance:

Regular attendance of lectures is strongly recommended, and active class participation (questions and comments from students) is encouraged. Lecture notes and corresponding readings should not be considered as perfect substitutes for class attendance. Students are responsible for all material covered in class, whether or not they are in the lecture notes or textbook. If a student misses a class for whatever reason, it is his/her own responsibility to make sure that he/she gets access to all the material and information discussed in class.

Policy on missed exams:

No make-up test will be provided for the midterms. Students who miss a midterm test and do not have a relevant medical certificate will receive a mark of zero. Should you miss a midterm and can provide an appropriate justification to the instructor (the UW verification of illness form is required), the weight of the midterm will be transferred to the final exam.

The final exam will be scheduled by the Registrar's Office during the examination period. It is the student's responsibility to make him/her available for the entire examination period, and travel plans are not a sufficient reason to have a final exam deferred. [See the following webpage for details: <http://www.registrar.uwaterloo.ca/exams/finalexams.html>] You are very strongly encouraged to write your final exam at the scheduled time and place. A student who has compelling evidence that he/she is unable to write the final examination at the scheduled time **MUST** petition the economics department to write the deferred final examination. For more details about the procedure that the economics department for deferred final examinations, please follow and read carefully the message on the URL below: <http://economics.uwaterloo.ca/DeferredExams.html>

Policy on remarking of tests:

If you feel that your test was not marked properly, you must advise the instructor **within 6 calendar days** of the date on which the test is handed back to the class. Any student that submits a test for remarking should understand that the entire test will be remarked and that their grade may improve, remain unchanged or perhaps even decrease as a result of the remarking process.

Pickup of marked assignments

Midterm papers will be returned in class after marking. Papers that are not picked up in class on the day they are returned will be available for pickup at the TA office during the TA office hours. Marked papers will be returned only to the students who wrote them (a valid student ID is required for your identification).

Communication with the instructor:

When e-mailing the instructor, you should always use your university e-mail address. Please also write ECON 301 on the subject line of the e-mail, and include your name and student ID number in your message. Please only e-mail the instructor for administrative purposes. I will not answer any questions regarding the course material or the structure of assessment (content

and/or format of midterms and final) by e-mail or phone. However, I welcome as many questions as possible during class time and/or my office hours.

Academic Integrity:

In order to maintain a culture of academic integrity, members of the University of Waterloo community are expected to promote honesty, trust, fairness, respect and responsibility. [Check <http://www.uwaterloo.ca/academicintegrity/> for more information.]

Grievance:

A student who believes that a decision affecting some aspect of his/her university life has been unfair or unreasonable may have grounds for initiating a grievance. Read Policy 70 - Student Petitions and Grievances, Section 4, <http://www.adm.uwaterloo.ca/infosec/Policies/policy70.htm>. When in doubt please be certain to contact the department's administrative assistant who will provide further assistance.

Discipline:

A student is expected to know what constitutes academic integrity [check <http://www.uwaterloo.ca/academicintegrity/>] to avoid committing an academic offence, and to take responsibility for his/her actions. A student who is unsure whether an action constitutes an offence, or who needs help in learning how to avoid offences (e.g., plagiarism, cheating) or about "rules" for group work/collaboration should seek guidance from the course professor, academic advisor, or the Undergraduate Associate Dean. When misconduct has been found to have occurred, disciplinary penalties will be imposed under Policy 71 – Student Discipline. For information on categories of offences and types of penalties, students should refer to Policy 71 - Student Discipline, <http://www.adm.uwaterloo.ca/infosec/Policies/policy71.htm>. For typical penalties check Guidelines for the Assessment of Penalties, <http://www.adm.uwaterloo.ca/infosec/guidelines/penaltyguidelines.htm>.

Appeals:

A student may appeal the finding and/or penalty in a decision made under Policy 70 - Student Petitions and Grievances (other than regarding a petition) or Policy 71 - Student Discipline if a ground for an appeal can be established. Read Policy 72 - Student Appeals, <http://www.adm.uwaterloo.ca/infosec/Policies/policy72.htm>

Note for students with disabilities:

The Office for Persons with Disabilities (OPD), located in NH1132, collaborates with all academic departments to arrange appropriate accommodations for students with disabilities without compromising the academic integrity of the curriculum. If you require academic accommodations to lessen the impact of your disability, please register with the OPD at the beginning of each academic term.