

University of Waterloo
Department of Economics
Econ 393 – Section 001
Market Failures
Fall 2018

Mon, Wed and Fri, 9:30-10:20 AM PAS 2083

Instructor Information

Instructor: Ryan George

Office: HH 218

Office Phone: 519-888-4567 ext. 33169 (please do not leave voice mails)

Office Hours: Monday, Wednesday and Thursday 1-2:20pm or by appointment

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The instructor will only respond to emails that include “Econ 393” in the subject line of the message.

Territorial Acknowledgement

We acknowledge that we are living and working on the traditional territory of the Attawandaron (also known as Neutral), Anishinaabe and Haudenosaunee peoples. The University of Waterloo is situated on the Haldimand Tract, the land promised to the Six Nations that includes six miles on each side of the Grand River.

Course Description

Markets fail to allocate resources well for a variety of reasons. Firms may have power to direct activity in an industry to their advantage. Participants with limited knowledge of others’ motivations or capacities, or actors who do not acknowledge the true costs or benefits of their actions, may make decisions reflecting their private interests that could be improved upon in a collective sense. We will study these limitations and the policies and mechanisms that economists have proposed to achieve superior outcomes. We will also ask how these failures are related to inequality of wealth and income.

Course Goals and Learning Outcomes

Upon completion of this course, students should:

- A. Be familiar with the analytical tools economists use to study market failures in real economies.
- B. Be prepared to study portions of the microeconomic literature and follow courses that presume an intermediate preparation in microeconomic theory.

Required Text

- Nechyba, Thomas J., 2011, *Microeconomics: An Intuitive Approach with Calculus* (South-Western Cengage Learning).

Three copies of the textbook are on reserve at the Dana Porter Library.

Readings Available on LEARN

- Lecture outlines that contain statement of main concepts and results discussed in lecture;
- Announcements, assignments and their solutions, midterm solutions.
- Solutions to recommended textbook problems.

Course Requirements and Assessment

Assessment	Date of Evaluation (if known)	Weighting (higher grade from two schemes will be used)	
		Scheme #1	Scheme #2
Assignments (3 @ 4% each)	Sept.24, Oct 24, Nov. 26	12%	12%
Research Summaries (3 @ 4% each)	Sept. 28, Oct. 19, Nov. 30	12%	12%
Participation	Sept. 28, Oct. 19, Nov. 30	6%	6%
Midterm 1	October 3 rd	15%	15% on better of MT1 and MT2
Midterm 2	November 2 nd	15%	
Final Examination	Exam Period	40%	55%
Total		100%	100%

Assignments

There will be three assignments over the course of the term. Each will count for 4% of the final grade. The assignments will be posted on LEARN, and hand-written answers are due in class. Due dates are Sept.24, Oct 24, Nov. 26. Without a prior arrangement with the instructor, *no late assignments will be accepted.*

Research Summaries

Students will write three one-page research summaries over the course of the term, which examine the connection between inequality and 1) externalities, 2) asymmetric information, 3) public goods. Each will count for 4% of the final grade. The essays must **be uploaded to LEARN before the beginning of class on the due date.** The due dates are Sept. 28, Oct. 19, Nov. 30. The research summaries can be a summary of a) an applied (ie. reporting on use of evidence gathered) *journal article in a peer-reviewed academic publication*, b) reputable print publication (ex. *The Economist*), c) a newspaper article, d) a research report by an NGO (ex. UN), research institution (ex. NBER), or government. They will be evaluated for their clarity and communication, significance of the analysis presented, and creativity in connecting to the course material in Econ 393.

Participation

Three class meetings will be given over to peer-feedback and discussion in small groups based on the research reports. Students will present their report to one another in small groups and discuss their findings. The best research reports from each of the small groups will be presented to the class.

Midterm Examinations

The midterm exams will be **held in class on October 3rd and November 2nd.** They will test students' proficiency with the material covered in the lectures, assignments and practice problems.

Final Examination

The final exam is comprehensive. The date will be set by the Registrar's Office.

Course Outline (Tentative)

Week	Date	Lecture Topic	Readings Due
1	Sept 7	Introduction to Course; Review Markets and Welfare Theorems	Ch.15-16
2	Sept 10 Sept 12 and Sept 14	Review Markets and Welfare Theorems	
3	Sept 17 Sept 19, Sept 21	Choice and Markets with Risk	Ch.17
Assignment 1 due Sept.24			
4	Sept 24 and Sept 26 Sept 28	Externalities – partial equilibrium Research Summary and Discussion Sept.28	Ch.21
5	Oct 1 Oct 3 Oct 5	<i>Catch-up and Review</i> Midterm 1 during lecture Wednesday, Oct. 3 Externalities – general equilibrium	Ch.21
6	Fri Oct 12 (Wed schedule)	No lecture Monday-Wednesday – study days Externalities – general equilibrium	
7	Oct 15 and Oct 17 19	Asymmetric information in competitive markets Research Summary and Discussion Oct.19	Ch. 22
Assignment 2 due Oct.24			
8	Oct 22 and 24 Oct 26	Asymmetric information in competitive markets	Ch. 22
9	Oct 29 Oct 31 Nov 2	Market Power: Monopoly <i>Catchup and Midterm Review</i> Midterm 2 during lecture Friday, Nov. 2	Ch.23
10	Nov 5 Nov 7 and 9	Market Power: Monopoly	Ch.23
11	Nov 12, Nov 14 Nov 16	Strategic Interaction	Ch. 24
12	Nov 19, Nov 21 Nov 23	Public Goods	Ch. 27
Assignment 3 due Nov.26			
13	Nov 26, Nov 28 Nov 30	<i>Catch-up</i> Research Summary and Discussion Nov.30	
14	Dec 3	<i>Course Review and Exam Details</i>	

Missed Work and Accommodation Regarding Assessment

If a student is unable to take a midterm exam for documented reasons, the student's mark will be based upon one midterm mark with the balance of the weight shifted to the final exam. If a second midterm is missed for a documented reason, a make-up midterm must be taken.

Please note that students who decide to take an exam cannot be given accommodation after the fact due to illness or personal complicating factors that may have affected their performance. If you are not well on the day of an exam it is advisable that you not take the exam and obtain valid documentation of the circumstances of this decision.

Electronic Device Policy

To avoid disruptions to the learning environment handheld devices must be turned off during the lecture and laptops must be used strictly for lecture-related purposes. If a student's use of a laptop becomes a distraction for adjacent students that student will be asked to discontinue its use.

Attendance Policy

Lectures are an important component of the learning process and should be attended regularly.

Economics Department Deferred Final Exam Policy

Deferred Final Exam Policy is detailed on the department website in the 'Resources and Policies' section of the Undergraduate program page. The web address is

<https://uwaterloo.ca/economics/undergraduate/resources-and-policies/deferred-final-exam-policy>

Cross-listed course

Please note that a cross-listed course will count in all respective averages no matter under which rubric it has been taken. For example, a PHIL/PSCI cross-list will count in a Philosophy major average, even if the course was taken under the Political Science rubric. 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. See the [UWaterloo Academic Integrity webpage](#) and the [Arts Academic Integrity webpage](#) for more information.

Discipline

A student is expected to know what constitutes academic integrity, to avoid committing academic offences, 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 offenses and types of penalties, students should refer to [Policy 71 - Student Discipline](#). For typical penalties check [Guidelines for the Assessment of Penalties \(https://uwaterloo.ca/secretariat-general-counsel/policies-procedures-guidelines/guidelines/guidelines-assessment-penalties\)](https://uwaterloo.ca/secretariat-general-counsel/policies-procedures-guidelines/guidelines/guidelines-assessment-penalties).

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 (<https://uwaterloo.ca/secretariat-general-counsel/policies-procedures-guidelines/policy-70>). When in doubt, please be certain to contact the department's administrative assistant who will provide further assistance.

Appeals

A decision made or penalty imposed under Policy 70, Student Petitions and Grievances (other than a petition) or Policy 71, Student Discipline may be appealed if there is a ground. A student who believes he/she has a ground for an appeal should refer to [Policy 72, Student Appeals \(https://uwaterloo.ca/secretariat-general-counsel/policies-procedures-guidelines/policy-72\)](#).

Note for Students with Disabilities

The [AccessAbility Services](#) office, located on the first floor of the Needles Hall extension (NH 1401), 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 AS office at the beginning of each academic term.

Turnitin.com: Text matching software (Turnitin®) will be used to screen assignments in this course. This is being done to verify that use of all material and sources in assignments is documented. Students who do not want to have their assignment screened by Turnitin® must inform the instructor within the first two weeks of classes, and agree to *submitting rough work at various points in the term*, or to some other mutually agreeable alternative.

Mental Health Support

All of us need a support system. The faculty and staff in Arts encourage students to seek out mental health supports if they are needed.

On Campus

- Counselling Services: counselling.services@uwaterloo.ca / 519-888-4567 ext 32655
- [MATES](#): one-to-one peer support program offered by Federation of Students (FEDS) and Counselling Services
- Health Services Emergency service: located across the creek from Student Life Centre

Off campus, 24/7

- [Good2Talk](#): Free confidential help line for post-secondary students. Phone: 1-866-925-5454
- Grand River Hospital: Emergency care for mental health crisis. Phone: 519-749-433 ext. 6880
- [Here 24/7](#): Mental Health and Crisis Service Team. Phone: 1-844-437-3247
- [OK2BME](#): set of support services for lesbian, gay, bisexual, transgender or questioning teens in Waterloo. Phone: 519-884-0000 extension 213

Full details can be found online at the Faculty of ARTS [website](#)

Download [UWaterloo and regional mental health resources \(PDF\)](#)

Download the [WatSafe](#) app to your phone to quickly access mental health support information