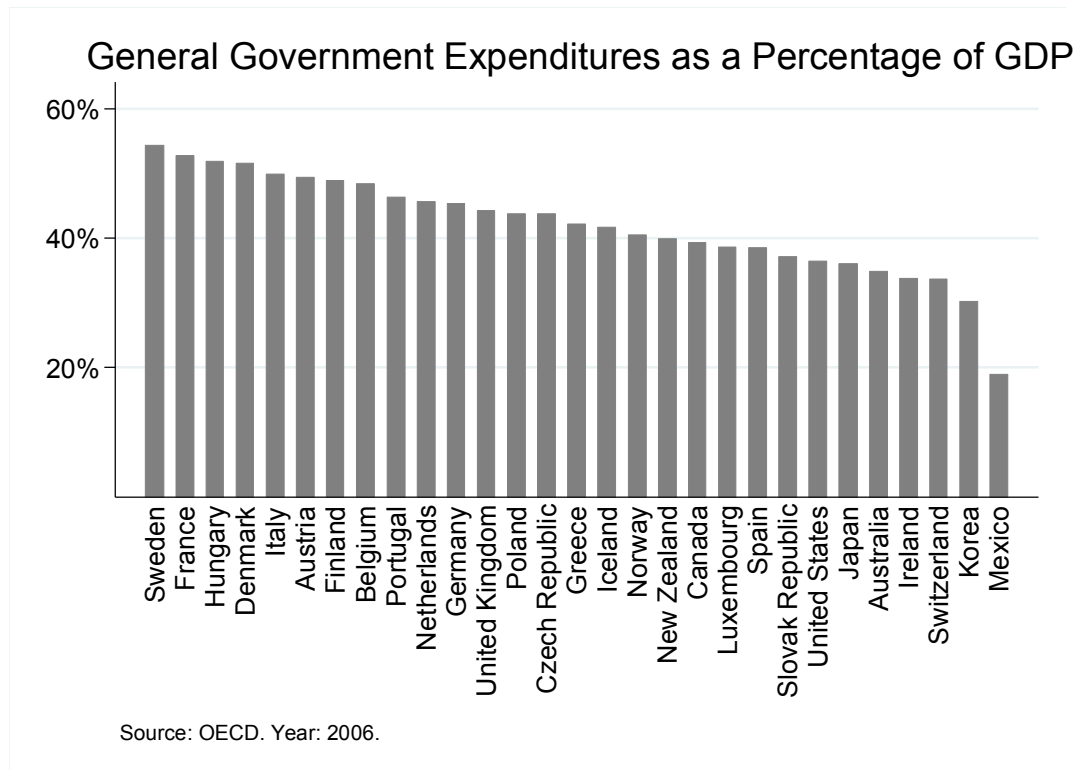


University of Waterloo
Department of Economics
Course Outline
ECON 101-002: Introduction to Microeconomics
Fall 2014



Course Introduction: Government takes part in a wide range of economic activities in industrialized countries. Much of economics seeks to uncover when such government involvement benefits and when it hurts the country's citizens. In this introductory microeconomics course, we study the key concepts and tools of economics through the lens the question: How big should the government be? Economic rationales for government involvement in economic activity motivate our study of consumer choice, production, competitive interaction, strategic interaction, and welfare measurement.

Instructor: Mikko Packalen

Office Hours: Usually on Tuesdays 2.30-5.30pm in HH 205, but please check the course website for possible weekly changes (learn.uwaterloo.ca).

Phone: (519) 888 4567 ext. 33431

Email: packalen@uwaterloo.ca; subject line must state "ECON 101"; the message must include your full name and ID number and should come from your .uwaterloo account (so that I know it's really you).

1. Course Description

This course provides an introduction to microeconomic analysis relevant for understanding the Canadian economy. The behaviour of individual consumers and producers, the determination of

market prices for commodities and resources, and the role of government policy in the functioning of the market system are the main topics covered.

2. Course Objective

The objectives of this course are for students to (a) understand the need for people to make choices and together work towards overcoming the universal problem of scarcity; (b) appreciate the relevance of economics in a changing world; and (c) develop the capacity to apply critical reasoning to economic issues.

3. Course Materials

The core course materials are: Problem Sets, Lectures, Class Notes, Slides, and a Textbook. These are all complementary to one another; none of them is a substitute to another.

4. Lectures

Tuesdays and Thursdays, 10-11.20am, DC 1350.

5. Problem Sets

Problem sets are distributed weekly through learn.uwaterloo.ca.

6. Class Notes and Slides

Class notes and slides are distributed through learn.uwaterloo.ca. The distributed slides do not include all slides shown in class. The notes are not a substitute to attending lectures.

7. Tentative Class Schedule and List of Main Topics

INTRODUCTION

- Scarcity of Resources, Tradeoffs
- Economists: “Everyone Optimizes”
- What we need to learn to examine the question “How Big Should the Government Be?”

WEEK 1: A Model of Consumer Choice with One Good

- Total Willingness to Pay
- Marginal Analysis, application 1: Price vs. Marginal Willingness to Pay
- Marginal Cost, Marginal Benefit
- Demand Curve
- Sunk Cost

PROBLEM SET 1 DUE

WEEK 2: A Model of Consumer Choice with Multiple Goods

- Indifference Curves, Marginal Rate of Substitution
- Budget Constraint, Opportunity Cost
- Marginal Analysis, application 2: The Marginal Rate of Substitution Condition

PROBLEM SET 2 DUE

WEEK 3: The Competitive Model of Interaction (as a Depiction of the Market Economy)

- Budget Constraint with an Endowment
- Exchange
- Competitive Equilibrium

PROBLEM SET 3 DUE

WEEK 4: A Comparison of the Market Economy and a Command Economy

- How to Compare Allocations, approach 1: Pareto Efficiency
- The First Welfare Theorem
- How good is the allocation with vs. without government intervention?

PROBLEM SET 4 DUE

MIDTERM EXAM 1

WEEK 5: The Utility Function (as an Alternative Representation of Preferences)

- Utility Function
- Marginal Utility
- Demand Function

PROBLEM SET 5 DUE

WEEK 6: The Strategic Model of Interaction

- Strategic Interaction
- Payoffs, Payoff Matrix
- Best Response
- Nash Equilibrium
- Extensive Form Game Tree
- Subgame-Perfect Nash Equilibrium

PROBLEM SET 6 DUE

WEEK 7: External Effects as a Rationale for Government Intervention

- Externalities
- How good is the allocation with vs. without government intervention?

PROBLEM SET 7 DUE

WEEK 8: Production and Competition

- Production Possibilities Frontier
- Production and Trade, Comparative Advantage
- Firm Objectives and Constraints
- Variable Costs; Fixed Costs; Revenue; Profit

- Monopoly
- Marginal Analysis, application 3: Marginal Cost, Marginal Revenue
- Cost Curves, Average Costs, Short-Run Costs vs. Long-Run Costs
- Perfect Competition

MIDTERM EXAM 2

WEEK 9: Imperfect Competition

- Monopoly
- Oligopoly

PROBLEM SET 8 DUE

WEEK 10: A Model of Interaction with Consumers and Production

- Market Demand Curve, Supply, Supply Curve
- A Simple Model of Market Equilibrium
- How to Compare Allocations, approach 2: Consumer, Producer and Total Surplus
- How good is the allocation with vs. without government intervention?

PROBLEM SET 9 DUE

WEEKS 11-12: Other Economic and Non-Economic Rationales for Government Intervention (time permitting):

- Public Goods
- Asymmetric information
- Inequality
- Behavioral aspects of decision-making

PROBLEM SET 10 DUE

FINAL EXAM

8. Textbook

The following textbook is common to all ECON 101 classes at UW: Parkin, Michael and Robin Bade, 2012, *Microeconomics: Canada in the Global Environment*, 8th edition. Pearson Education Canada. Available from the UW BookStore.

My lectures and problem sets do not follow the textbook. The textbook is not required for Midterm Exams 1 and 2. However, many sections of this textbook are required for the final exam (see below).

9. Assigned Sections of the Textbook (for the Final Exam only)

- Ch. 1 (11 pages). What is Economics? only pp. 1-10. **WEEK 1**
- Ch. 2 (13 pages). The Economic Problem, only pp. 30-42. **WEEK 8**

- (Production Possibilities and Opportunity Cost, pp. 30-32; Using Resources Efficiently, pp. 33-35; Gains from Trade, pp. 38-40, Economic Coordination, pp. 41-42).
- Ch. 3 (19 pages). Demand and Supply, only pp. 55-73. **WEEK 10**
 - Ch. 4 (8 pages). Elasticity, only pp. 83-90. **WEEK 10**
(Price Elasticity of Demand, pp. 83-90).
 - Ch. 5 (8 pages). Efficiency and Equity, only pp. 108-115. **WEEK 10**
(Benefit, Cost and Surplus, pp. 108-111; Is the Competitive Market Efficient?, pp. 112-115).
 - Ch. 6 (15 pages). Government Actions in Markets, only pp. 127-141. **WEEK 10**
(Rent Ceiling, pp. 127-130; Minimum Wage, pp. 131-132; Taxes (Incidence, Efficiency, Fairness), pp. 133-138; Production Subsidies and Quotas, pp. 139-141).
 - Ch. 8. (2 pages) Utility and Demand, only pp. 180-181 (Consumption Choices, pp. 180-181). **WEEK 5**
 - Ch. 9. (13 pages) Possibilities, Preferences, and Choices, only pp. 203-215. **WEEKS 1-3**
 - Ch. 10. (11 pages) Organizing Production, only pp. 227-241. **WEEK 8**
(The Firm and Its Economic Problem, pp. 227-230; Technological and Economic Efficiency, pp. 231-232; Markets and the Competitive Environment, pp. 237-241).
 - Ch. 11. (15 pages) Output and Costs, pp. 251-265. **WEEK 8**
 - Ch. 12. (12 pages) Perfect Competition, only pp. 273-285. **WEEK 8**
(What is Perfect Competition?, pp. 273-275; The Firm's Output Decision, pp. 276-279; Output, Price and Profit in the Short Run, pp. 280-282; Output, Price and Profit in the Long Run, pp. 283-285).
 - Ch. 13. (9 pages) Monopoly, only pp. 299-307. **WEEK 9**
(Monopoly and How it Arises, pp. 299-301; A Single-Price Monopoly's Output and Price Decision, pp. 302-305; Single-Price Monopoly; Competition Compared, pp. 306-307).
 - Ch. 15. (12 pages) Oligopoly, only pp. 341-352. **WEEK 9**
(What is Oligopoly?, pp. 341-343; Oligopoly Games, pp. 344-352).
 - Ch. 16. (4 pages) Externalities, only pp. 371-374. **WEEK 7**
(Externalities in Our Lives, pp. 371-374).
 - Ch. 17. (13 pages) Public Goods and Common Resources, only pp. 391-403. **WEEKS 11-12**
 - Ch. 19. (17 pages) Economic Inequality, only pp. 439-455. **WEEKS 11-12**
- Total: 182 pages.

10. Assessments

The mark breakdown:

Midterm Exam 1	Friday Oct 3, 4:30-5:50 pm	20%
Midterm Exam 2	Friday Oct 31, 4:30-5:50 pm	20%
Final Exam	TBA	60%

Notes:

- Midterm Exams 1 and 2 are based on material in Lectures, Problem Sets, Class Notes, and Slides.

- Final Exam is based on material in Lectures, Problem Sets, Class Notes, Slides, and the Assigned Sections of the Textbook.
- Exams are cumulative; the questions are based on any material studied in the course so far. For example, you should expect that some (perhaps even half) of the questions in midterm 2 are based on material covered in lectures before midterm 1.
- The date and time for the final exam will be set by the Registrar at a later time.
- Students are expected to be available during the exam period to write the final exam. Travel plans are not an acceptable reason for requesting an alternative final exam. See <http://www.registrar.uwaterloo.ca/exams/finalexams.html> for details.

11. Additional Information

1. Missing the Final Exam Due to Illness
 - Missing the final exam is a very serious matter which automatically results in a zero mark for the exam itself and possibly a failing mark for the course. Read the department policy on deferred final exams <http://economics.uwaterloo.ca/DeferredExams.html> for instructions.
2. Missing a Midterm Due to Illness During the Term
 - If a student misses a midterm due to illness and has valid documentation (approval required), the weight of the missed midterm will be shifted to the final exam. Without valid and timely submitted documentation, the student will receive zero for the missed midterm. Midterms will not be rescheduled *under any circumstances*.
3. Fee-Arranged Issues

Students are responsible for administrative matters concerning their course registration including fee arrangements. No make-up work or remedies will be given for losses of access to LEARN and academic consequences arising from administrative issues with the Registrar's Office.
4. Economic Clinic

During the terms when it is offered, the walk-in Economic Clinic offers free tutorial services to ECON 101 students (all sections). Check with the department (economics.uwaterloo.ca and bulletin boards) for availability.
5. Classroom Protocols
 - No private conversations in class will be tolerated.
 - Turn off all cell phone communication devices and put them away for the duration of the lecture.
 - Photographic devices are not permitted in class; this is a University regulation.
 - In order to maintain a learning environment in this classroom, I expect the highest level of courtesy and professional behaviour from every student.

12. University Statements

Economics Department Deferred Final Exam Policy

Deferred Final Exam Policy found at <https://uwaterloo.ca/economics/current-undergraduates/policies-and-resources/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

Academic Integrity: In order to maintain a culture of academic integrity, members of the University of Waterloo are expected to promote honesty, trust, fairness, respect and responsibility. See the [UWaterloo Academic Integrity Webpage \(https://uwaterloo.ca/academic-integrity/\)](https://uwaterloo.ca/academic-integrity/) and the [Arts Academic Integrity Office Webpage \(http://arts.uwaterloo.ca/current-undergraduates/academic-responsibility\)](http://arts.uwaterloo.ca/current-undergraduates/academic-responsibility) for more information.

Discipline: A student is expected to know what constitutes academic integrity, to avoid committing academic offenses, and to take responsibility for his/her actions. A student who is unsure whether an action constitutes an offense, or who needs help in learning how to avoid offenses (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, **including writing exams in a section that you are not registered in**, 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 found at <http://www.adm.uwaterloo.ca/infosec/guidelines/penaltyguidelines.htm>.

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](#). In addition, read [the Student Grievance Process](#) for the Faculty of Arts found at <https://uwaterloo.ca/arts/current-undergraduates/student-support/student-grievances-faculty-arts-processes>.

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](#).

Other sources of information for students

[Academic integrity \(Arts\) Academic Integrity Office \(uWaterloo\)](#)

Accommodation for Students with Disabilities

Note for students with disabilities: The [AccessAbility Services office](#), located in Needles Hall Room 1132, 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.